BANCA LOMBARDA E PIEMONTESE

QUARTERLY REPORT

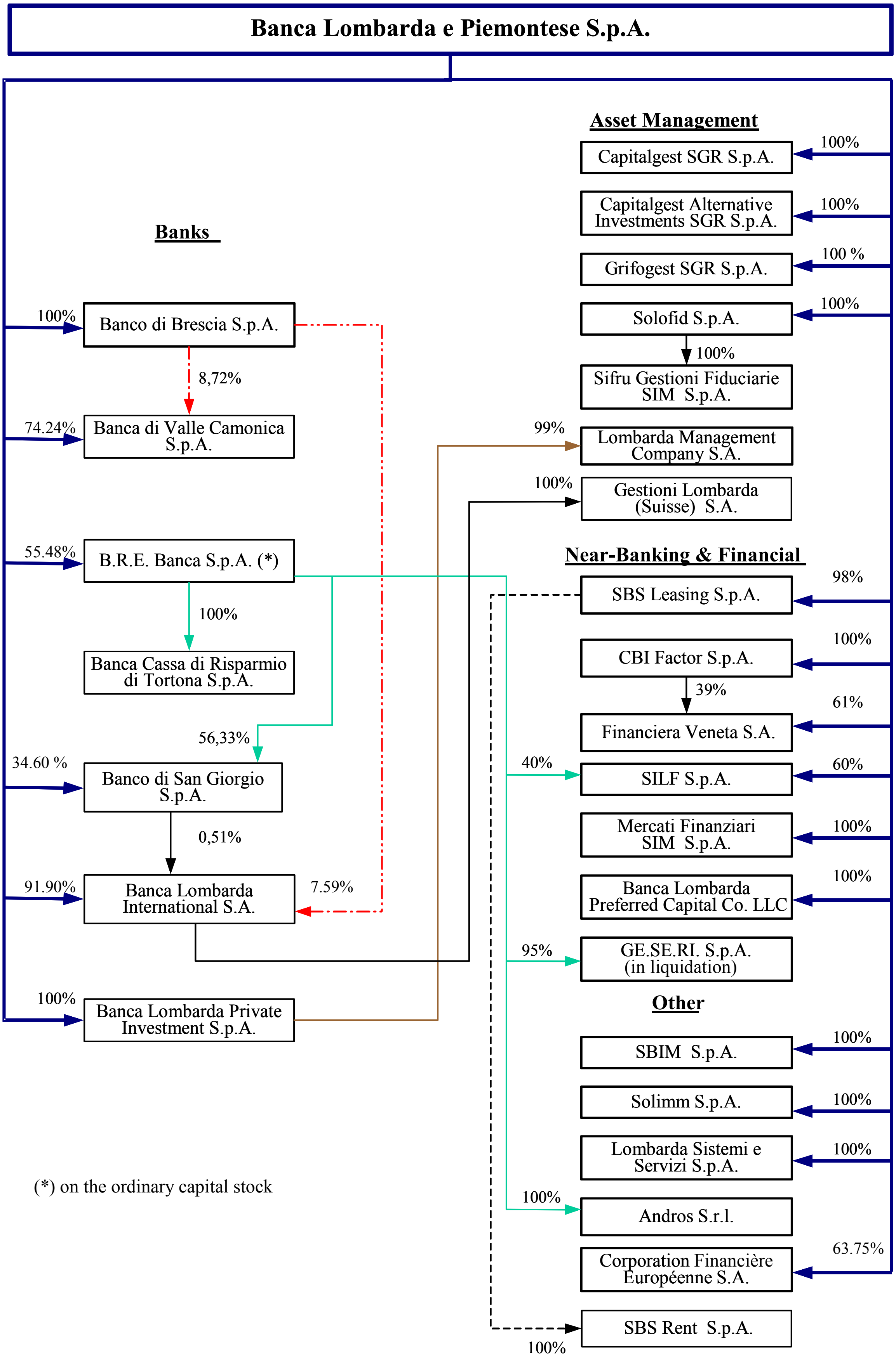
AT 30 SEPTEMBER 2006

KEY FIGURES OF THE BANCA LOMBARDA E PIEMONTESE GROUP

Balance sheet (in millions of euro)	**30/09/2006**	**31/12/2005**	**% Change**
Total assets	38,900	38,347	1.4%
Loans to customers	29,954	28,229	6.1%
Net non-performing loans / net loans to customers	0.77%	0.80%	
Financial assets (1)	3,952	3,984	-0.8%
Equity (excluding net income)	2,552	1,993	28.0%
Funding from customers (in millions of euro)	**30/09/2006**	**31/12/2005**	**% Change**
Customer assets under administration	79,313	75,669	4.8%
Direct deposits	30,036	28,910	3.9%
Indirect deposits	49,277	46,759	5.4%
- Asset management	26,784	26,160	2.4%
- Administered savings	22,493	20,599	9.2%
Statement of income (in millions of euro)	**30/09/2006**	**30/09/2005**	**% Change**
Net interest income	659.0	599.6	9.9%
Net commission income	357.7	347.0	3.1%
Net interest and other banking income	1,095.0	999.3	9.6%
Administrative costs	579.8	579.3	0.1%
Profit from operating activities before tax	457.2	360.3	26.9%
Net income for the period	236.6	173.4	36.5%
Structure data (end of period)	**30/09/2006**	**30/09/2005**	
Number of employees	7,518	7,569	
Number of branches	794	787	
Number of consultants	575	578	
Principal Group indicators	**30/09/2006**	**30/09/2005**	
Cost / income ratio (2)	52.9%	58.0%	
ROE first nine months (3)	9.3%	8.7%	
Share information	**30/09/2006**	**31/12/2005**	
Number of shares at the end of the period	351,752,470	322,292,258	
Share price during period (official price in €)			
- average	13.79	10.91	
- low	12.06	9.85	
- high	17.81	12.16	
Earnings per share (in €)	0.67	0.54	
Diluted net profit per share (in €)	0.67	0.53	
Market cap. at end of period (in millions of euro)	5,690	3,881	

(1) This includes financial assets held for trading, financial assets available for sale, financial assets held to maturity and hedging derivatives.
(2) The cost/income ratio is the ratio of operating costs to net interest and other banking income.
(3) ROE is the ratio of the net income for the first nine months and equity at the end of the period, excluding net income in the course of formation.

GROUP STRUCTURE AT 30 SEPTEMBER 2006



(*) on the ordinary capital stock

COMPANY DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Chairman	Gino Trombi *
Senior Vice Chairman	Alberto Folonari *
Vice Chairman	Giovanni Bazoli *
Chief Executive Officer	Corrado Faissola *
Director and Secretary	Mario Cera *
Directors	Luigi Bellini, Piero Bertolotto*, Sergio Borlenghi, Giuseppe Camadini *, Mario Cattaneo *, Virginio Fidanza, Pietro Gussalli Beretta, Giuseppe Lucchini, Federico Manzoni, Felice Martinelli, Giovanni Minelli, Luigi Nocivelli, Pierfrancesco Rampinelli Rota, Adriano Rodella, Matteo Viglietta, Romain Zaleski ** members of the Executive Committee*

BOARD OF STATUTORY AUDITORS

Chairman	Sergio Pivato
Auditors	Angelo Coen, Filippo Rovetta
Alternate auditors	Vincenzo Broli, Marco Confalonieri

SENIOR MANAGEMENT

General Manager	Victor Massiah
Deputy General Managers	Ettore Medda Alberto Pella Elvio Sonnino

POWERS OF THE BOARD OF DIRECTORS, THE EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT

In accordance with CONSOB's recommendation no. 97001574 of 20 February 1997, the following disclosure describes the powers of the Board of Directors and senior management.

This report lists the names of the Board members and the positions within the Bank held by each director.

Pursuant to art. 18 of the articles of association, the Board of Directors is responsible for the ordinary and extraordinary administration of the Bank. To this end, it has the widest possible powers, except for those that by law must be exercised by the Stockholders in General Meeting.

In the event of specific, individual matters of ordinary and extraordinary administration, the Board can delegate signature powers to one or more of its members; and for certain categories of acts and matters of ordinary administration, it can even grant proxies to people who are not employed by the Bank. To facilitate the Bank's normal operations, the Board can authorize employees to sign individually in relation to transactions decided upon by the Board.
Pursuant to Art. 21 of the Articles of association, the Board of Directors can appoint an Executive Committee with 5 to 8 members, and delegate powers to it in accordance with Art. 19 of the Articles of association.

The Executive Committee currently consists of eight members, and was appointed under the Board resolution dated 29 April 2005.

The Board of Directors has attributed to the Executive Committee all powers for the ordinary administration of the Bank, except for some that are the exclusive responsibility of the Board.
In urgent cases, the Executive Committee can take certain decisions that are normally the responsibility of the Board of Directors. Any such decisions must be reported to the Board at its next meeting.

Pursuant to Art. 22 of the articles of association, the Chairman, or whoever is taking his place, legally represents the Bank versus third parties and in court, at any level of justice, with the right to appoint attorneys and legal counsel.

On a recommendation from the Chief Executive Officer, if appointed, the Chairman can take decisions in an emergency that would normally be the responsibility of the Board or of the Executive Committee. Any such decisions must be reported to the Board at its next meeting. The Chairman allocates and distributes the amounts set aside for donations, on the basis and in the manner decided by the Board of Directors.

The Chief Executive Officer, with the assistance of the General Manager, has the following powers:
– to propose projects, objectives and strategies for the expansion of the Bank and the Group to the Board of Directors and the Executive Committee, taking suitable initiatives for this purpose;
– to make proposals regarding the most suitable structures and management resources needed to achieve these objectives.

The Chief Executive Officer, with the assistance of the General Manager, also has the task of coordinating between the Parent Bank and the companies of the Banking Group, giving them general and specific guidelines as established by the Board of Directors, constantly checking their performance, achievement of the budget objectives and development of the various business areas of the individual affiliates.
In addition, the Chief Executive Officer has also been delegated the power to supervise the ordinary administration of the Bank, with assistance from the General Manager, in compliance with the guidelines established by the Board of Directors and Executive Committee, keeping the Chairman constantly informed.

With regard to the Parent Bank's consent for resolutions adopted by Group companies in accordance with art. 136 of Decree 385/93, the Board of Directors has granted the Chairman, Mr. Trombi, the Vice Chairmen, Mr. Folonari and Mr. Bazoli and the Chief Executive Officer, Mr. Faissola, the authority to give such consent, with separate signing powers, except with regard to resolutions adopted by Banco di Brescia. In view of the fact that Messrs. Folonari, Bazoli and Faissola are directors of Banco di Brescia, powers to grant the above consent in relation to that bank have been delegated individually to the Chairman and to the following directors: Mario Cattaneo, Giovanni Minelli and Pierfrancesco Rampinelli Rota.

The General Manager is the Chief Executive Officer, exercising his duties within the scope of the powers granted by the Board of Directors.

The Board of Directors is periodically informed about the activities performed by persons to whom it has granted powers.

The Vice Chairman, Giovanni Bazoli, has been appointed by the Board of Directors as the liaison officer for the Banca Intesa stockholder syndicate.

COMMENTARY ON THE RESULTS OF OPERATIONS

The economy, the financial markets and the banking industry

The international economy

According to preliminary statistics, during the first nine months of this year the global economy continued to expand with all of the major world economies turning in positive performances, albeit at a lower rate than the record growth seen in the previous two years. The United States' economy is still reasonably dynamic, but growth is slowing, above all because of the fall in consumer spending and the progressive cooling of the real estate market. growth in Asia and in emerging nations should continue to be vigorous, whereas the Euro-zone economy is expected to see a slight acceleration. Of the potential risk factors, there are still the various imbalances at international level and a political scenario in the Middle East that is characterised by high and rising instability with serious repercussions on oil prices, though these have fallen recently to a certain extent. Business activity world-wide has been particularly active, both in manufacturing and in services. In 2006 the Federal Reserve continued its policy of moderate and progressive hikes in the interest rates on Fed Funds, which it began in June 2004; in August, however, the American Central Bank interrupted its restrictive policy and the rate was left at 5.25% three times in a row; the Fed's hope is that the US economy will manage to slow down moderately during the coming year without suffering excessive inflationary pressures.

In the **Euro-zone**, the European Central Bank also continued the policy of gradually increasing interest rates which it began at the end of 2005 after two years of stability at very low levels; with five hikes of 25 cents each since the end of last year, by October reference rates in the Euro-zone had risen to 3.25%; expectations are that this moderately restrictive policy will continue at least into the first half of 2007. The Euro-zone ought to close the first half of the year with GDP rising at over 2.5%, a modest figure compared with that achieved in other parts of the world, but still higher than this time last year and higher than the potential development rate. The trend in the euro in terms of its average monthly quotation against the other main world currencies tended to rise during the period, more against the dollar and against the yen.

Italy has had a positive rate of growth, even if lower than that of the Euro-zone with a year-on-year change in GDP in the first and second quarters of 1.6% and 1.5% respectively. The latest forecast for 2006 foresees overall annual growth of around 1.6-2%. The aggregates that appeared to be the most dynamic were capital investment and international trade; there was also a moderate recovery in household consumption. Industrial output in the strictest sense (i.e. excluding residential housing)

in the first nine months of 2006 showed an increase on the same period last year of 1.8%; this would seem to confirm the recovery initiated at the end of 2005 after the period of crisis and weakness that characterised Italian industry in recent years.
The most dynamic sectors have been energy, chemicals, mechanical engineering and those involved in the production of electrical goods and means of transport; textiles, refining and publishing, on the other hand, are a bit depressed. As regards inflation, the year-on-year trend rate in the consumer price index for the whole population at September was 2.1%; the increase was affected above all by housing costs, tobacco and alcohol.
Lastly, Italy's trade balance has in these last nine months confirmed that exports are picking up, even if to a lesser extent than imports; the substantial surplus generated by the mechanical engineering industry has not been sufficient to offset the hefty trade deficit brought about the country's rising energy requirements.

Domestic and international money and financial markets

The main international equity markets started off the year well, but then dropped suddenly in May through to the end of June, accompanied by a sharp acceleration in volatility for almost the entire second quarter; during the course of the third quarter there was an improvement in the market climate, which bolstered equity prices and fostered another reduction in volatility. All of the stock markets of the main economies closed the first nine months of the year with positive performances, while differing considerably in the extent of this growth; compared with the end of the previous year, the New York Stock Exchange index was only up slightly (+7%), whereas the Nikkei 225 remained flat (+0.1%); the performance by the leading quoted companies in the Euro-zone represented by the Dow Jones Eurostoxx Index was somewhat better (+11.9%).

The Italian Stock Exchange also turned in a positive performance during the first nine months of this year. The Mibtel index managed to appreciate by 9.8% since the end of 2005, whereas the S&P/Mib rose by 7.8%. Total market capitalisation of the Italian Stock Exchange came to more than 742 billion euro; Italy's proportion of all of the Euro-zone's stock markets came to 13.6%; analysing Italy's main equity market by sector shows that the banking sector represents 32.6% (up 35% year-on-year).

The banking sector

There were no significant changes in the banking trends during the first nine months of this year compared with 2005.

In Italy, as in the rest of the Euro-zone, lending growth was sustained mainly by long-term loans, to households in particular; however, during the course of the year, long-term loans to non-financial companies also turned in a substantial and dynamic recovery.
Total loans by Italian banks at the end of September came to 1,340 billion euro with an increase of 11.7%; both components are positive, even if they are showing different rates of growth: short-term loans have grown by +7.5% over the last 12 months, whereas long-term loans have gone up by a lot more (+12.9%).
In the field of corporate lending, all sectors show positive trends, even if with different levels of intensity: the most dynamic were the construction industry and services; loans to industry all picked up moderately.
During the period, there were no signs of deterioration in the quality of credit in the various sectors, as can be seen from the analysis of the various sectors of the economy. Looking in detail at gross non-performing loans as a proportion of total loans to all sectors of the economy, we can see a modest increase in the case of manufacturing of agricultural and industrial machines and electrical material and supplies For the banking system, also as a result of various securitisations, the downward trend in net non-performing loans as a percentage of total loans has continued in the nine-month period, going from 1.35% at the end of December last year to around 1.2-1.3%. However, since the end of June, this encouraging trend seems to have been interrupted.
On the liabilities front, Italian banks have again achieved significant rates of growth in funding with an annual rate of 9.5%; the increase in the bond component (+11.3%) was higher than that of deposits (+8.4%), even if this spread seems to be steadily declining.

The positive trend in lending and funding volumes in the first nine months of the year was followed by a modest upswing in spreads. According to a survey by ABI, which takes into consideration only the rates applied to households and non-financial companies, excluding other counterparties, after a 12 basis point growth during the first half of 2006, spreads rose by 12 basis points in the third quarter; at the end of September, spreads stood at 390 b.p., compared with 370 at the end of December and 382 at the end of June. This performance was affected by the different trend in the mark-up and mark-down. The mark-up, which is the difference between the average lending rate in euro and the weighted average yield on BOTs (treasury bonds) fell from 2.38% in June December to 2.13% in September, narrowing by 25 b.p. over the nine months. During the same period, the mark-down, which is the difference between the average deposit rate in euro and the yield on BOTs, rose from 1.32% at the end of 2005 to 1.77% at the end of September. One of the factors contributing to this decline in the mark-up was the progressive recomposition of loans by maturity, in favour of medium/long-term loans.

In asset management, mutual funds showed contrasting trends in the various segments. At the end of September, the total net assets held by mutual funds and Italian and foreign open-ended SICAVs, according to Assogestioni, came to around 604 billion euro; total net deposits in the first nine months was negative for 11.2 billion versus a positive figure of 750 million recorded in the corresponding period of 2005; this negative trend was even more significant in the third quarter, especially in September, with an outflow of 5.7 billion. The most dynamic categories were flexible funds (+18.7 billion) and hedge funds (+5.1 billion); there was a sharp decline in bond funds (-24.1 billion), liquidity funds (-6 billion) but, on the other hand, there was a recovery in equity funds (-3.3 billion).
The breakdown by type of funds equity at the end of September confirmed a growth of the proportion of flexible and hedge funds coming to 8% and 4.4% respectively. the incidence of bond funds is down (41.1%); liquidity funds (13.9%), equity funds (25.2%) balanced funds (7.4%) have been relatively stable. As regards the breakdown by domicile, Italian funds represent 62% of the total, whereas foreign funds bought prevalently by Italian ("roundtrip") investors come close to 32%; foreign funds represent around 5.8% of total assets.

The market trend in the field of bancassurance during the first nine months of 2006 was somewhat disappointing with a 9.7% decline in new life insurance premiums compared with the same period of 2005; the flow of premiums generated in the first nine months amounted to 36.1 billion euro. Premiums on policies sold through banks and post offices came to 27.5 billion euro, a decrease of 12.7% on the first nine months of 2005. Those sold by the financial consultancy networks went up 6.9%, with life insurance premiums rising to over 2.3 billion euro. Analysing the performance of the various segments, Line III unit-linked and index-linked policies turned in opposing results: the former went up by 1.4%, whereas the latter decreased by’8.7%; traditional Line I products also fell (-7.1%) as did Line V capitalisation policies (-31.6%).

Banca Lombarda e Piemontese Group activities

The first nine months of the year were characterised by a fairly positive macroeconomic scenario for the Italian banking industry, with the economy and industrial output picking up, spreads and the

demand for loans on the rise and credit quality making another modest improvement, even if there was a further increase in competitive pressure.
The Group managed to cope with these trends by taking, indeed consolidating, a path of stable growth and achieving appreciable results both economically and in the balance sheet, as well as in commercial development.

In detail, the 2006-2008 three-year Strategic Plan was approved in February. It envisages higher growth in lending variables compared with the system, a significant presence in insurance products (life and non-life) and consumer credit, an improvement in profitability thanks to a more efficient allocation of capital (with a greater emphasis on SMEs and small business owners), maintenance of an excellent level of credit quality, even with a different lending mix, rigorous cost control, a sharing of objectives and efforts at all levels, and close monitoring of results
The Plan's targets are to achieve net income of 390 million euro by the end of 2008, with a pre-tax ROE of 24.1% and a cost/income ratio of 47.5%.
The balance sheet aggregates are expected to see the following trends:
· strong growth in loans to customers, helped by a deliberate policy of boosting the small business segment; there should also be similar growth in medium/long term loans other than home mortgages, where the inflow of new loans is expected to double; lastly, there is expected to be very intense development in near-banking;
· an average increase in customer deposits of more than 6.7% during the three years, using as leverage for the growth in short-term direct deposits a stable, rising number of current accounts, stimulated by the launch of new products;
· a rise in indirect deposits, which ought to exceed 45.5 billion euro by the end of 2008 (more than half of which in asset management schemes). Insurance related technical reserves are expected to exceed 8 billion euro by the end of 2008.
In order to provide adequate support for this growth in operations, as well as to ensure balanced capital ratios during this expected rise in risk-weighted assets, the plan to boost capital by an equivalent of 342.8 million euro was carried out in June and July.
As regards the level of capitalization, bearing in mind the element of self-financing, the Tier 1 ratio ought to come to more than 6% by the end of 2008, while the Total Capital Ratio ought to exceed 10%.
Analyzing the Plan by business unit, the main contribution is expected to come from the Retail segment, followed by Corporate and Near-banking.

The results achieved to date by the Group appear to be in line with the objectives of the Strategic Plan and all Group companies are committed to reaching them.

*   *   *

The following discussion covers changes in Group structure, the main organisational and commercial initiatives, new products in the principal banking segments, enhancements to the sales network and variations in employment.

Changes in Group structure and equity investments

Group companies

In June the Group completed the acquisition of the residual 24.8% interest in Banca Cassa di Risparmio di Tortona still in the hands of third-parties.
Banca Regionale Europea bought the 24.7% stake held by Fondazione Cassa di Risparmio di Alessandria for 38.5 million euro, while Banca Lombarda e Piemontese bought the 0.1% stake held by Fondazione Cassa di Risparmio di Tortona for 0.3 million euro.
In July Banca Lombarda e Piemontese sold its entire 15.3% holding in Banca Cassa di Risparmio di Tortona to Banca Regionale Europea at the same price per share as the acquisition from Fondazione Cassa di Risparmio di Alessandria, for a total of 23.8 million euro, realising a capital gains of 7.9 million euro; as a result of the above transactions, the carrying value of the 100% interest held by Banca Regionale Europea amounts to 154.6 million euro.
The purpose of these transactions was to simplify the merger of Banca Cassa di Risparmio di Tortona with Banca Regionale Europea. The operation has already been approved by the Bank of Italy and it is expected to be completed by the end of November. Combining these two banks will permit significant economies of scale in terms of costs, at the same time preserving the links between Banca Cassa di Risparmio di Tortona and its historical territory.

In September, Banca Lombarda e Piemontese raised its direct holding in Grifogest Sgr from 51% to 100% by purchasing the 49% interest held by Banca Regionale Europea for 14.2 million euro; as a result of this transaction, which led to a capital gain of 12.4 million euro for the seller, the book value of the investment held in this company by Banca Lombarda e Piemontese amounts to 20.5 million euro.

This operation forms part of a plan to rationalise the Group's asset management sector. Once the necessary authorisations have been obtained, it will entail a partial spin-off from Grifogest Sgr to Capitalgest Sgr of its bond and liquidity fund management business, and the partial spin-off from Capitalgest Sgr to Grifogest Sgr of its specialist mutual fund management business, and centralisation at Banca Lombarda e Piemontese of the custodian bank functions that are currently performed by various Group entities. The project will permit significant economies of scale in terms of costs and revenues.

In June, Banca Lombarda e Piemontese subscribed and paid in the increase in Banca Lombarda Private Investment's capital from 36.6 to 52.5 million euro at par. The purpose was to give Banca Lombarda Private Investment a suitable capital structure to support the acquisition from Banca Popolare dell'Etruria e del Lazio of its financial consultancy division, a deal that was completed with effect for legal purposes from 8 July 2006.
As of that date, the business consisted of around 80 financial consultants with funds under administration of 362 million euro and residential mortgage loans of 66 million euro; the acquisition price amounts to 15.3 million euro, subject to equalisation depending on how volumes move during a set period of time.
This deal forms part of a strategy designed to strengthen the Group's financial consultancy network, the main purpose being to cover areas that do not form part of the Group's traditional areas of operation by means of a structure with largely variable costs.

In the month of June, SBS Leasing set up, as the only stockholder, SBS Rent, a company that rents moveable goods on a long-term basis; the amount invested was 0.75 million euro.
The objective is to take advantage of the opportunities being offered by a market characterised by interesting growth margins, with the assistance of a leading operator in this sector.

Lastly, as a result of Fondazione Cassa di Risparmio di Cuneo's conversion in March of Banca Regionale Europea preference shares into ordinary shares of the same bank, Banca Lombarda's interest in the ordinary capital stock of Banca Regionale Europea has been reduced from 57.83% to 55.48%, whereas its share of the voting capital has stayed the same at 53.00% and its share of the total capital stock at 53.33%.

Other companies

After various transactions, the Group's overall interest in SiHolding, a company that heads up a group that issues and manages credit cards, rose from 1.85% to 9.53%. the amount invested was 11.4 million euro.

These acquisitions form part of a plan to take control of SiHolding through a stockholder syndicate of which Banca Lombarda is a member, the aim being to ensure policy stability in its traditional lines of business

In order to simplify management of this investment, Banca Lombarda e Piemontese purchased the stakes held by the other Group banks, based on the price paid for the shares bought on the market. As a result of these transactions, the book value of the interest held by Banca Lombarda e Piemontese amounts to 14.2 million euro.

In May, September and November, Banca Lombarda e Piemontese subscribed its share (49.9%) of the three increases in capital of Lombarda Vita, the life insurance company set up as a joint venture together with Società Cattolica di Assicurazione; these transactions entailed a total outlay of 15.1 million euro, raising the total investment in this initiative to 63.3 million euro.

The purpose of the increase in capital is to give the company a suitable capital structure to support the significant expansion in its operations that is currently underway.

Having obtained the required authorisations to set up the company from the Chinese authorities, in June Banca Lombarda e Piemontese paid in its share (49%) of the capital of Lombarda China Fund Management Company, a Chinese company that will operate - once authorisation has been given - in the field of asset management. The other 51% of the company is held by two Chinese companies; the amount invested was 5.9 million euro and forms part of a series of initiatives involved in the Group's entry into the Chinese market.

Also in June, Banco di Brescia acquired through a trustee a 20% stake in Econossa, an industrial finance company involved in the treatment and recovery of steel processing waste; the transaction involved an outlay of 3 million euro and took the form of a corporate finance deal, accompanied by a put option in favour of Banco di Brescia, which can be exercised at conditions that protect the investment made.

As part of a project to reorganise the national tax collection system, which provides for a State company ("Riscossione") taking over control of the tax collection agencies, Banca Cassa di Risparmio di Tortona sold 32.5% of Caralt to this company in September; The proceeds of this sale will be agreed during the coming year and will be represented entirely by shares in Riscossione.

Lastly, Banca Lombarda e Piemontese sold part of its interest in Earchimede to the company itself; it is part of the Hopa Group and is involved in taking on and managing investments.
This sale concerned an interest of 0.67%, which was sold for 1.4 million euro realising a capital gain of 0.4 million; the residual interest comes to 0.73%, with a book value of 1.1 million euro.

Organisational changes

During the third quarter of the year, work continued on introducing the new lending processes based on internal ratings, as required by the Basel Accord and IFRS. In particular, preparatory work has continued for the implementation of a new Group Customer Database, refinement of the processes and powers defined, the introduction of the Expected Loss approach, the setting up of a risk-based pricing model and planning the extension of the internal rating model to the product companies. To update lending processes from an IFRS point of view, with attribution of the related roles, responsibilities, timing and activities, the main focus was on the processes of Analytical and Collective Impairment and Full Fair Value Loans. The various processes involved in handling guarantees are still being revised to satisfy the requirements of the rules governing Credit Risk Mitigation.

Work has also continued on adapting to the requirements of recent legislation on "**Market Abuse**", with particular reference to setting up a "**Register of persons with access to privileged information on Banca Lombarda and its financial instruments**", to the obligation for financial intermediaries to report to Consob any transactions that could involve an abuse of the market, and to the definition of suitable operating processes and internal regulations.

In the third quarter, the regulatory framework of the Italian banking system was profoundly changed by the rules contained in the law that converted **Decree Law 223 of 4 July 2006 (the so-called "Bersani Decree")**. Art.10 more or less rewrites art. 118 of the Banking Code, introducing

new provisions and obligations, including reporting requirements, for banks with reference to long-term contracts, particularly as regards unilateral changes to conditions and closure expenses.
The Group promptly adopted these provisions, eliminating the commissions previously applied when closing current or deposit accounts, as well as those for transferring securities, with Group banks now only recovering from the customer any expenses charged by third parties.

The Bank is continuing to take part in the Operating Sites for the initiatives of the “**Pattichiari**” consortium, for which the Group has already obtained certification for the first eight "Patti Chiari" initiatives. The activities carried on during the quarter include definition of the processes within the Group for participation in the **ninth and tenth initiatives**. By taking part in the ninth initiative, the Group shares the objective of raising customers' level of awareness in their investment decisions: by preparing simple tools whereby the customer and teller can interact, the customer is provided with support as regards the choices to be made when purchasing financial instruments, identifying correct investment objectives and verifying over time their compliance with the customer's own economic and financial needs. The tenth initiative's objective is to provide customers with more transparent information regarding the costs and time involved in closing accounts and the methods of transferring accounts and services.

As part of the “**Factoring Integration Project**”, work is continuing on IT integration and organisational optimisation. Also being implemented at present are the various measures to upgrade all sales and marketing activities on domestic and international markets. This process is involving the factoring subsidiary operating in Spain as well.

The project to rationalise the Group's **asset management** sector continues, the aim being to maximise operating synergies and eliminate duplications in the Group's AMCs, while evaluating possible alternative strategies for competitive repositioning.

Following the incorporation of **SBS Rent** by SBS Leasing in June, a project was launched to develop “Long-Term Rentals” as a product and for its distribution through the networks of the Banca Lombarda Group.

During the same period and as part of the steps laid down in the 2006-2008 Strategic Plan, a project was launched for the **integration of Banca Cassa di Risparmio di Tortona with Banca Regionale Europea**; this provides for the absorption of CRT by BRE, so as to rationalise the structure of the Banca Lombarda Group, exploit economies of scale and pursue a more balanced cost structure.

During the quarter, the main interventions to **reorganise certain management structures** both at the Parent Bank and at certain Group companies were completed. This will permit greater synergies between areas that handle related matters, a more efficient distribution of work and the best possible quality of service.

Lastly, work is continuing on **Group Organisational Optimisation**, the purpose being to further improve the efficiency of the distribution network. This will be done by reducing the impact of low margin, low value-added transactions on the branches, and by further refining the organisational structure of the Group's distribution network.

Developments of the product range and marketing channels

Virtual channels

As part of the commercial development of the **virtual channels**, we have continued the initiatives designed to enrich and improve the services available in **Extensive**, including the launch of a service that permits customers that have the main types of current account packages to **receive and consult their statement of account on-line** in electronic format. Various **e-mail marketing** campaigns have been aimed at recipients of this service with a view to stimulating further developments.

The number of on-line transactions and active users is growing constantly: bank transfers stand out for their particularly dynamic growth (+33% on third quarter 2005), as do top-ups for mobile phones (+55%) and prepaid cards (+117%). The introduction last March of monthly fees led to the closure of part of the inactive positions, which was more than offset by users' appreciation of the new service. the number of customers that have chosen the advanced profile of Extensive did in fact grow by 14.5% in the second quarter (+179% since March).

For the **Interbank Corporate Banking** service, migration has continued to a new dedicated platform, which will allow the Group to enrich "Extensive Business" with new services for corporate customers, such as digital signatures and electronic billing. In the meantime, the companies linked to the on-line services of our network banks continue to increase, as do their volume of transactions, such as on-line payments (+16% on third quarter 2005) and F24 mandates for tax payments (+91%).

With the help of the new graphic interface that has made for better interaction with customers, the activity of the **contact center** has been particularly significant, both as regards "inbound" calls received from retail and corporate customers, and for "outbound", where a number of marketing campaigns have achieved excellent results.
The **publication of new institutional websites** for all Group companies has been completed successfully, featuring new graphics, dynamic elements, high accessibility and user-friendliness, and greater visibility on the internet.

The **WEB ATM** project has been started up from a multichannel point of view, the purpose being to increase the number of functions, launch personalised sales campaigns through a marketing console and improve cross-selling, thereby increasing the channel's profitability. The functions to be implemented include the **cash-in** service (for paying in banknotes and cheques) and integration with the **CRM system** (memorisation of customers' preferences and interaction with the branch and the Contact Center).

Lastly, the **promotion** of Extensive is continuing with the "*Extensive ti premia*" competition, which offers important prizes to customers that use the instruction issuing functions of the service during 2006.

Private individuals
In the field of **bancassurance**, 2006 saw the Group's positive trend continue, with growth of 9% compared with the same period of 2005: life insurance policies of 1,200 million euro were written in the first nine months of the year.
As regards the funding mix, traditional products (Line 1) continued to perform well, representing 41% of the total written; the proportion of index-linked policies in Line III has risen (38.7%), whereas the incidence of unit-linked policies has remained constant at 5.6%. The proportion of capital accumulation products (Line V) remains considerable at 14% of the total.

An important signal comes from the fact that the Group has increased its market share, exceeding 4% in September (having been 3.3% a year ago) thanks to higher inflows taken by the Group's networks, which was against the generally negative trend of the market.
Following the important regulatory changes contained in the latest instructions of the Insurance Industry Watchdog (ISVAP) on transparency and customer protection (Circular 551/D), work began in 2006 to revise and rationalise the Group's catalogue of insurance products.

The first projects developed concern the Consultancy Network, for which the new "Unit Platinum Multimanager" and "Accordo Sicuro", a traditional savings plan, were launched.
In the third quarter, renewal of the unit-linked range led to the launch of a new product called ("Personal Style"), which is aimed at the Private Banking segment; its yield is linked exclusively to the performance achieved by the chosen funds and without any capital protection in the event of disinvestment. This new product is even more competitive as it is possible to choose from four multimanager-run funds, with different levels of risk, fewer loadings and more flexibility in making payments and managing the investment.
Rationalisation continues in the process of writing index-linked policies and the positive effects of this have already been felt both on the structures (which can offer customers more advantageous performances) and on network profitability, which is now higher than the average for 2005.
In **Non-Life**, the catalogue of health, savings and pension policies, which up until now has only been available to Conto Creso accountholders, has been extended to all customers, who can sign up for any of these products whatever type of account they hold.

During the course of third quarter 2006, various sales campaigns were carried out in the field of **monetics**, aimed at selected customer targets, mainly to promote the take-up of debit and credit cards on package accounts and by linking them at special terms with certain products (principally Revolving and Business), as well as to incentivate the use of cards among Group customers who do not use this product very often.
The sales campaign aimed at female customers begun in first quarter 2006 to place the S€MPRE card with this segment, along with a vast range of dedicated products and services; new special agreements were proposed to women and the final competition to stimulate the subscription and use of the S€MPRE card was promoted in the third quarter. Numerous initiatives have been taken to make contact with customers and inform them of this project. The number of cards being taken up by women increased by 50% (17,000 more new cards issued since the start of the year).
The stock of electronic cards issued came to 270,000, some 93% of which are S€MPRE cards.

The **residential mortgage loan segment** achieved total disbursements of more than 734 million euro, driven above all by the rising trend in the average amount of the loans requested by customers (the transactions completed during the first nine months of 2006 were for an average amount of more than 115,000 euro, an increase of 15% on 2005, though this was accompanied by a lower number of loans granted. This is a reflection of a general slowdown in the entire sector.
In terms of the portfolio structure, in line with expectations regarding future trends in interest rates, there has again been a progressive shift towards fixed-rate loans.

Still in the field of loans to Households, the growth in consumer credit has continued apace, especially in **direct personal loans**, which at the end of September again turned in very positive indicators, with disbursements rising at more than 15%, driven partly by the average amount of the loans requested and partly by the number of applications. **Prestifacile** has consolidated its position as the Group's principal product in this area: the networks have more than 20 difference lines at their disposal, but Prestifacile on its own accounts for well over 50% of the loans granted.

At the end of September, the **assets under management** by the Group's AMCs came to 18,307 million euro, 2.4% up on September 2005. The Group's market share in terms of gross assets under management was around 2% at the end of the period.
As regards the project to rationalise the Group's AMCs, reference should be made to the comments made in the section on changes in investments.

Corporate sector

The range of products and other initiatives for Corporate Customers was further strengthened during third quarter 2006.
One of the most important of these was Banca Lombarda setting aside 100 million euro to offer unsecured credit in support of **innovation and development projects.**
Initially, on an experimental basis, the project has been limited to the province of Brescia, given the novelty of the customer approach through a special Innovation window opened at the Industrial Association of Brescia. The product is distinctly innovative as it uses an algorithm to link the pricing to the counterparty's class of risk and to the proposed project's certified level of innovation.

In full compliance with the guidelines of the Three-Year Strategic Plan, which identifies **small business owners** as a decisive segment for the Group's growth and positioning objectives, efforts were intensified to orientate network account managers in this direction, aiming for full adoption of the new IT-backed sales and marketing methodology at all operating structures. These efforts have been directed above all to take full advantage of all development opportunities inherent in the new sub-segmentation, for which the clusters have been traced according to the ways in which customers handle their relationship with the bank. After the restyling of the Creso Business product line in March, in August we introduced Creso Business Professionisti, a package designed to give professionals a useful tool to cope with the requirements of the Bersani Decree.

Banking branch network and the Shanghai Representative Office

At the end of September 2006, the total number of branches amounted to 794, including the two foreign ones in Nice (France) and Luxembourg; in addition, the Parent Bank's representative office in the city of Shanghai (China) is now operating.

Compared with the end of 2005 Banco di Brescia has opened a branch in the province of Bergamo, while Banco di San Giorgio has opened a branch in Genoa.

In July, Banca Lombarda Private Investment set up five branches in Tuscany, Umbria and Lazio in support of the financial consultancy business acquired from Banca Popolare dell'Etruria.

The following table shows the geographical distribution of the Group's branches at the end of September, broken down by Bank.

Region	Province	Banca CR di Tortona	Banco di San Giorgio	Banca di Valle Camonica	Banca Regionale Europea	Banco di Brescia	Banca Lombarda P.I.	Banca Lombarda	Grand total
ABRUZZO	L'AQUILA						1		1
	PESCARA						1		1
	Total ABRUZZO						**2**		**2**
CAMPANIA	NAPLES						1		1
	SALERNO						1		1
	Total CAMPANIA						**2**		**2**
EMILIA-ROMAGNA	PARMA				3	2	1		6
	PIACENZA				8				8
	BOLOGNA						1		1
	Total EMILIA-ROMAGNA				**11**	**2**	**2**		**15**
FRIULI-VENEZIA GIULIA	PORDENONE					3			3
	UDINE					9			9
	Total FRIULI-VENEZIA GIULIA					**12**			**12**
LAZIO	LATINA					2	1		3
	RIETI						1		1
	ROME					20	4		24
	VITERBO					32			32
	FROSINONE						1		1
	Total LAZIO					**54**	**7**		**61**
LIGURIA	GENOA		16			1	1		18
	IMPERIA		7						7
	LA SPEZIA		1						1
	SAVONA		10						10
	Total LIGURIA		**34**			**1**	**1**		**36**

LOMBARDY	BERGAMO			8	2	23			33
	BRESCIA			39	1	180	1	1	222
	COMO			1	1	4			6
	CREMONA				5	4			9
	LECCO				1	2			3
	LODI				2				2
	MANTUA				2	6			8
	MILAN				38	47	3		88
	PAVIA				46				46
	SONDRIO			9					9
	VARESE				5	12			17
	Total LOMBARDY			**57**	**103**	**278**	**4**	**1**	**443**
MARCHE	PESARO / URBINO						1		1
	Total MARCHE						**1**		**1**
PIEDMONT	ALESSANDRIA	29							29
	ASTI				2				2
	CUNEO				126				126
	NOVARA				4				4
	TURIN				11	1	1		13
	VERCELLI				2				2
	Total PIEDMONT	**29**			**145**	**1**	**1**		**176**
PUGLIA	BARI						1		1
	FOGGIA						1		1
	Total PUGLIA						**2**		**2**
SARDINIA	CAGLIARI						1		1
	Total SARDINIA						**1**		**1**
TUSCANY	MASSA CARRARA		1						1
	AREZZO						2		2
	LIVORNO						1		1
	GROSSETO						1		1
	FLORENCE						1		1
	PISA						1		1
	Total TUSCANY		**1**				**6**		**7**
TRENTINO - ALTO ADIGE	TRENTO					2			2
	Total TRENTINO-ALTO ADIGE					**2**			**2**
UMBRIA	PERUGIA						1		1
	TERNI						1		1
	Total UMBRIA						**2**		**2**
VAL D' AOSTA	AOSTA				1				1
	Total VAL D' AOSTA				**1**				**1**
VENETO	PADUA					4			4
	TREVISO					4			4
	VENICE					3	1		4
	VERONA					12			12
	VICENZA					5			5
	Total VENETO					**28**	**1**		**29**
Total ITALY		**29**	**35**	**57**	**260**	**378**	**32**	**1**	**792**
LUXEMBOURG	LUXEMBOURG					1			1
FRANCE	NICE				1				1
Grand total		**29**	**35**	**57**	**261**	**379**	**32**	**1**	**794**

Network of financial consultants and private bankers

At 30 September 2006, Banca Lombarda Private Investment's activity consisted of around 3.6 billion euro of direct and indirect deposits (280 million deriving from the migration of the business acquired from Banca Popolare dell'Etruria e del Lazio), 280 million euro of loans (70 million deriving from the migration of the business acquired from Banca Popolare dell'Etruria e del Lazio, of which 250 million made up of residential mortgage loans, 575 financial consultants (including 7 trainees) and 25 private bankers.

Further organisational changes were made during the period to raise the productivity of the financial consultants. The average portfolio balance per consultant improved during the first nine months of 2006 with funds under administration going from 4.3 million euro at the end of 2005 to almost 4.8 million (+ 12%).
At the end of September 2006, the average portfolio of the private bankers came to 40 million euro, higher than at the end of the previous period.

The various activities involved in Banca Lombarda Private Investment's acquisition of the financial consultancy business of Banca Popolare dell’Etruria e del Lazio were also completed; in this regard, to support the consultants and customers involved in the migration, five new branches have been opened in the following cities: Arezzo, Livorno, Rieti, San Giovanni Valdarno and Perugia.
At the end of September, in fact, Banca Lombarda Private Investment's outlets consisted of 32 branches, 44 advice centres, 31 commercial offices and 12 consultants' offices; there are also four Private Banking Centres that gravitate around the branches.

Human resources

The Group employed 7,518 persons as of 30 September 2006, including 314 under fixed-term contracts and 664 part-timers. This was 51 fewer than at the same date in 2005. The table below compares employment as of 30.09.2006 and 30.09.2005.

COMPANY	30/9/2006	30/9/2005	CHANGE	
			AMOUNT	%
BANCA LOMBARDA	451	425	26	6.11%
BANCO DI BRESCIA (incl. the Luxembourg branch)	2,911	2,951	-40	-1.36%
BANCO DI BRESCIA (Luxembourg branch subject to Lux. law)	3	5	-2	-40.00%
BANCA REGIONALE EUROPEA (including the Nice branch)	1,965	1,970	-5	-0.25%
BANCA REGIONALE EUROPEA (Nice Branch subject to French law)	9	7	2	28.57%
BANCA DI VALLE CAMONICA	369	375	-6	-1.60%
BANCO DI SAN GIORGIO	246	234	12	5.13%
BANCA CASSA DI RISPARMIO DI TORTONA	206	218	-12	-5.50%
BANCA LOMBARDA INTERNATIONAL	45	43	2	4.65%
GESTIONI LOMBARDA SUISSE	10	11	-1	-9.10%
BANCA LOMBARDA PRIVATE INVESTMENT	120	112	8	7.14%
LOMBARDA SISTEMI E SERVIZI	603	625	-22	-12.61%
SBS LEASING	174	173	1	0.58%
CBI FACTOR	151	167	-16	-9.58%
S.I.L.F.	116	114	2	1.75%
CAPITALGEST	71	69	2	2.90%
FINANCIERA VENETA	6	5	1	20.00%
GRIFOGEST	26	29	-3	-10.34%
MERCATI FINANZIARI	12	14	-2	-14.29%
SOLOFID	12	12	0	0.00%
SIFRU S.I.M.	4	4	0	0.00%
CAPITALGEST ALTERNATIVE INVESTMENTS	4	3	1	33.33%
SHANGHAI REPRESENTATIVE OFFICE	2	2	0	0.00%
LOMBARDA MANAGEMENT CO. S.A. (former Lomb.Advisory S.A.)	2	1	1	100.00%
TOTAL RESOURCES	***7,518***	***7,569***	***-51***	***-0.67%***

The more significant changes related to:

- **Banca Lombarda**, where the **increase of 26 members of staff** is mainly due to the concentration of certain activities previously carried out by Group banks at head office;
- **Banco di San Giorgio**, where the **increase of 12 members of staff** is mainly due to strengthening the network in Liguria with the opening of new branches (Loano, Genoa Darsena);
- **Banca Lombarda Private Investment**, where the **increase in 8 members of staff** is mainly due to upgrading the network supporting the financial consultants by opening the new branches, as a result of the recent acquisition of the financial consultancy business of Bank Etruria, and strengthening the Private Banking function in Milan;
- **Banco di Brescia, Banca di** Valle Camonica, **Banca Cassa Risparmio Tortona and Lombarda Sistemi e Servizi**, with a **decrease of 82 members of staff** due to resignations during the period, also thanks to the participation in the Solidarity Fund, and to the concentration of certain activities at head office, as mentioned previously;
- **CBI Factor**, where the **decrease of 16 members of staff** is due to the reorganisation that followed the absorption of **Veneta Factoring** (40 employees), which made it possible to achieve certain economies of scale, helped by a number of people accepting early retirement.

The other changes were mostly due to the hiring of experienced staff with specific skills by the network banks or product companies.

Work to rationalize employment and improve the distribution of staff among Group companies has continued, giving preference to the transfer of individual employment contracts. All activities relating to the Problem Loan Technical Support Team and the Anti-Money Laundering Staff have now been centralised at head office as part of the Holding structure, which has given a considerable boost to Group productivity and efficiency.

The number of employees admitted to the *Solidarity fund for income and employment support and the retraining of banking personnel*, as established in the trade union agreements signed by all Group banks and Lombarda Sistemi e Servizi, in the first nine months of 2006 was as follows (in addition to applications already made in prior years):

COMPANY	ACCESS TO THE SOLIDARITY FUND - NO. OF EMPLOYEES	% OF STAFF
BANCA REGIONALE EUROPEA	11	0.56%
BANCO DI SAN GIORGIO	1	0.42%
BANCO DI BRESCIA	11	0.37%
BANCA DI VALLE CAMONICA	8	2.15%
LOMBARDA SISTEMI E SERVIZI	4	0.64%
BANCA CASSA DI RISPARMIO DI TORTONA	6	2.75%
TOTAL	***41***	***0.59%***

These leavers were mostly replaced with new hires, but who represented no more than 35% of those admitted to the Fund.

One of the key events during the first three quarters in the field of industrial relations was the conclusion of the agreements between all of the Network Banks and product companies and the trade unions for renewal of the Supplementary Labour Contract and related side agreements for the period 2005-2007, as well as the agreements regarding implementation of the plan to reorganise CBI Factor.

Information on the reclassified balance sheet and statement of income

The following schedules present the reclassified balance sheet and statement of income, together with comments on the results for the half-year.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

Assets (in thousands of euro)	**30.09.06**	**31.12.05**	**Changes 30.09.2006-31.12.2005**	
			Amount	**%**
Cash and cash equivalents	142,996	146,839	(3,843)	(2.62)
Loans to customers	29,954,211	28,229,071	1,725,140	6.11
Due from banks	2,100,772	3,076,529	(975,757)	(31.72)
Other financial assets	3,952,132	3,983,615	(31,483)	(0.79)
Equity investments	78,872	62,800	16,072	25.59
Property, plant and equipment and intangible assets	1,466,827	1,468,985	(2,158)	(0.15)
Other assets	1,203,772	1,379,297	(175,525)	(12.73)
Total assets	**38,899,582**	**38,347,136**	**552,446**	**1.44**

Liabilities and equity (in thousands of euro)	**30.09.06**	**31.12.05**	**Changes 30.09.2006-31.12.2005**	
			Amount	**%**
Due to customers	15,812,350	15,792,313	20,037	0.13
Debt securities in issue *(including subordinated liabilities)*	14,223,908	13,117,374	1,106,534	8.44
Total	*30,036,258*	*28,909,687*	1,126,571	3.90
Due to banks	2,896,008	3,464,625	(568,617)	(16.41)
Other financial liabilities	594,080	1,237,183	(643,103)	(51.98)
Specific risk provisions	276,751	285,133	(8,382)	(2.94)
Other liabilities	1,877,990	1,773,977	104,013	5.86
Minority interests	430,057	444,167	(14,110)	(3.18)
Stockholders' equity				
Capital stock and reserves	2,551,789	1,993,380	558,409	28.01
Net income for the period	236,649	238,984	(2,335)	(0.98)
Total liabilities and stockholders' equity	**38,899,582**	**38,347,136**	**552,446**	**1.44**

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

Statement of income (in thousands of euro)	**30.09.06**	**30.09.05**	**Changes 30/09/2006-30/09/2005**	
			Amount	**%**
Net interest income	658,991	599,559	59,432	9.91
Dividends and similar income	35,472	19,979	15,493	77.55
Financial margin	**694,463**	**619,538**	**74,925**	**12.09**
Net commission income	357,701	347,025	10,676	3.08
Trading and hedging profits	42,878	32,752	10,126	30.92
Net interest and other banking income	**1,095,042**	**999,315**	**95,727**	**9.58**
Adjustments	(64,306)	(64,553)	247	(0.38)
Adjustments to financial assets	(2,775)	(2,442)	(333)	13.64
Net financial income	**1,027,961**	**932,320**	**95,641**	**10.26**
Administrative expenses	(628,816)	(614,044)	(14,772)	2.41
Payroll costs	*(377,343)*	*(370,923)*	*(6,420)*	*1.73*
Other administrative expense	*(251,473)*	*(243,121)*	*(8,352)*	*3.44*
Net provisions for liabilities and charges	(10,848)	(7,548)	(3,300)	43.72
Net adjustments to property, plant and equipment and intangible assets	(44,452)	(48,433)	3,981	(8.22)
Other operating income/expenses	104,297	90,770	13,527	14.90
Administrative costs	**(579,819)**	**(579,255)**	**(564)**	**0.10**
Gains (losses) on shareholdings and disposal of investments	9,012	7,194	1,818	25.27
Profit from operating activities before tax	**457,154**	**360,259**	**96,895**	**26.90**
Income tax on operating activities	(189,449)	(156,137)	(33,312)	21.34
Net profit from operating activities	**267,705**	**204,122**	**63,583**	**31.15**
Net profit from discontinued operations	4,823	(296)	5,119	-
Net income (loss) attributable to minority interests	(35,879)	(30,446)	(5,433)	17.84
Net income for the period	**236,649**	**173,380**	**63,269**	**36.49**

QUARTERLY EVOLUTION OF THE RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

Statement of income (in thousands of euro)	3rd Quarter 2006	2nd Quarter 2006	1st Quarter 2006	3rd Quarter 2005	2nd Quarter 2005	1st Quarter 2005
Net interest income	227,008	219,174	212,809	198,778	199,775	201,006
Dividends and similar income	113	35,233	126	709	18,978	292
Financial margin	**227,121**	**254,407**	**212,935**	**199,487**	**218,753**	**201,298**
Net commission income	110,839	122,303	124,559	115,547	116,374	115,104
Trading and hedging profits	15,611	4,683	22,584	19,318	2,462	10,972
Net interest and other banking income	**353,571**	**381,393**	**360,078**	**334,352**	**337,589**	**327,374**
Adjustments	(23,554)	(18,602)	(22,150)	(16,015)	(25,826)	(22,712)
Adjustments to financial assets	(1,620)	(569)	(586)	(122)	(2,320)	0
Net financial income	**328,397**	**362,222**	**337,342**	**318,215**	**309,443**	**304,662**
Administrative expenses	(206,046)	(212,164)	(210,606)	(205,232)	(205,874)	(202,938)
Payroll costs	*(123,598)*	*(125,867)*	*(127,878)*	*(125,526)*	*(122,056)*	*(123,341)*
Other administrative expense	*(82,448)*	*(86,297)*	*(82,728)*	*(79,706)*	*(83,818)*	*(79,597)*
Net provisions for liabilities and charges	(3,898)	(4,216)	(2,734)	(1,713)	(2,795)	(3,040)
Net adjustments to property, plant and equipment and intangible assets	(15,408)	(14,556)	(14,488)	(16,584)	(16,629)	(15,220)
Other operating income/expenses	34,332	34,598	35,367	30,066	30,358	30,346
Administrative costs	**(191,020)**	**(196,338)**	**(192,461)**	**(193,463)**	**(194,940)**	**(190,852)**
Gains (losses) on shareholdings and disposal of investments	5,040	149	3,823	2,283	2,976	1,935
Profit from operating activities before tax	**142,417**	**166,033**	**148,704**	**127,035**	**117,479**	**115,745**
Income tax on operating activities	(62,598)	(60,799)	(66,052)	(54,794)	(47,872)	(53,471)
Net profit from operating activities	**79,819**	**105,234**	**82,652**	**72,241**	**69,607**	**62,274**
Net profit from discontinued operations	120	4,703	0	(129)	(13)	(154)
Net income (loss) attributable to minority interests	(12,484)	(11,220)	(12,175)	(12,749)	(7,751)	(9,946)
Net income for the period	**67,455**	**98,717**	**70,477**	**59,363**	**61,843**	**52,174**

INFORMATION ON THE BALANCE SHEET

Amounts due from and to banks

Net interbank borrowing between the end of the year and 30 September 2006 went from 388 to 795 million euro because of an increase in Group loans to customers that was not funded by an equivalent increase in deposits from customers.

Loans to customers

At 30 September 2006 Group loans to customers amounted to 29,954 million euro, + 6.1% on the end of last year.
This increase mainly reflects the rise in overdrafts (+14.9%) and mortgage loans (+9.2%). On the other hand, the amount of the commercial portfolio and of other advances has decreased by 2.1%.

A breakdown of this growth in lending shows that there was higher growth in loans to "retail" customers than to the "corporate" segment.
The trend in loans differed from sector to sector, with a higher contribution from manufacturing industry and construction, compared with services.

Cash exposures to customers: gross and net amounts

Type of exposure / Amounts	Gross exposures	Specific adjustments	Portfolio adjustments	Net exposure
Cash exposures				
a) Non-performing loans	520,086	288,679	0	**231,407**
b) Problem loans	312,619	55,926	0	**256,693**
c) Restructured loans	42,738	4,890	0	**37,848**
d) Expired loans	15,220	2,133	0	**13,087**
e) Country risk	783	0	23	**760**
f) Other assets	29,536,377	0	121,961	**29,414,416**
Total	**30,427,823**	**351,628**	**121,984**	**29,954,211**

At the end of September 2006, the Group's impaired loans, including exposures continuously over the limit for more than 180 days, amounted to 540 million euro, a decrease of 8.6% compared with 31 December 2005. In particular, loans are:

- net non-performing loans, of 231.4 million euro, increased by 2.6% compared with the end of the year, but fell as a proportion of total loans from 0.80% to 0.77%;
- problem loans, of 256.7 million euro, have fallen by 11.4%, whereas restructured past due loans are down from 75 to 51 million euro.

The coverage of non-performing loans has risen to 55.5% (from 53.4% at the end of December), while that of problem loans has remained at 18% as at the end of last year.
General provisions of 122 million euro provide coverage for potential losses in *performing loans* of 0.41% (0.45% at the end of December 2005).

Net financial assets

At 30 September 2006 financial assets amount to 3,952 million euro, in line with the end of last year, and include financial assets held for trading, financial assets available for sale, financial assets held to maturity and hedging derivatives. The financial assets held for trading, net of short sales shown under financial liabilities held for trading amount to 2,547 million euro, compared with 2,062 million at 31 December 2005. The net increase in this sector derives from the reduction in short selling of securities.
We would also point out that:

- financial assets held for trading, 2,904 million euro (-3.7%), include debt securities, mutual funds and equities classified as for trading, as well as the positive value of derivative contracts taken out for trading purposes;
- financial assets available for sale, 981 million euro, have increased by 16.3%. This caption is made up of equities not held for trading purposes and debt securities that the company does not intend to sell in the short term. Movements during the period include the fair value valuation of the investments;
- financial assets held to maturity amount to 22 million euro, the same as at the end of last December. This caption includes debt securities for which a formal decision has been taken to hold them until their natural maturity;
- hedging derivatives, 45 million euro, have decreased by 56.2% compared with the end of last year due to the trend in interest rates. This caption includes the fair value of hedging derivatives taken out to protect the bond loans issued by the Group.

Customer deposits

Customer funds under administration at 30 September 2006 amounted to 79,313 million euro, + 4.8% compared with the end of 2005.

Assets under management (in millions of Euro)

	30-Sept-06	31-Dec-05	Changes Sept. 06/Dec. 05	
	Amount	**Amount**	**Amount**	**%**
DIRECT FUNDING	**30,036**	**28,910**	**1,126**	**3.9%**
DUE TO CUSTOMERS	15,812	15,792	20	0.1%
DEBT SECURITIES ISSUED	14,224	13,117	1,107	8.4%
INDIRECT DEPOSITS	**49,277**	**46,759**	**2,518**	**5.4%**
ASSET ADMINISTRATION	22,493	20,599	1,894	9.2%
ASSET MANAGEMENT	26,784	26,160	624	2.4%
of which Insurance-related reserves	*7,186*	*6,422*	*764*	*11.9%*
TOTAL CUSTOMER FUNDS UNDER ADMINISTRATION	**79,313**	**75,669**	**3,644**	**4.8%**

Direct deposits

Direct customer deposits, including the debt securities issued, amount to 30,036 million euro, 3.9% more than at the end of last December.

Amounts due to customers (15,812 million euro) are at much the same level as at the end of the previous year (+0.1%), though there has been a shift from restricted deposit accounts to current accounts.

Debt securities issued, which include bonds, certificates of deposit, own bankers' drafts and subordinated loans, amount to 14,224 million euro (+8.4%).
Subordinated liabilities (1,332 million euro) consist of preference shares and upper and lower tier II liabilities that are included in capital for supervisory purposes.

Indirect deposits

At 30 September 2006, indirect deposits, at market value, came to 49,277 million euro, an increase of 5.4% compared with the end of the year, partly due to the upswing in equity prices during the third quarter after the decline in April and June.

Asset administration

The administered component, of 22,493 million euro, went up by 9.2% compared with the end of 2005, benefiting from the price rise that customers' equities on deposit enjoyed during the third quarter.

Asset management

The managed component came to 26,784 million euro, for an increase of 2.4%, to which contributed, above all, individual portfolio management (+11.7%) and technical reserves (+11.9%), fed by a gross flow of insurance premiums of 1,201 million euro. Mutual funds and funds of funds have been penalised by the trend in bond markets, turning in a decrease of 2.9% and 16.6% respectively.

In assets under management, mutual funds account for 33.9% (6.4% equity and balanced funds, 23% monetary funds and 4.5% flexible funds), portfolio management 39.3% and insurance-related reserves 26.8%.

Financial liabilities

At 30 September 2006 financial liabilities held for trading (555 million euro) halved compared with at the end of last year, because of the decline in short positions on securities, whereas hedging derivatives grew by 16 to 39 million euro.

Stockholders' equity

Capital stock and reserves amount to 2,552 million euro, an increase of 558 million compared with the figure at the end of December 2005.
This relates principally to the increase in capital stock of 336 million euro carried out at the end of June 2006, and the change in valuation reserves following the valuation at market prices of quoted equities and the increase in the retained earnings at 31.12.05.
Further information is provided in the consolidated statement of changes in stockholders' equity.

INFORMATION ON THE STATEMENT OF INCOME

Comments on the YTD figures

The results for the first nine months of the year show a financial margin of 694.5 million euro (659 million euro of net interest income and 35.5 million of dividends and similar income), for an increase of 12.1% on the same period last year. The acceleration in the financial margin derives in part from the positive trend in net interest income, thanks to larger volumes, wider interest spreads and the current asset remix, and in part from the higher dividends received from Banca Intesa.

Net commission income for the first nine months of the year, 357.7 million euro, shows growth of 3.1%, generated mainly by higher fee income on portfolio management schemes and on the sale of insurance products.

Trading and hedging activity in the first nine months of 2006 shows a positive result of 42.9 million euro, an increase of 30.9% compared with the same period in 2005. This result is made up as follows (in thousands of Euro):

		30/09/06	30/09/05
-	net trading income	36,472	28,583
-	net hedging gains (losses)	3,218	587
-	gains/losses on disposal or repurchase of loans	211	(569)
-	gains/losses on disposal or repurchase of financial assets available for sale	453	5,230
-	gains/losses on disposal or repurchase of financial liabilities	2,524	(1,079)
		42,878	**32,752**

Net trading income includes profits and gains on securities, profits and gains on derivatives, profits on foreign exchange and profits on corporate derivatives.

Net interest and other banking income in the first nine months came to 1,095 million euro, an increase of 9.6% on the previous year.

Net impairment adjustments to loans for the first nine months of 2006 are at the same level as the previous year (64.3 million euro). The cost of credit improved, going from 0.24% to 0.21%.

Administrative costs of 628.8 million euro went up by 2.4% on the first nine months of 2005. The two elements involved, "payroll costs" of 377.3 million euro and “other administrative costs” of 251.5 million euro, show increases of 1.7% and 3.4% respectively.
The increase in payroll costs is mainly due to higher costs brought about by renewal of the national labour contract, whereas the increase in other administrative costs is largely due to the insurance premiums paid on behalf of customers, offset by the related recoveries which are included in other operating income, and consultancy expenses.

Provisions for contingencies and charges for the first nine months amounted to 10.8 million euro, +43.7% on the same period last year, mainly because of higher provisions required to cover actions for revocation and the costs incurred by the joint venture in China.

Adjustments to property, plant and equipment and intangible assets total 44.5 million euro, a decrease of 8.2% on the figure at September 2005. The reduction is due to the fact that fewer adjustments were made to intangible assets (essentially amortisation of software).

Net operating income/expenses came to 104.3 million euro, + 14.9% on the equivalent figure last year.

In the first nine months of 2006, operating costs came to 579.8 million euro, more or less the same as last year. The cost/income ratio, which is the ratio of operating costs to net interest and other banking income, has decreased by all of 5.1 percentage points, from 58% in the first nine months of 2005 to 52.9% this year.

Profits from equity investments and gains on the sale of investment property grew from 7.2 to 9 million euro, mainly because of higher profits earned by the associate Lombarda Vita SpA (1 million euro) and, for the rest the capital gain on disposal of buildings.

The net profit from operating activities at 30 September 2006 came to 457.2 million euro, for an increase of 26.9% compared with the end of September 2005.

Income taxes for the first nine months of the year amount to 189.4 million euro, 21.3% up on September 2005.
The effective tax rate (profit from current operations before tax divided by the estimated tax charge) has improved by 2 percentage points, decreasing from 43.3% to 41.4%, helped by higher dividends.

Net profit from discontinued operations includes gains on buildings due to be sold for € 6.1 million and the writedown of an associate due to be sold for € 1.3 million.

Net income for the period ended 30 September 2006 came to 236.6 million euro, an increase of 36.5% on the previous year.

Comments on the third quarter figures

The financial margin in third quarter 2006 (227.1 million euro) shows an increase of 13.9% compared with the same period last year, due to a stronger rise in volumes handled and a wider interest rate spreads.

Net commission income came to 110.8 million euro, 4.1% less than in the same period of 2005, mainly because of lower commission income from collective portfolio management plans and from the acceptance of orders.

Trading and hedging activities in 2006 generated a positive result of 15.6 million euro, 3.7 million euro less than in the same period last year, as in 2005 there was a 5 million euro gain on disposal of the investment in Cedacri.

Net interest and other banking income, 353.6 million euro, is 5.7% higher that in the same period of 2005.

Net impairment adjustments to loans came to 23.6 million euro, compared with 16 million in third quarter 2005.

Administrative costs amounted to 206 million euro which is in line with the third quarter of last year (+0.4%), whereas the provisions for contingencies and risks (3.9 million euro) were higher than in third quarter 2005 because of the new provisions to cover actions for revocations.

Adjustments to property, plant and equipment and intangible assets (15.4 million euro) were 7.1% lower than in the same period last year.

Net operating income/expenses came to 34.3 million euro, which is 14.2% higher than in third quarter 2005.

As a result of these movements, operating costs during the third quarter of 2006 came to 191 million euro, compared with 193.5 million euro in the third quarter of 2005.

Profit from ordinary activities before tax amounted to 142.4 million euro, 12.1% up on the equivalent figure for last year.

Net income for the third quarter of 2006 came to 67.5 million euro, versus 59.4 million euro in third quarter 2005.

Performance of Group companies

The performance of the principal Group companies during the year is described below, with a brief comment on each.

Banking

The figures commented have been prepared in accordance with international accounting standards.

Banco di Brescia

At 30 September 2006 the Bank loans to customers amounted to 13,266 million euro, + 6.2% on the end of last year figure.
In particular, current accounts increased by 14%, personal loans by 15.6% and mortgage loans by 8.3%. On the other hand, the amount of the commercial portfolio and of other advances has decreased slightly.

The trend in loans by customer segment showed more marked growth by the Retail Division, which benefited from strong demand from households (especially for mortgages for the principal private residence, compared with the Corporate Division and ”institutional counterparties".

Net non-performing loans totalled 227. million euro, up 9.6% since the end of last year. In particular:

- net non-performing loans, 88.2 million euro, were down 4.6% with respect to December 2005. The ratio of these to total lending was 0.67% versus 0.74% at the end of the year;
- problem loans declined by 8.7%, coming in at 102.1 million euro.

The coverage of non-performing loans remained at 54.3% as at the end of last year, while the cover for problem loans decreased from 23.6% to 19.9%. General provisions total 46.6 million euro, representing 0.36% of performing loans.

Direct deposits at the end of September 2006 amounted to 13,244 million euro, down 4.8% since 31 December 2005. Customer deposits (8,816 million euro) were 5.7% lower than at the start of the year due to the decline in current accounts and unrestricted deposits (-1.3%), of restricted deposits

(-41.8%) and of repurchase agreements (-16.2%). Outstanding securities stood at 4,428 million euro, down by 3.1%, mainly due to the decrease in bonds.

At 30 September 2006, indirect deposits, at market value, came to 26,844 million euro, an increase of 10.3% compared with the start of the year, partly due to the upswing in equity prices during the third quarter after the decline in April and June.
The administered component, of 13,081 million euro, went up by 19.5% compared with the end of 2005, benefiting from the price rise that customers' equities on deposit enjoyed during the third quarter.
The managed component came to 13,763 million euro, for an increase of 2.8%, to which contributed, above all, individual portfolio management (+15.3%) and technical reserves (+9.1%), fed by a gross flow of insurance premiums totalling 660 million euro.

With regard to the main operating results, the interest margin for the first nine months of 2006 came to 322 million euro (+11.7%), thanks to higher loans and wider interest spreads, whereas net commissions came to more than 169 million euro (+4.4%). in particular, there was a marked rise (8.5% p.a.) in the commission from management, intermediation and consultancy services.
Trading and hedging activities earned 16.4 million euro, compared with a loss of 4.2 million euro in the comparative period, made up as follows (in thousands of euro):

		30/09/06	**30/09/05**
-	net trading income	11,293	- 3,152
-	net results on hedging accounting	1,614	73
-	gains/losses on disposal or repurchase of loans	211	-
-	gains/losses on disposal of financial assets available for sale	1,610	- 10
-	gains/losses on disposal or repurchase of financial liabilities	1,630	- 1,122
		16,358	**- 4,211**

Overall, net interest and other banking income amounted to 510.1 million euro, up 13.5% with respect to the comparative figure at 30 September 2005.

Adjustments to write down loans amounted to 21.1 million euro, up 13.5% with respect to the first nine months of 2005: The cost of lending deteriorated slightly, going from 0.14% to 0.16%.

Administrative expenses amounted to 265.6 million euro, up 0.5% with respect to the previous year. In particular, “payroll costs” totalled 136.1 million euro, up 0.9%, while “other administrative costs” of 129.5 million euro remained on the same level as last year.

Total operating costs, including provisions for liabilities and charges, adjustments to property, plant and equipment and intangible assets operating income, amounted to 237.1 million euro recorded a slight decrease if 0.3% with respect to the comparative period in 2005. The cost/income ratio improved by 6.4 percentage points, from 52.9% to 46.5%.

The net profit from ordinary activities, 250.4 million euro, recorded an increase of 30.8%, while the net income for the period was of 146 million euro, up 37.2% compared with the same period of the previous year.

Banca Regionale Europea

Lending to the bank’s customers amounted to 6,594 million euro at the end of September 2006, up by 4% since 31 December 2005.
In particular, current accounts, personal and mortgage loans increased, whereas the amount of the commercial portfolio and of other advances decreased less rapidly.
A breakdown of this growth in lending shows that loans to "retail" customers grew more than those to the "corporate" segment. There was also a marked increase in lending to institutional counterparts (particularly public institutions).

Net non-performing loans amounted to 140.4 million euro, down 4.8% since the start of the year. In particular:

- net non-performing loans, 73 million euro, grew by 10.6%, slightly worsening their ratio with respect to total loans from 1.04% of the end of last year to 1.11%;
- problem loans, 58.5 million euro, decreased by 6.1%.

Customer assets administered as of 30 September 2006 total 19,465 million euro, up 3.3% compared with the figure at the end of last year. In particular, direct deposits came to 6,218 million euro, 3.7% more than the figure at the end of last year, while indirect deposits rose by 3.1%, coming in at 13,247 million euro. Growth was helped by share prices recovering in the third quarter, after they dropped between April and June.

With regard to the results of operations, the interest margin for the first nine months of 2006 amounted to 181.3 million euro, +7.8% on the equivalent figure last year, thanks to the positive trend in volumes and wider interest spreads. net commission income, 99 million euro, rose by 2.6%, thanks to the increase in commission from management, intermediation and consultancy services (+5.2%).

<u>Trading and hedging activities</u> produced a positive result of 8,551 thousand euro, compared with a loss of 1,435 thousand euro in the first nine months of 2005, made up as follows (in thousands of euro):

	30/09/06	**30/09/05**
- net trading income	6,960	-4,079
- net results on hedging accounting	626	143
- gains/losses on disposal or repurchase of financial assets	401	2,350
- gains/losses on disposal or repurchase of financial liabilities	564	151
	8,551	**- 1,435**

As a result of the above, net interest and other banking income was 301.5 million euro, up 10.5% with respect to the end of September 2005.

Net impairment adjustments to loans amounted to 16.7 million euro, 5.5% less than in the first nine months of last year. The cost of lending has improved slightly, going from 0.28% of total loans in the balance sheet at the end of September 2005 to the current level of 0.25%.

Administrative costs, 179.9 million euro, have gone up by 2.3%. In particular, “payroll costs” of 98.8 million euro have gone up by 3.9%, mainly because of higher provisions for corporate bonuses and the hour bank, as well as a rise in the basic charge, whereas “other administrative costs” (81.1 million euro) have remained at the same level as last year. Overall, operating costs (including risk provisions, depreciation and amortisation, miscellaneous income and charges) rose by 2.5%. The cost/income ratio improved by 4 percentage points, from 59.7% to 55.4%.

Income before income taxes from current operations amounted to 130.4 million euro, with an increase of 41.9%, which was affected by the gain (12.4 million euro) on the sale of the shares in Grifogest SpA to the Parent Bank.

Net income came to 83.2 million euro, + 51.8% on the figure for the first nine months of 2005.

Banca di Valle Camonica

At the end of third quarter 2006, the Bank showed a 9% increase in loans to customers compared with 31 December 2005, raising the total to 1,386 million euro.
This reflects above all a rise in overdrafts and industrial loans. The evolution in loans by customer segment showed satisfactory growth in the retail component, bolstered by home purchase loans, even if less than in the past; the demand for credit from corporate customers was more intense, particularly as regards longer term loans, such as those for industrial investments.

Net non-performing loans totalled 20.5 million euro, down 12.3% since the end of 2005. In particular:

- net non-performing loans, 10.6 million euro, were up 24.5% with respect to 31 December 2005. They represent 0.76% of total lending compared with 0.67% at the end of last year;
- problem loans, for a total of 8.9 million euro, have declined by 37.4% compared with 31 December 2005.

Direct deposits amounted to 1,395 million euro at 30 September 2006, 5.3% higher than at the end of 2005. Customer deposits (913 million euro) rose by 6.2%, driven mainly by current accounts and unrestricted deposits; securities issued (482 million euro) were up 3.7% due, in the main, to an increase in bonds. The total market value of indirect deposits was 1,064 million euro, up 2.3% since the start of the year. After the modest growth in the second quarter, this growth was helped by the recovery in share prices in the third quarter.

Looking at the statement of income, net interest income at the end of September 2006 came in at 38.5 million euro, +13.7% on the prior year figure, whereas net commission income exceeded 14 million euro, an increase of 6.5% despite the growth problems of the Italian asset management market. In particular, there was a marked rise (14%) in the commission income from management, intermediation and consultancy services.
<u>Trading and hedging activities</u> produced a positive result of 1.2 million euro, compared with one of 431 thousand euro the previous year, due to higher turnover in derivatives with customers thanks to the trend in the interest rate curve, made up as follows (in thousands of euro):

		30/09/06	30/09/05
-	net trading income	747	465
-	net results on hedging accounting	275	-49
-	gains/losses on disposal or repurchase of financial assets	42	-
-	gains/losses on disposal or repurchase of financial liabilities	131	15
		1,195	**431**

Net interest and other banking income amounted to 53.8 million euro, up 13.1%.

Administrative costs of 34 million euro have fallen by 1.3% compared with the same period last year. "Payroll costs" of 17.5 million euro have gone up by 1.2%, whereas “other administrative costs” of 16.5 million euro have gone down by 3.7%. The costs that have fallen in particular were advertising, legal expenses, credit information, and treasury contract costs.

Net provisions for liabilities and charges totalled 599 thousand euro; adjustments to property, plant and equipment and intangible assets, 1.1 million euro; operating income/expenses, 4.1 million euro, led to total operating costs of 31.6 million euro, 0.7% down on last year. The cost/income ratio improved by 8 percentage points, from 66.9% to 58.7%.

Profit from current operations before tax was 22.2 million euro, 40.6% more than in the first nine months of 2005, while net income came to 12.5 million euro, compared with 8.4 million at 30 September 2005.

Banco di San Giorgio

At 30 September 2006 loans to the Bank's customers amounted to 1,290 million euro, an increase of 13.4% compared with the end of last year.
This reflects a 16.5% rise in overdrafts and a 15.5% increase in mortgage loans. Analysis of lending by customer segment shows a marked rise in loans to both “retail” customers, thanks to continued strong demand from households for mortgages, and “corporate” borrowers, thanks to more vivacious growth in the Ligurian economy compared with expectations.

As regards the quality of credit, net non-performing loans, 14 million euro, remained at much the same levels as at 31 December, while as a percentage of total loans they fell from 1.23% at the end of year to 1.09%; problem loans doubled from 6.3 to 12.9 million euro; on the other hand, expired loans have fallen from 5.9 to 0.9 million euro.

Customer assets under administration at the end of September 2006 came to 1,784 million euro, +5.3% on the end of last year, driven more by direct than indirect deposits.

In particular, net direct deposits amounted to 909 million euro, an increase of 6.7% compared with the end of last year, while total indirect deposits, at market value, came to 876 million euro, + 4% on the end of 2005, helped by share prices recovering in the third quarter, having fallen between April and June.

With regard to the results of operations, the interest margin for the first nine months of 2006 amounted to 29.1 million euro, +20.7% on the equivalent figure last year, thanks to the positive trend in volumes (loans in particular) and wider interest spreads. On the other hand, growth problems in asset management and the poor performance by both the bond and the equity market negatively conditioned the trend in commission income, which came in at 9.4 million euro, versus 9.1 million euro in the first nine months of 2005.
Trading and hedging activities produced a positive result of 1.1 million euro, double last year's, due to the upward trend in interest rates, and was made up as follows (in thousands of euro):

	30/09/06	**30/09/05**
- net trading income	689	655
- net results on hedging accounting	292	-121
- gains/losses on disposal or repurchase of financial liabilities	110	-5
	1,091	**529**

Net interest and other banking income amounted to 39.6 million euro, up 17.4% with respect to 30 September 2005.

Net impairment adjustments to loans amounted to 334 thousand euro, a marked decrease compared with 1.7 million euro in the first nine months of 2005. Accordingly, the cost of lending fell to 0.04% from 0.16% in the period to 30 September 2005.

Administrative costs, 22.5 million euro, were 5.8% higher. In particular, “payroll costs”, 11.7 million, rose by 6.3%; “other administrative costs”, 10.9 million, grew by 4%, particularly because of higher rents paid for premises and professional fees.

Operating costs, including provisions for liabilities and charges, adjustments to property, plant and equipment and intangible assets and net of operating income, came to 20.8 million euro, an increase of 5.4% on the previous year. The cost/income ratio of 52.4% was six percentage points lower than at 30 September 2005.

Profit from current operations before tax came to 18.4 million euro, an increase of 49.1%, while net income jumped to 10.5 million euro, an increase of 51.5% on last year.

Cassa di Risparmio di Tortona

At the end of third quarter 2006, the Bank showed a 12.5% increase in loans to customers compared with 31 December 2005, raising the total to 801 million euro.
This growth mainly reflects a rise in overdrafts, personal loans and mortgage loans.
Analysis of lending by customer segment shows a marked rise in loans to “retail” customers and an even stronger increase in demand from “corporate” borrowers, given the consolidation of the economic upturn and greater investment by companies.

Net non-performing loans amounted to 15.7 million euro, down 11.7% since the start of the year. In particular: net non-performing loans fell by 5.4%, coming in at 8.2 million euro; the ratio to total loans has improved, from 1.22% at 31 December 2005 to 1.02%.

Customer assets under administration at the end of September 2006 came to 1,481 million euro, much the same as at the end of last year. The 2.1% increase in direct deposits (737 million euro) was offset by the decline in indirect deposits (-1.6%), pushing the balance to 744 million euro. Both components contributed to this result: administered assets fell by 2.9%, while managed assets went down by 0.8%.

Turning to the statement of income, net interest income, 21.9 million euro, has gone up by 15.7% compared with the first nine months of the previous year, benefiting above all from the positive trend in loans. The main reason for the modest increase in commission income was growth problems in the asset management market, coming in at 8.1 million euro like last year.

Trading and hedging activities earned 1.5 million euro, compared with 1.7 million euro at the end of September 2005, made up as follows (in thousands of euro):

		30/09/06	30/09/05
-	net trading income	1,091	-985
-	net hedging gains (losses)	123	45
-	gains/losses on disposal or repurchase of financial assets	183	2,777
-	gains/losses on disposal or repurchase of financial liabilities	83	-112
		1,480	**1,725**

Net interest and other banking income amounted to 31.8 million euro, up 9.3%.

Net impairment adjustments to loans amounted to 1.1 million euro, almost half what they were last year. The cost of lending fell from 0.29% in September last year to 0.14%.

Administrative costs, 19 million euro, were 5.5% higher than in the same period last year. Net provisions for liabilities and charges increased from 79 to 865 thousand euro (800 thousand euro to cover an action for revocation), while adjustments to property, plant and equipment and intangible assets came to 635 thousand euro (+9.7%); net operating income/expenses improved from 1.8 to 2.5 million euro. As a result of these movements, operating costs came to 18 million euro, an increase of 6.8% on the first nine months of 2005. The cost/income ratio improved by 1.3 percentage points, from 57.9% to 56.6%.

Net profit from ordinary activities increased from 10.2 to 13.2 million euro. Net income rose by 20.5% compared with the same period last year, going from 7 to 8.4 million euro.

Banca Lombarda Private Investment

The figures at 30 September 2006 include the contribution made by the network of financial consultants of Banca Popolare dell'Etruria e del Lazio acquired in July.

At the end of the third quarter, loans amounted to 281.4 million euro, an increase of 128 million euro (+83.6%) on 31 December 2005; mortgage loans, in particular, which represent 88% of the total, benefited from the additional 70 million euro deriving from the "Etruria" business.
Net impaired loans exceed 4 million euro, compared with 607 thousand euro at the end of last year; the increase relates in particular to receivables linked to transactions in derivatives.

At 30 September 2006, customer assets under administration amounted to 3,647 million euro, 13% more than at the end of last year. Direct deposits amounted to 363 million euro, an increase of 94 million euro (+34.7%); Current accounts, which account for 91% of the total, have increased by 36.6% and include about 67 million euro from the "Etruria" business. Indirect deposits amounted to 3,284 million euro, an increase of 11% compared with the end of the previous year, being affected by the recovery in share prices during the third quarter after the decline between April and June, and the contribution made by the network of financial consultants of Banca Popolare dell'Etruria e del Lazio (BPEL) acquired in early July. In particular, the administered component, 779 million euro, rose by 8.3% (-12.2% net of the BPEL network); the managed component, 2,505 million, increased by 11.9%, (+5.9% net of the BPEL network).

As regards the statement of income, net interest income at the end of September 2006 came in at 8.6 million euro, while commission income came close to 13 million euro.
Trading and hedging activities generated income of 399 thousand euro, compared with 178 thousand euro in the same period of last year.
Net interest and other banking income amounted to 22.5 million euro, up 26.8% with respect to the situation at 30 September 2005.

Net impairment adjustments to loans were of 1.4 million euro, with a cost of lending of 0.51%. This considerable increase was brought about by analytical writedowns of particular lending transactions linked to investments in derivatives.
The bank's growth following the acquisition of the new business raised administrative costs to 21.3 million euro (+9.9% compared with the first nine months of 2005).

Operating costs, including provisions for liabilities and charges, adjustments to property, plant and equipment and intangible assets and net operating income, amounted to 21 million euro, 6.4% more than at 30 September 2005.

Profit from current operations before tax amounted to 77 thousand euro, compared with a loss of 2.2 million euro the previous year. After deducting tax of 629 thousand euro, operations for the first nine months of 2006 resulted in a loss di 552 thousand euro. The first nine months of 2005 produced a loss of 1.4 million euro.

Banca Lombarda International

Funds under administration totalled 2,833 million euro at 30 September 2006, down 14.1% since the start of the year. Specifically, direct deposits decreased from 429 to 417 million euro, while indirect deposits eased from 2,852 to 2,416 million euro.

Loans to customers, 91 million euro, have increased by almost 9.6% compared with 31 December 2005.

At 30 September 2006 net income came to 4.6 million euro, + 16.5% on last year.

Near-banking companies

SBS Leasing

The company closed the third quarter of 2006 consolidating its market share thanks to a 16.2% increase in turnover compared with the previous year. Overall, 9,296 new contracts were signed during the period, totalling 932 million euro and averaging 100,000 euro, which represents a market share of 2.86% in terms of the number of contracts signed and of 3.04% in volume terms. This ranks the company 8th in the Assilea table by contract value.

An analysis by sector shows satisfactory results in property (+30.1%): of which +61.8% “under construction” and +8% “completed”, but the uncertainty relating to the introduction of the "Bersani

Decree" had a negative impact on this area of business in the third quarter of the current year. Operating assets turned in a +13%, the auto sector dropped slightly (-0.5%) and nautical leasing saw a 25.9% decline in turnover.

With regard to the results of operations, the interest margin net of selling expenses rose by 2.26% with respect to the comparative period in 2005, while net interest and other leasing income was 13.86% higher.

Net adjustments for impairment of loans rose by 61.05%; the ratio of net non-performing loans/total lending amounts to 0.62% (0.66% at year-end).
Other administrative costs, of which the rent of the new head office continues to represent a considerable proportion, went up by 8.89% compared with September 2005.
Net income was 11 million euro, down 2.42% with respect to the same period in the prior year. This result was negatively influenced (1.3 million euro) by the provision made for the associate Help Rental Service Srl, in addition to writing down the investment (120 thousand euro).

CBI Factor

At 30 September 2006, the company reconfirmed the positive trend in sales as forecast in the budget, consolidating its position as one of the leading players in the Italian factoring market.
Net loans to customers came to 1,479 million euro. Net adjustments to loans, both analytical and general, amounted to 2.9 million euro.

This commercial drive did not have any negative impact on asset quality; the credit risk related to counterparty performance did not give rise to particular anomalies and the ratio of net non-performing loans (2.6 million euro) to total loans remained very low (0.18%), with coverage of 72.4% (48.5% at 31 December 2005).

As regards the statement of income, net interest and other banking income amounted to 32.6 million euro (-2.4%), while administrative costs, for a total of 15.3 million euro, decreased by 13.7%. Net income, 9.9 million euro, was 5.6% higher than at 30 September 2005. This result is extremely positive considering that in 2006, following a strategic decision on the part of the Group, the company was no longer involved in the leasing business, which in 2005 made a positive contribution to the company's overall profitability.

Silf

Loans granted up to the end of third quarter 2006 amounted to 571.4 million euro, +8.3% on the equivalent figure in 2005. Market share – excluding the “One-fifth of payroll” and “Credit card” segments, was 1.90%.

Most of the growth in lending came from Personal Loans, with a rise of 52.4% to 89.8 million euro; The "Other Special Purpose Lending" segment stayed at the same level as in 2005, whereas "Auto" loans went up by 4.1%.

Total lending to customers at period end was 1,176 million euro, up 8.7% since the end of December 2005.
Net non-performing loans, 5.4 million euro, remained fairly low as a percentage of net lending (0.46%), slightly higher than last year (0.40%).

As regards the statement of income, net interest income came to 24.4 million euro, net commission income amounted to 215 thousand euro and the net result of trading and hedging activities totalled 1.9 million euro. Net interest and other banking income came in at 26.5 million euro, 5.3% less than at 30 September 2005.

Administrative costs, which also include the costs of insurance products sold to protect loans, amounted to 21.8 million euro. Their growth, compared with 16.2 million in 2005, was partially offset by an increase in other operating income (17.3 million).

The result of operations came to 8.6 million euro (-32.0%), while net income for the period amounted to 3.8 million euro, almost half what it was at the end of September 2005 (7.2 million euro).

Asset management companies

Capitalgest Sgr

At 30 September 2006, the company managed total net assets (i.e. excluding the Capitalgest funds of funds) of 16,278 million euro, of which 8,288 million related to the 25 mutual funds set up by the AMC, whereas the other 7,990 million represent the net assets of the individual managed portfolios delegated by Group banks. Assets managed have risen by 465 million euro (2.9%) since the start of the year.

Turning to the statement of income, net income for the first nine months of 2006 came to 2.9 million euro, versus 1.9 million euro in the same period last year.

Capitalgest Alternative Investments

The assets managed by the company at 30 September 2006 amounted to 436 million euro, up 44.3% from 302 million euro at the start of the year. This change reflects the combined effect of net inflows (+128 million euro) and the positive results of operations (+6 million euro).
The Capitalgest Alternative Conservative II Fund was launched in September, bringing the number of funds managed by the company to five.

As regards the company's economic results, in the first nine months of the year it made net income of 1 million euro, compared with 306 thousand euro during the same period of 2005.

Grifogest s.g.r.

Assets under management totalled 3,046 million euro at the end of 2005, but decreased to 2,232 million euro during the period to 30 September 2006 (-26.7%). This reduction was mainly due to a decrease of about 700 million euro in the funds managed (including, in particular, a reduction in the Grifocash fund from 1,575 million euro at the end of 2005 to 935 million euro at 30 September 2006); it was also due to the other products managed by the company (consisting of individual and institutional managed portfolios and management mandates for pension funds, mutual funds and lines of sicavs) for a decrease of around 100 million euro.

Looking at the statement of income, net income fell from 1.8 million euro at the end of September 2005 to 985 thousand euro, due to lower management and performance fees collected on the products being managed.

Gestioni Lombarda Suisse

Trust assets managed by the company as of 30 September 2006 amounted to 201 million euro.
Net income for the first nine months of the year was 371 thousand euro, compared with 316 thousand euro in the first nine months of last year.

Solofid and Sifru Gestioni Fiduciarie Sim

Fiduciarie Solofid S.p.A. and Sifru Gestioni Fiduciarie SIM S.p.A. work together to complement the activities of the Group's banks.
The principal activities of Solofid are the holding and administering in trust of equity investments, with administered assets of 755 million euro and net income of 725 thousand euro in the period to 30 September 2006.
Sifru Gestioni Fiduciarie SIM S.p.A., which is one of the few securities houses in Italy authorised to provide personalised portfolio management with fiduciary registration, achieved assets under management of 223 million euro, generating net income of 169 thousand euro.

Mercati Finanziari Sim

During 2006, the company was negatively affected by the introduction of Law 262 of 28 December 2005 entitled "Provisions for the protection of savings and the regulation of financial markets". Compared with the previous year, there was a considerable reduction in the number of placements on the primary market and in the related commission, which fell from 2.5 million euro in 2005 to 134 thousand euro.
Net interest and other banking income was equal to 1.2 million euro, versus 2.9 million at the end of September 2005. On the other hand, steps were taken to cut costs: payroll costs were reduced from 1.1 million euro to 841 thousand euro; other administrative costs fell from 678 to 655 thousand euro.
These various movements led to a loss of 243 thousand euro at the end of September 2006.

Other related activities

Lombarda Sistemi e Servizi

The value of production of Lombarda Sistemi e Servizi during the period to 30 September 2006, mainly comprising revenues from services provided to Group companies, amounted to 89 million euro and was in line with performance in the comparative period of last year.

The cost of production was about 78 million euro: 38% in relation to payroll costs and 27% in relation to depreciation and amortisation.

Capital investment during the period totalled 19 million euro, principally for the purchase of software (mainly systems and applications software).

Net income for the period amounted to 5.4 million euro, versus 4.5 million in the same period last year.

Società Lombarda Immobiliare

In third quarter 2006, the company was not involved in any debt recoveries that entailed acquiring property. Free liquidity was invested in bonds, which generated the interest income that covered part of the operating costs.

The net result, after adjusting for deferred tax assets, was a loss of 23 thousand euro.

S.B.I.M.

Total production up to the end of September 2006 came to 15.1 million euro, including the gain of 9.6 million realised on the sale of the second tranche of the Borghetto complex, booked to "Net profit from discontinued operations" for 6.1 million euro.

The cost of production totalled 1.6 million euro, of which 999 thousand for services, 275 thousand for other costs (mainly indirect taxes) and 323 thousand euro for payroll costs. Depreciation and amortisation totalled 2.6 million euro and financial charges amounted to 682 thousand euro.

Profit before taxation was 10.2 million euro; taxation amounted to 3.9 million euro; net income for the period amounted to 6.4 million euro.

Monitoring of risk and system of controls

The overall design of the risk management system is based on the principles laid down by the Basel Committee for Banking Supervision and is in line with the instructions issued by the Bank of Italy.

In particular, the functions of identifying, measuring and controlling quantifiable risks on an integrated basis have been centralised in independent departments within the Parent Bank. The Risk Management Department is responsible for ensuring constant control over the Group's current and prospective exposure to market, lending, liquidity and operating risks.

The functions carried out by the risk management department take two forms:

- management of current risks, carried out through the present control system;
- a design function, whose purpose is to develop a system of risk control in line with the instructions contained in the "New Basel Capital Accord" published by the Basel Committee in June 2004.

Current activities

Rate risk is controlled using Gap Analysis and Sensitivity models using the Static A&LM system. This system, which has been operating for all Group banks since September 2001, permits precise analysis of the following variable data, among others:

- the "stickiness" of items due on demand;
- the index-linking of floating rate positions (in particular, mortgage loans);
- an initial approach to the logic of transferring risks and yields using the model of Risk Taking Centres, reflecting the current divisionalisation of the Commercial Banks (Corporate, Retail, Institutional Counterparties, Private Customers, Financial Consultants).

Sensitivity is measured in terms of duration (sensitivity of values to parallel shifts in the yield curve of 100 bp). Gap analysis is carried out both with a view to the short term (within 12 months) and to the medium/long term (beyond 12 months). Analysis up to 12 months is carried out in bands of monthly maturities, while six-monthly bands are used up to 3 years and annual ones for maturities over 3 years.

Static A&LM is also used to analyze **liquidity risk,** based on the flows of principal and interest falling due each month over the next twelve months.

Asset & Liability Management (A&LM) reports are produced quarterly. Gap analysis beyond a year is carried out with greater frequency whenever it is necessary to monitor interest-rate risk to ensure balance sheet items are hedged properly.

As regards the market risk generated by the Finance Department's trading activity, Banca Lombarda e Piemontese allocated a new set of Finance Regulations giving the Finance Department limits in terms of Value At Risk (VaR) calculated using variance/covariance methods, with a time horizon of one day and a confidence level of 99%; these risk limits are also accompanied by Stop Loss criteria.

The limits for VaR cover:

1. Exposure to exchange risk;
2. Exposure to equity risk;
3. Exposure to interest rate risk.
4. Exposure to volatility risk (Vega risk).

Criteria have also been introduced to limit the exposure to corporate securities; these limits have been defined in terms of notional amounts per sector/rating.

The new finance regulations also contain an approval process for new business on financial markets.

As regards **exposure to interbank markets and interest risk** generated by the Group's structural assets (Banking Book), the Finance Regulations define limits for the Finance Department's activities on behalf of all Group banks in order to ensure structured, effective management of the different levels of risk.

The ratio of the sensitivity of the value of on- and off- balance sheet assets and liabilities, net of trading balances, to stockholders' equity is monitored in this respect. When calculating this ratio, all balance sheet items are marked to market, including those that are not negotiable, so that the total exposure of assets and liabilities to interest-rate risk can be evaluated. The upper limit for this ratio is set at 2% of stockholders' equity for the Parent Bank.

Parallel shift analysis is used to calculate sensitivity, both for the unrestricted securities portfolio and for the entire balance sheet structure. This calculates the change in value in reaction to parallel shocks to the entire interest-rate structure: the Banca Lombarda e Piemontese Group has assumed a shock of +/-100 basis points, calculated by means of A&LM and VaR.

The subsidiary banks have also adopted the Finance Regulations and have granted a mandate to Banca Lombarda e Piemontese to manage their securities portfolio and financial risks. This mandate establishes that the Finance Area has to operate within the limits laid down in the Regulations.

As for **lending risk**, the procedure currently in use allows measurement of the Group's overall exposure to an individual customer or group of related customers. Credit limits are reviewed on a real-time basis and any overdrawn accounts not previously authorised are identified and reported each day to the appropriate level of authority, in order to check the overall exposure to each borrower.

Control over the regularity of all positions is carried out by a specific central function at each of the subsidiary banks, with the power to classify loans in the way that suits them best if branches appear not to be monitoring the situation adequately.

An internal rating system is used to monitor performing loans, together with automated procedures for the analysis of risk, in order to group customers into similar classes of risk and identify for further specific checks those counterparts with anomalous profiles.

This system is also used to identify the inherent risk of loss associated with performing loans and to determine the related general writedowns. Current procedures determine the extent of the writedowns needed for each counterpart and technical form of lending, by estimating the likelihood of default and the level of recoveries in that event; in this latter regard, an estimate of the duration is also made, in order to discount cash flows using the transaction's internal rate of return.

The Parent Bank reviews each bank's loan performance by geographical area, economic sector, customer segment and internal rating, highlighting the frequency of non-performing and anomalous situations, which is information of fundamental importance for a prudent commercial growth strategy.

As regards the management of credit limits for Italian and foreign institutional counterparties and country risk, IT procedures monitor these risks.

Ratings of institutional counterparties and countries are also obtained from outside agencies in order to have constant updates on their solvency.

As for **legal risk,** the Bank maintains constant control over the validity, effectiveness and enforceability of contracts under current legal norms and regulations.
With regard to the validity and effectiveness of contracts, we usually adopt formats developed by trade associations (A.B.I., I.S.D.A., etc), adapting them if necessary to our own requirements. As regards the checking of signature powers, we obtain suitable documentation (articles of association, board resolutions, powers of attorney, etc) on each occasion that they are required.

Project development

The project development activities performed by the Parent Bank's Risk and Planning and Management Accounting departments are particularly important. They seek to provide the Group with a system for controlling market, lending and operating risks according to the classification recommended by the Basel Committee, which is geared to risk management and control as well as the allocation of capital.

As for **credit risk**, the Parent Bank's Risk Department is currently leading a project to establish a system of lending risk management and control, parts of which will be submitted for Bank of Italy authorization. This program is one step in the process of adopting new standards for quantifying capital for supervisory purposes, as recommended by the "New Basel Capital Accord".

The project will be implemented using a step-by-step approach made up of various phases, at the end of which it will be possible to obtain a rating and measure the capital at risk for each and every customer, together with the related credit exposures by using Credit Value at Risk methods (CreditVaR).

In order to apply the most appropriate rating model to each customer, the following customer segments have been identified: "Large Corporate", "Corporate", "Small Business" and "Retail". "

A method for calculating the rating has been determined for each segment. This method became an integral part of the lending process from 1 January 2005, with results that contribute to establishing authorization levels for the granting of loans.

Subsequently, the rating will also be used in the management of lending policy and outstanding loans, for pricing, and for measuring the risk-adjusted returns.

The Loss Given Default (LGD) models have been completed and certain information is used to determine the general impairment of loans, as required by the new international financial reporting standards.

The Exposure At Default (EAD) model was completed in first quarter 2006 allowing the Group to calculate the capital requirements for credit risk using advanced IRB methods.

As for **operating risk**, work has begun on a group-wide project aimed at setting up an integrated system for the identification, measurement and control of operating risks, based on international best practices and the qualitative and quantitative standards recommended in the New Basel Accord.

During 2004, the Banca Lombarda Group developed the minimum requisites for applying the Standardised Approach for determining minimum capital requirements and work began on implementing an Advanced method of internal measurement in those segments where adequate historical series of data are available.
As regards the status of the project currently in progress, the operating losses in 2001 and 2002 have been historically reconstructed and, from early 2003, the Group's intranet manages a procedure for the integrated and systematic reporting of such losses.

In keeping with the recommendations contained in the proposed New Basel Accord, an organisational model has been defined for managing operating risks and, within the Parent Bank, an operating risks Committee has been set up to provide guidance and monitor the complex process of operating risk Management. As mentioned, a specific function within the Risk Management sector is dedicated to the design and development of internal methodologies for identifying, assessing, monitoring and mitigating operating risks and of the related reporting systems.

The Group has also joined the DIPO Observatory on operating risks launched by the Italian Bankers' Association for the exchange of data on losses by the industry as a whole.

In 2006, the Group continued the process of Risk Assessment for the mapping and assessment of risk scenarios inherent to its various areas of business. It has the support of an IT procedure to ensure an integrated approach, so as to provide a critical self-diagnosis in terms of potential exposure to the risk of losses and the adequacy of existing controls and supervision.

Also for the purposes of compliance with Pillar 2 of the new Basel Capital Accord, Banca Lombarda has commenced a project to improve the monitoring of **liquidity risk** in the medium/long term at a consolidated level.

Ratings

In the first nine months of 2006 the rating agencies Moody’s, Fitch and Standard & Poor’s maintained their ratings on the Bank's short and medium/long term debt at the same level as at the end of 2005.

In May, Standard & Poor’s revised the outlook for Banca Lombarda from stable to positive following the recent strengthening of capital, as well as the maintenance of good efficiency levels and asset quality.

Fitch has confirmed its long- and short-term ratings, as well as its individual rating for Banca Lombarda, reiterating a “stable” outlook at the end of September.

Agency	Short-term debt	Medium/long-term debt	Outlook	Financial strength	Individual	Support
Moody's	P-1	A2	Stable	C+		
Fitch Ratings	F1	A	Stable		B/C	3
Standard & Poor's	A-2	A-	Positive			

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Balance sheet
(thousands of euro)

	Assets	30.09.06	31.12.05	Changes 30/09/2006-31/12/2005	
				amount	%
10.	Cash and cash equivalents	142,996	146,839	(3,843)	(2.6)
20.	Financial assets held for trading	2,903,739	3,015,182	(111,443)	(3.7)
40.	Financial assets available for sale	980,915	843,338	137,577	16.3
50.	Financial assets held to maturity	22,120	21,567	553	2.6
60.	Due from banks	2,100,772	3,076,529	(975,757)	(31.7)
70.	Loans to customers	29,954,211	28,229,071	1,725,140	6.1
80.	Hedging derivatives	45,358	103,528	(58,170)	(56.2)
100.	Equity investments	78,872	62,800	16,072	25.6
120.	Property, plant and equipment	727,448	756,900	(29,452)	(3.9)
130.	Intangible assets	739,379	712,085	27,294	3.8
140.	Tax assets	271,375	375,630	(104,255)	(27.8)
150.	Non-current assets held for sale	3,234	6,921	(3,687)	(53.3)
160.	Other assets	929,163	996,746	(67,583)	(6.8)
	Total assets	**38,899,582**	**38,347,136**	**552,446**	**1.4**

	Liabilities and stockholders' equity	30.09.06	31.12.05	Changes 30/09/2006-31/12/2005	
				amount	%
10.	**Due to banks**	2,896,008	3,464,625	(568,617)	(16.4)
20.	**Due to customers**	15,812,350	15,792,313	20,037	0.1
30.	**Debt securities issued**	14,223,908	13,117,374	1,106,534	8.4
40.	**Financial liabilities held for trading**	555,301	1,220,886	(665,585)	(54.5)
60.	**Hedging derivatives**	38,779	16,297	22,482	138.0
80.	**Tax liabilities**	347,577	342,210	5,367	1.6
90	**Liabilities associated with non-current assets held for sale**	1,188	-	1,188	-
100.	**Other liabilities**	1,529,225	1,431,767	97,458	6.8
110.	**Termination indemnities**	187,908	195,161	(7,253)	(3.7)
120.	**Provisions for liabilities and charges**	88,843	89,972	(1,129)	(1.3)
	a) post retirement benefit obligations	27,251	*28,177*	(926)	(3.3)
	b) other provisions	61,592	*61,795*	(203)	(0.3)
140.	**Revaluation reserves**	465,291	359,164	106,127	29.5
170.	**Reserves**	761,046	650,656	110,390	17.0
180.	**Additional paid-in capital**	973,700	661,268	312,432	47.2
190.	**Capital**	351,752	322,292	29,460	9.1
210.	**Minority interests (+/-)**	430,057	444,167	(14,110)	(3.2)
220.	**Net income (loss) for the period (+/-)**	236,649	238,984	(2,335)	(1.0)
	Total liabilities and stockholders' equity	**38,899,582**	**38,347,136**	**552,446**	**1.4**

Statement of income

(thousands of euro)

	Statement of income	30.09.06	30.09.05	Changes 30/09/2006-30/09/2005		3rd Quarter 2006	3rd Quarter 2005	Changes	
				amount	%			amount	%
10.	Interest income and similar revenues	1,200,271	1,032,757	167,514	16.2	423,140	347,063	76,077	21.9
20.	Interest expense and similar charges	(541,280)	(433,198)	108,082	24.9	(196,132)	(148,285)	47,847	32.3
30.	**NET INTEREST INCOME**	**658,991**	**599,559**	**59,432**	**9.9**	**227,008**	**198,778**	**28,230**	**14.2**
40.	Commission income	422,459	401,561	20,898	5.2	131,967	134,973	(3,006)	(2.2)
50.	Commission expense	(64,758)	(54,536)	10,222	18.7	(21,128)	(19,426)	1,702	8.8
60.	**NET COMMISSION INCOME**	**357,701**	**347,025**	**10,676**	**3.1**	**110,839**	**115,547**	**(4,708)**	**(4.1)**
70.	Dividends and similar income	35,472	19,979	15,493	77.5	113	709	(596)	(84.1)
80.	Net trading income	36,472	28,583	7,889	27.6	14,381	14,880	(499)	(3.4)
90.	Net hedging gains (losses)	3,218	587	2,631	-	41	252	(211)	(83.7)
100.	Gains/losses on disposal or repurchase of:	3,188	3,582	(394)	(11.0)	1,189	4,186	*(2,997)*	-
	a) loans	211	*(569)*	780	-	*211*	*(569)*	*780*	-
	b) financial assets available for sale	*453*	*5,230*	(4,777)	-	*8*	*5,230*	*(5,222)*	-
	c) financial assets held to maturity	-	-	-	-	-	-	-	-
	d) financial liabilities	*2,524*	*(1,079)*	3,603	(333.9)	*970*	*(475)*	*1,445*	-
120.	**NET INTEREST AND OTHER BANKING INCOME**	**1,095,042**	**999,315**	**95,727**	**9.6**	**353,571**	**334,352**	**19,219**	**5.7**
130.	Net impairment adjustments	(67,081)	(66,995)	86	0.1	(25,174)	(16,137)	9,037	56.0
	a) loans	*(64,306)*	*(64,553)*	(247)	(0.4)	*(23,554)*	*(16,015)*	7,539	47.1
	b) financial assets available for sale	*(480)*	*(2,442)*	(1,962)	-	*(305)*	-	(305)	#DIV/0!
	c) financial assets held to maturity	-	-	-	-	*365*	-	365	-
	d) other financial assets	*(2,295)*	-	(2,295)	-	*(1,680)*	*(122)*	1,558	-
140.	**NET FINANCIAL INCOME**	**1,027,961**	**932,320**	**95,641**	**10.3**	**328,397**	**318,215**	**10,182**	**3.2**
180.	Administrative costs:	(628,816)	(614,044)	14,772	2.4	(206,046)	(205,232)	814	0.4
	a) payroll	*(377,343)*	*(370,923)*	6,420	1.7	*(123,598)*	*(125,526)*	*(1,928)*	(1.5)
	b) other administrative costs	*(251,473)*	*(243,121)*	8,352	3.4	*(82,448)*	*(79,706)*	*2,742*	3.4
190.	Net provisions for liabilities and charges	(10,848)	(7,548)	3,300	43.7	(3,898)	(1,713)	2,185	127.6
200.	Net adjustments/write backs to property, plant and equipment	(24,909)	(25,294)	(385)	(1.5)	(8,648)	(8,974)	(326)	(3.6)
210.	Net adjustments/write backs to intangible assets	(19,543)	(23,139)	(3,596)	(15.5)	(6,760)	(7,610)	(850)	(11.2)
220.	Other operating income/expenses	104,297	90,770	13,527	14.9	34,332	30,066	4,266	14.2
230.	**OPERATING COSTS**	**(579,819)**	**(579,255)**	**564**	**0.1**	**(191,020)**	**(193,463)**	**(2,443)**	**(1.3)**
240.	Income (losses) from equity investments	8,106	7,038	1,068	15.2	4,419	2,255	2,164	96.0
270.	Gains (losses) on disposal of investments	906	156	750	480.8	621	28	593	2,117.9
280.	**PROFITS (LOSSES) FROM ORDINARY ACTIVITIES BEFORE TAX**	**457,154**	**360,259**	**96,895**	**26.9**	**142,417**	**127,035**	**15,382**	**12.1**
290.	Income tax on operating activities	(189,449)	(156,137)	33,312	21.3	(62,598)	(54,794)	7,804	14.2
300.	**PROFITS (LOSSES) FROM ORDINARY ACTIVITIES NET OF TAXES**	**267,705**	**204,122**	**63,583**	**31.1**	**79,819**	**72,241**	**7,578**	**10.5**
310.	Net profit (loss) from discontinued operations net of taxes	4,823	(296)	5,119	-	120	(129)	249	-
320.	**NET INCOME (LOSS) FOR THE PERIOD**	**272,528**	**203,826**	**68,702**	**33.7**	**79,939**	**72,112**	**7,827**	**10.9**
330.	Net income (loss) attributable to minority interests	(35,879)	(30,446)	5,433	17.8	(12,484)	(12,749)	(265)	(2.1)
340.	**GROUP NET INCOME (LOSS) FOR THE PERIOD PERTAINING TO THE PARENT BANK**	**236,649**	**173,380**	**63,269**	**36.5**	**67,455**	**59,363**	**8,092**	**13.6**

Statement of changes in consolidated stockholders' equity

Changes at 30 September 2005

(thousands of euro)

	Balances as of 31.12.2004	Allocation of results for the previous year		Changes during the period:									Stockholders' equity at 30.09.2005
				Changes in reserves	Equity transactions						Actuarial gains/losses on defined-benefit pension plans	Net income (loss) at 30.09.2005	
		Reserves	Dividends and other utilizations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Capital stock	**321,567**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**725**	**0**	**0**	**322,292**
a) ordinary shares	321,567									725			322,292
b) other shares													0
Additional paid-in capital	**654,723**									**6,545**			**661,268**
Reserves:	**551,053**	**87,506**	**0**	**7,404**	**0**	**0**	**0**	**0**	**0**	**1,294**	**0**	**0**	**647,257**
a) retained earnings	397,551	87,506											485,057
b) other	153,502			7,404						1,294			162,200
Revaluation reserves:	**307,054**	**0**	**0**	**(7,860)**	**0**	**0**	**0**	**0**	**0**	**0**	**72**	**0**	**299,266**
a) available for sale	180,689			51,130									231,819
b) coverage of cash flows	0												0
c) special revaluation laws	127,177			(58,990)									68,187
d) property, plant and equipment	6,683												6,683
e) other	(7,495)										72		(7,423)
Equity instruments													**0**
Treasury shares													**0**

Net income (loss) for the period	**199,796**	(87,506)	(112,290)									173,380	**173,380**
Stockholders' equity	**2,034,193**	**0**	**(112,290)**	**(456)**	**0**	**0**	**0**	**0**	**0**	**8,564**	**72**	**173,380**	**2,103,463**

Statement of changes in consolidated stockholders' equity

Changes at 30 September 2006

	Balances as of 31.12.2005	Allocation of results for the previous year		Changes during the period:									Stockholders' equity at 30.09.2006
				Changes in reserves	Equity transactions						Actuarial gains/losses on defined-benefit pension plans	Net income (loss) at 30.09.2006	
		Reserves	Dividends and other utilizations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Capital stock	**322,292**	**0**	**0**	**0**	**29,460**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**351,752**
a) ordinary shares	322,292				29,460								351,752
b) other shares													0
Additional paid-in capital	**661,268**				312,432								**973,700**
Reserves:	**650,656**	**110,067**	**0**	**(540)**	**0**	**0**	**0**	**0**	**0**	**863**	**0**	**0**	**761,046**
a) retained earnings	485,057	110,067		(12,467)									582,657
b) other	165,599			11,927						863			178,389
Revaluation reserves:	**359,164**	**0**	**0**	**100,740**	**0**	**0**	**0**	**0**	**0**	**0**	**5,387**	**0**	**465,291**
a) available for sale	294,745			112,620									407,365
b) coverage of cash flows	435			47									482
c) special revaluation laws	68,187			(11,927)									56,260
d) property, plant and equipment	6,683												6,683
e) other	(10,886)										5,387		(5,499)
Equity instruments													**0**
Treasury shares													**0**
Net income (loss) for the period	**238,984**	(110,067)	(128,917)									236,649	**236,649**
Stockholders' equity	**2,232,364**	**0**	**(128,917)**	**100,200**	**341,892**	**0**	**0**	**0**	**0**	**863**	**5,387**	**236,649**	**2,788,438**

Cash flow statement

STATEMENT OF CHANGES IN FINANCIAL POSITION - RECONCILIATION		
Captions	***Amount***	
	30/09/2006	**30/09/2005**
Cash and cash equivalents at the beginning of the period	146,839	165,289
Total net liquidity total generated/absorbed during the period	(3,843)	(36,063)
Cash and cash equivalents at the end of the period	142,996	129,226

EXPLANATORY NOTES

<u>Accounting policies</u>

Accounting policies

Introduction

The quarterly report has been prepared in accordance with the criteria established in European Regulation 1606 dated 19 July 2002, which governs the adoption of IAS/IFRS. The form and content of the report comply with the international standard for interim financial information, adopted in accordance with art. 6 of EC Regulation 1606/2005 and with CONSOB's financial statement disclosure requirements (Communication 6064293 of 28 July 2006). The quarterly report comprises the balance sheet and the statement of income, the statement of changes in stockholders' equity, the cash flow statement and the explanatory notes. It also includes the directors' comments on the results of operations

Comparative information

The quarterly report at 30 September 2005 was drawn in accordance with the international accounting principles in force at the time that it was prepared, taking into account the Bank of Italy's recommendations regarding banks' financial statements. The following events took place during the fourth quarter 2005:

- the Bank of Italy issued Circular 262 dated 22 December 2005, which definitively regulates the formats and guidelines to be followed in preparing banks' statutory and consolidated financial statements. There were certain changes in these formats compared with the rules of classification for financial statement items proposed in the draft circular. For this reason, the figures at 30 June 2005 have been restated according to the new rules. The principal reclassifications relate to the statement of income and are detailed below:

  a) the differentials on hedging transactions were reclassified from Interest to Net trading income;

  b) commission expense paid to agents in connection with the sale of medium/long-term financial assets and accounted for according to the amortised cost method have been reclassified from commission expense to interest income, as a reduction;

c) the discounting effect on the provisions for liabilities and charges and defined-benefit pension funds were reclassified from Interest to Net provisions for liabilities and charges and Payroll costs;

d) service expense recoveries were reclassified from Other operating income/expenses to Commissions;

e) cost recoveries relating to company personnel on secondment to third parties were reclassified from Other operating income/expenses and credited to Payroll costs;

f) directors' fees were reclassified from Other administrative costs to Payroll costs;

g) depreciation on leasehold improvements now classified as Other assets was reclassified from Net adjustments to property, plant and equipment to Other operating income/expenses.

The effects on net income and stockholders' equity as of 30 September 2005 are not significant.

- EC Regulation 1910/2005 of 8 November 2005 issued by the European Commission amended EC Regulation 1725/2003 which adopted certain international accounting standards, including IAS 19 "Employee benefits". The amendments now make it possible to book actuarial gains and losses on defined-benefit pension plans entirely to equity. The previous version of IAS 19 permitted booking to the statement of income only the excess of accumulated actuarial gains or losses at the end of the prior period over and above the higher of 10% of the present value of the benefits generated by the plan and 10% of the current value of the assets servicing the plan. The Bank amended this accounting policy at 31 December 2005. As regard IAS 8, the quarterly figures at 30 September 2005 have been restated to reflect the change in accounting policy. The impact of the change in accounting policy on the consolidated statement of income at 30 September 2005 was of Euro 129 thousand, while the impact on consolidated stockholders' equity at 30 September 2005 was of Euro +72 thousand, net of the related tax effect.

Discretionary assessments

During the preparation of the interim figures, no discretionary valuations were made in applying the accounting policies such as to have a significant impact on the result for the period.

Uncertainty in the use of estimates

The preparation of financial statements also requires the use of estimates and assumptions that can have a significant impact on the figures shown in the balance sheet and statement of income, as well as the information on contingent assets and liabilities disclosed in the quarterly financial statements. Making estimates implies the use of whatever information is available at the time, as well as making subjective assessments based on past experience, which is also used to formulate reasonable assumptions for the recognition of transactions and other operational events. By their very nature, the estimates and assumptions used can vary from period to period; so it cannot be excluded that the figures currently shown in the financial statements could differ in future periods, even quite significantly, as a result of changes in the subjective assessments used.

The main circumstances in which subjective assessments have to be used are in:

- evaluating the reasonableness of the carrying value of majority shareholdings;
- evaluating the reasonableness of the value of goodwill and other intangible assets;
- quantifying impairment adjustments to loans;
- quantifying personnel provisions and the provision for liabilities and charges.

Scope of consolidation and methodology

The consolidated financial statements includes the financial statements of the Parent Bank Banca Lombarda e Piemontese S.p.A. and those of subsidiary companies consolidated on a line-by-line basis. Associated companies have been included in the consolidated financial statements using the equity method. The definition of the percentage of control takes account of any forward commitments to buy minority interests in subsidiary companies.

The assets, liabilities, revenues and expenses of companies included within the scope of consolidation are combined on a line-by-line basis. The book value of investments is eliminated against the interest in the related stockholders' equity at the time of acquisition or initial consolidation.

The results of subsidiaries sold during the period are included in the consolidated statement of income until the date of disposal i.e. the time when the Parent Bank ceases to exercise control over them. The difference between the proceeds from the sale of subsidiaries and the book value of their net assets at the related transaction dates is reported in the consolidated statement of income as a disposal gain or loss.

Amounts due to and from Group companies, intercompany revenues and expenses, and all profits and losses arising between companies included within the scope of consolidation are eliminated.

Minority interests are classified separately from liabilities in the consolidated balance sheet, as a separate caption within stockholders' equity. The net income attributable to minority stockholders is also classified separately in the statement of income.

The financial statements of Group companies denominated in foreign currencies are translated to euro on the following basis:

a) assets and liabilities are translated using the exchange rates applying on the balance sheet date;
b) costs and revenues are translated using the average exchange rates for the accounting period concerned;
c) stockholders' equity is translated using the historical rates.

All the resulting translation adjustments are reported in a separate caption within stockholders' equity.

Equity investments over which the Group exercises significant influence ("associated companies") are valued using the equity method. The financial statements of associated companies are adjusted on an appropriate basis if they have been prepared using accounting policies that differ from those applied by the Group

The principles of recognition, classification, measurement and derecognition are explained below for the principal account groups in the financial statements.

Financial assets held for trading

Recognition

Initial recognition takes place on the settlement date for securities and the subscription date for derivatives. The value recorded reflects acquisition cost, which is understood to represent the fair value[1] of the instrument, without considering the related transaction costs and revenues.

Classification

Financial assets held for trading include those financial instruments held with the intention of generating profits in the short term from changes in their prices.

Valuation

The trading portfolio is stated at fair value, except for equity instruments that are not listed in an active market, which are reported at cost since their fair value cannot be determined on a reliable basis. The fair value of the assets and liabilities in a trading portfolio is determined with reference to the prices struck in active markets or to the internal valuation models normally used in financial practice. If the fair value of a financial asset becomes negative, such asset is recorded as a financial liability.

The gains and losses realised on disposals or redemptions, as well as the unrealised gains and losses deriving from changes in the fair value of the trading portfolio, are classified as part of net trading income.

Cancellation

Financial assets held for trading are cancelled when the contractual rights to cash flows from the assets concerned expire, or upon disposal when substantially all the risks and benefits associated with these financial assets are transferred.

Other aspects

Securities lodged in guarantee and loaned securities are recorded at the value of the guarantee given or received, uplifted by the related accrued interest; securities loaned are not eliminated from the financial statements until the underlyings have been sold and control over such securities has been lost. Securities received on loan and those received in guarantee as part of a security loan transaction are not recorded in the financial statements, unless the related contracts provide for control over such securities.

Commitments to deliver securities sold but not yet purchased ("short sales") are classified as

[1] *Fair value is the amount for which an asset could be exchanged, or a liability settled, in an arm's-length transaction between knowledgeable and independent parties.*

trading liabilities.

Repurchase agreements that commit the seller to buy back the securities concerned in the future are deemed to be loans; the amounts received and paid are therefore booked as loans payable and loans granted Income from the use of funds, represented by the coupons earned on the securities concerned and by the differential between the sport and forward prices, are recognised as interest on an accruals basis.

Financial assets available for sale

Recognition

initial recognition takes place on the settlement date for securities and the subscription date for derivatives. These assets are recorded at amortised cost upon initial recognition, including transaction costs or revenues directly attributable to them.

Classification

Financial assets available for sale comprise the non-derivative financial assets designated as available for sale, or which are not classified as loans and advances, investments held to maturity or financial assets stated at fair value through the statement of income. This caption includes equity interests, not held for trading, that do not relate to subsidiary or associated companies, or joint ventures.

Valuation

After initial recognition, assets available for sale are remeasured at fair value, booking the amortised cost to the statement of income. As an exception, investments in equity instruments not listed in active markets whose fair value cannot be measured reliably, and derivatives associated with them that must be settled by the delivery of such instruments, are valued at their amortised cost.

The fair value of securities is determined with reference to the prices struck in active markets or to the internal valuation models normally used in financial practice.

The unrealised profits and losses that derive from valuations at fair value are recorded in a specific equity reserve, stated net of the related tax effect, until the financial assets concerned are sold or written down.

When financial assets available for sale are sold, the previously unrealised profits or losses recorded as part of stockholders' equity are released to the statement of income as “Gains/losses on disposal of financial assets available for sale”.

If a financial asset available for sale suffers a permanent loss of value, the losses accumulated as a result of previous valuations at fair value, recorded as part of stockholders' equity, are released to the statement of income as “Net impairment adjustments to financial assets available for sale”. Permanent losses in value are recognised when there is objective evidence of such impairment. Any recoveries in the value of equity instruments classified as available for sale are credited to stockholders' equity. Recoveries in the value of debt instruments are only credited to the statement of income if such recoveries are objectively correlated with an event occurring after the original writedown was charged to the statement of income, without exceeding the amortised cost that the financial assets concerned would have had without the earlier adjustments.

Cancellation

Financial assets available for sale are cancelled when the contractual rights to cash flows from the assets concerned expire, or upon disposal when substantially all the risks and benefits associated with these financial assets are transferred.

Financial assets held to maturity

Recognition

initial recognition takes place on the settlement date for securities; the subscription value is the same as the fair value of the instrument, including transaction costs or revenues directly attributable to it.

Classification

This caption comprises debt securities with fixed or determinable payments and fixed maturities, for which there is the intention and ability to hold them until maturity. They are reclassified as assets available for sale if the intention or ability to hold them changes, such that it is no longer appropriate to maintain them as investments held to maturity.

Valuation

Subsequent to initial recognition, financial assets held to maturity are valued at amortised cost, using the effective interest rate method. Gains and losses relating to assets held to maturity are recorded in the statement of income at the time when such assets are cancelled or suffer a loss of value, as well as via the amortisation process.

A check is made for objective evidence of impairment when interim and annual financial statements are prepared. If such evidence is found, the extent of the loss is measured as the difference between the book value of the assets concerned and the present value of estimated future cash flows, discounted using the original effective interest rate. The resulting loss is charged to the statement of income.

If the reasons for such loss cease to apply as a result of an event occurring subsequent to recognition of the reduction in value, the related writeback is credited to the statement of income.

Cancellation

Financial assets held to maturity are cancelled when the contractual rights to cash flows from the assets concerned expire, or upon disposal when substantially all the risks and benefits associated with these financial assets are transferred.

Loans

Recognition

Initial recognition takes place on the date the loan is paid out based on its related fair value. If the net book value of a loan is less than its fair value, due to the interest rate applied being below the market rate or that normally applied for loans with similar characteristics, the amount initially recorded is the present value of the related future cash flows discounted at a market rate.

The effective interest rate discounts the estimated cash flows over the expected duration of the loan to total exactly the same as its net book value at the time of initial recognition, inclusive of directly-attributable transaction costs and all payments and receipts between the contracting parties.

Classification

Loans include amounts granted to customers and banks, both directly and acquired from third parties, with fixed and determinable payments, which are not quoted in an active market and which are not classified from the start as “Financial assets available for sale”. This category also includes loans for finance leases, repurchase agreements, loans with or without recourse for the selling party's portion that remains on the books, and loans deriving from factoring activities.

Valuation

Loans are then reported at fair value using the amortised cost method. Doubtful loans, comprising non-performing, problem and restructured loans and accounts overdrawn for more than 180 days, are valued on a case-by-case basis. as an exception, amounts of less than 15,500 euro are valued on an overall basis.

The loan writedowns required are determined by discounting the expected future flows of principal and interest, taking account of any available guarantees and any advances received. The key elements for determining the present value of cash flows are the estimated collections, the related due dates and the discounting rate to be applied.

The estimated collections of doubtful loans and the related due dates are based on detailed repayment schedules, where available, or otherwise on estimated and overall values determined with reference to historical experience and sector analyses. These estimates take account of the specific solvency of counterparts in difficulties, as well as of the problems in servicing debt faced by their individual business sectors or nations of residence, having regard for the guarantees received, market prices (where applicable) and any adverse economic conditions affecting the industries concerned.

The valuation of performing loans takes account of the objective risk of losses affecting the loan portfolio as a whole. The estimated cash flows are grouped together in classes representing a similar degree of lending risk, which are then written down using different percentages determined with reference to the historical-statistical experience recorded by the internal rating system. The impairment adjustment is the difference between book value and the amount deemed to be recoverable.

Provisions for impaired loans are only written back, to the extent of amortised cost, if there is reasonable certainty that the amount recoverable exceeds the adjusted book value

Cancellation

Loans are subjected to total or partial cancellation when they are deemed to be, respectively, completely unrecoverable or subject to court-supervised procedures. The losses are charged to the statement of income, net of any provisions recorded in previous periods. The writebacks of amounts previously written down reduce the net impairment adjustments to loans.

Other financial assets at fair value

Except for the assets referred to above, Group companies have not elected to value any other assets at fair value.

Hedging transactions

Hedging transactions are designed to neutralise potential interest and exchange rate losses. Hedges are broken down by the following categories:

- hedging of the fair value of a given asset or liability with a view to preserving the current value of a financial asset/liability against changes in interest rates;
- hedging the future cash flows attributable to a given asset or liability with a view to preserving the cash flows deriving from a financial asset/liability against changes in interest rates
- hedging an investment denominated in foreign currency.

Recognition and Measurement

Hedging derivatives are both initially recorded and subsequently stated at fair value and classified separately in the balance sheet as hedging derivatives.

The fair value of hedging derivatives is based on prices obtained from regulated markets or supplied by specialist operators with reference to option valuation models (or models for the discounting of future cash flows).

In general, a hedge is deemed to be highly effective if, both at the start and over its life, the changes in the fair value of or cash flows deriving from the hedged item are almost entirely offset by changes in the fair value of or cash flows deriving from the hedging derivative, such that the effective results fall within the range from 80% to 125%. Transactions are no longer deemed to be hedges if:

- the hedge provided by the derivative ceases or is no longer highly effective;
- the derivative expires or is sold, terminated or exercised;
- the hedged element is sold, expires or repaid;
- the definition as a hedge is revoked.

The ineffective portion of the hedge is represented by the difference between the change in the fair value of the hedging instrument and the change in the fair value of the hedged item, or by the difference between the change in the value of hedging instrument's cash flows and that in the (actual or expected) cash flows deriving from the hedged item.

Changes in the fair value of hedging instruments considered to be effective fair value hedges are recorded in the statement of income. Changes in the fair value of hedged items attributable to the risk covered by the hedging instrument are recorded in the statement of income to match the change in the book value of the hedged item.

Both prospective and retrospective tests are carried out to determine the effectiveness of hedges.

With regard to financial instruments that earn interest, if the hedging relationship terminates for reasons other than the sale of the hedged item, the difference between the book value of the hedged item at the time the hedge terminates and the book value it would have had if the hedge had never existed is amortised to the statement of income over the residual life of the original hedge; conversely, in relation to financial instruments that do not earn interest, such difference is recorded immediately in the statement of income. If the hedged item is sold or redeemed, the unamortised portion of fair value is recorded immediately in the statement of income.

With regard to cash flow hedges, the effective portion of the hedging instrument's gains or losses is recorded initially as part of stockholders' equity; while the ineffective portion is recorded in the statement of income. When the hedged cash flows occur and are recorded in the statement of income, the related profit or loss deriving from the hedging instrument is reclassified from stockholders' equity to the corresponding statement of income caption. If the cash flow hedge for a future transaction ceases to be effective or the hedging relationship is terminated, the total profits or losses on that hedging instrument accumulated within stockholders' equity are reclassified to the statement of income at the time the transaction takes place.

A derivative may be embedded in a host contract; such combinations are known as hybrid instruments and principally derive from the issue of structured debt securities. If the hybrid contract is not recorded at fair value, the embedded derivative is only separated from the host contract and recorded as a normal derivative instrument at fair value if the economic characteristics and risks of the derivative instrument are not closely correlated with the those of the host contract and the derivative satisfies the requirements for being considered such.

Equity investments

Recognition and Measurement

This caption includes the investments in associated companies carried at equity and two subsidiaries (Andros s.r.l and Corporation Financière Européenne SA), which are carried at cost because they are insignificant. Minority holdings are classified as "Financial assets available for sale", the accounting treatment for which was described earlier.

If there is evidence that the value of an investment has been impaired, its recoverable value is estimated having regard for the present value of the cash flows it is expected to generate, including the final disposal value of the investment. Should recoverable value be less than book value, the difference is charged to the statement of income. If the reasons for such loss in value cease to apply as a result of an event occurring subsequent to recognition of the reduction in value, the related writeback is credited to the statement of income without exceeding historical purchase cost.

Cancellation

Investments are cancelled when the contractual rights to cash flows from the assets concerned expire, or upon disposal when substantially all the risks and benefits associated with them are transferred.

Property, plant and equipment

Recognition and classification

This caption includes banking premises, investment property, leasehold improvements that are functionally independent, plant, other machines and equipment.

Banking premises comprise property held by Group companies for the supply of services or for administrative purposes, while investment property is held to earn rentals and/or to make capital gains.

These assets are initially recorded at cost, including all costs directly related to their installation and start up.

The value of land on which buildings are constructed is recorded separately since, in general, it has an unlimited useful life and is therefore not depreciated, while buildings are depreciated since they have a limited useful life.

Valuation

Subsequent to initial recognition, property, plant and equipment are stated at cost net of accumulated depreciation and any writedowns for permanent losses in value; these assets are depreciated each year on a straight-line basis over their residual useful lives. Leasehold improvements essentially comprise the cost of renovating leased premises; they are depreciated over a period that does not exceed the maximum length of the contract signed with the lessor.

If there is evidence of possible impairment at the time of preparing annual or interim financial statements, the carrying value of the fixed asset concerned is compared with its recoverable value, being the lower of its fair value, net of any selling costs, or its in-use value, being the present value of the cash flows it will generate. Any adjustments are recorded in the statement of income.

If the reasons for write-downs cease to apply, the consequent write-backs do not exceed the value that the asset would have had, net of the depreciation charges that would have been made in the absence of the earlier write-downs.

Assets acquired under finance lease arrangements are recorded in accordance with IAS 17, which involves their recognition in the balance sheet, together with the related loans from lessors, and the provision of depreciation over their estimated useful lives. The principal element of lease installment payments is deducted from the liability to lessors, while the interest element is charged to the statement of income.

Cancellation

An item of property, plant and equipment is eliminated from the balance sheet on disposal or when it is no longer used and its disposal is not expected to create future economic benefits.

Intangible assets

Recognition and classification

Intangible assets essentially comprise software and goodwill. Goodwill represents the amount by which purchase cost exceeds the fair value, at the time of purchase, of the assets and other value acquired.

Valuation

Software is recorded at cost and stated net of accumulated amortisation and any permanent losses in value. Amortisation is provided over the estimated residual useful lives of the software concerned. The fairness of these estimated residual lives is reviewed at the end of each accounting period.

Goodwill is not amortised, but is subjected to an impairment test at least once each year, usually at the time the annual financial statements are prepared and, in any case, if events take place that suggest a possible loss of value. The adjustments made to goodwill cannot be reinstated, even if the reasons for the related write-downs cease to apply in subsequent years.

Cancellation

An intangible asset is eliminated from the balance sheet on disposal or when it is no longer used.

Non-current assets held for sale

Non-current assets held for sale comprise those assets whose book value will be recovered from disposal and not from their use in the business.

These assets are classified separately and stated at the lower of book value or their fair value net of selling costs. Any related liabilities are classified in the liabilities section of the balance sheet. Amortisation is no longer charged when assets become classified as available for sale.

Payables, debt securities issued and subordinated liabilities

Recognition

Payables and debt securities issued are initially recorded at fair value, as uplifted by issue costs.

Valuation

They are valued subsequently at amortised cost, using the effective interest rate method to allocate such costs over the life of the payable, if its duration exceeds 12 months.

Hybrid debt instruments associated with equity instruments, foreign currency, credit instruments or indices are deemed to be structured instruments. The embedded derivative is separated from the host contract and treated as an independent derivative if the separation criteria are met. In the last case, the host contract is recorded at amortised cost.

If the structured instrument or the embedded derivative are settled in cash or the holder of the hybrid instrument has the right to request settlement in cash, the separated derivative is treated as a trading instrument and the changes in its fair value are recorded in the statement of income.

The purchase of treasury bonds is treated as a repayment of debt. Redemption gains or losses are recognised if the repurchase price of the bond is lower or higher than its book value. Subsequent sales of treasury bonds in the market are treated as a new issue of debt. The interest accruing on debt instruments is classified as interest on securities issued.

Trading liabilities

Recognition and Measurement

This caption includes the short positions in securities and the issues of structured bonds with derivatives that cannot be separated, as well as the negative value of trading derivatives stated at fair value.

Other liabilities stated at fair value

No financial liability other than trading ones has been valued at fair value.

Current and deferred taxation

Income taxes are determined in accordance with current fiscal legislation.

The tax charge (credit) represents the total current and deferred taxes included in determining net income for the period.

Current taxes represent the income taxes due (recoverable) on the taxable income (tax loss) for the period.

Deferred tax liabilities represent income taxes that will become payable in future years in relation to taxable timing differences. Deferred tax assets represent income taxes that will be recoverable in future years in relation to:

- deductible timing differences;
- unused tax losses carried forward;
- unused tax credits carried forward.

Timing differences represent the difference between the book value of an asset or liability reported in the balance sheet and its value recognised for fiscal purposes; they may be either:

- taxable timing differences, being timing differences that will increase taxable income (decrease tax losses) in future periods when the book value of the asset or liability concerned is realised or eliminated;
- deductible timing differences, being timing differences that will decrease taxable income (increase tax losses) in future years when the book value of the asset or liability concerned is realised or eliminated.

The fiscal value of an asset or liability is the value attributed to them in accordance with current fiscal legislation. Pursuant to IAS 12, deferred tax liabilities are recorded in relation to all taxable timing differences. In accordance with IAS 12, deferred tax assets are recorded in relation to all deductible timing differences only if it is likely that future taxable income will be sufficient to utilize such timing differences when they reverse.

Deferred tax assets and liabilities are determined using the tax rates applying to the periods in which the assets will be realised or the liabilities settled.

Current and deferred taxes are recorded in the statement of income, except for those relating to the gains or losses on financial assets available for sale, those relating to the change in the fair value of hedging derivatives (cash flow hedges) and those relating to the change relating to the actuarial gains and losses on defined-benefit pension funds, which are booked net of tax directly to stockholders' equity.

No deferred taxes have been recorded in relation to reserves in suspense for tax purposes, since no distribution of these reserves is envisaged.

Provisions for liabilities and charges

The provisions for liabilities and charges relate to known or likely costs and charges, the timing and extent of which cannot be determined at period end. Provisions for liabilities and charges are only recorded when:

- a current obligation (legal or implicit) exists as a result of a past event;
- it is likely that meeting the obligation will be onerous;
- the extent of the obligation can estimated reliably.

The amount of such provisions represents the present value of the charges likely to be incurred to settle the obligation. The current market rate is used for discounting purposes.

Provision for severance indemnities and defined-benefit pension funds

The provision for severance indemnities takes account of the estimated duration of the employment relationship for each person, or groups of similar persons, based on demographic assumptions:

- o projecting forward the indemnities already earned, using demographic and financial assumptions, to estimate the amount to be paid on termination of the employment relationship;
- o discounting to the valuation date the above estimate, using financial assumptions.

Actuarial gains and losses are booked directly to the valuation reserves in equity.

Other information

Liabilities: commitments to repurchase own instruments

Repurchase commitments represented by put options granted in relation to minority interests in equity investments recorded in the balance sheet are treated as if the options have been exercised.

Transactions in foreign currency

Initial recognition

On initial recognition, transactions in foreign currency are translated into the reporting currency at the exchange rate ruling on the date of the transaction.

Subsequent remeasurement

At each period end, all foreign currency balances have to be remeasured as follows:

• monetary items are translated at the exchange rate ruling on the balance sheet date;

• non-monetary items valued at historical cost are translated at the exchange rate ruling at the date of the transaction;

• non-monetary items shown at fair value are translated at the exchange rate ruling at the balance sheet date.

Exchange differences that arise on the settlement of monetary items or on translation of monetary elements at rates that are different from those of initial translation, or of translation of the previous financial statements, are booked to the statement of income of the period in which they arise. When a gain or loss on a non-monetary element are booked to equity, the related exchange difference is also booked to equity. On the other hand, when a gain or loss is booked to the statement of income, the related exchange difference is also booked in the same way.

Recognition of income and expense items

In addition to the above, revenues are recognised when they are received or when it is likely that future benefits will be received and such benefits can be quantified reliably. In particular:

- interest on loans to customers and deposits with banks is classified as interest income and similar revenues and is recognised on an accruals basis. Default interest is recognised on an accruals basis and the portion considered unrecoverable is written down.
- dividends are credited to the statement of income when they are declared;
- commissions and interest collected or paid in relation to financial instruments are recorded on an accruals basis.
- revenues deriving from dealing in trading instruments, representing the difference between the transaction price and the fair value of the instrument, are credited to the statement of income when the transaction is recorded, if fair value can be determined with reference to parameters or recent transactions in the market in which the instrument is traded. If such measurements are not possible, income from the financial instruments concerned is credited to the statement of income over the lives of the related transactions.
- expenses recovered on current accounts are classified as commission income – other. The recovery of postage and transparency declaration expenses on debit current accounts has been reclassified to other operating income.

Seasonal or cyclical nature of operations and interim results

The business and the interim results are not particularly seasonal or cyclical in nature, except for dividends which are all booked in the first half.

Significant events and transactions

Significant transactions during the first nine months of 2006 are discussed in the "Notes on the Bank's business activity" in the section entitled "Changes in Group structure and equity investments".

The rights issue relating to the increase in capital approved by the Board of Directors on 21 April 2006 was completed successfully in July 2006.

The increase in capital has therefore been concluded with the subscription of all of the 29,299,296 shares issued.

Explanatory tables

Financial assets held for trading: breakdown by sector

Captions/Amounts	30/09/2006		31/12/2005	
	Quoted	Unquoted	Quoted	Unquoted
A. Cash assets				
1. Debt securities	2,250,297	131,681	2,181,690	315,902
2. Equities	24,010		18,105	
3. Mutual funds	303,544		256,408	
4. Loans				
5. Impaired loans				
5. Assets sold but not eliminated from the balance sheet				
Total (A)	**2,577,851**	**131,681**	**2,456,203**	**315,902**
B. Derivative instruments				
1. Financial derivatives	692	193,515	543	242,534
2. Credit derivatives				
Total (B)	**692**	**193,515**	**543**	**242,534**
Total (A+B)	**2,578,543**	**325,196**	**2,456,746**	**558,436**

Financial assets available for sale: breakdown by sector

Captions/Amounts	**30/09/2006**		**31/12/2005**	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	-	71,931	-	66,306
2. Equities	784,229	59,760	665,341	58,767
2.1 Carried at fair value	779,642	32,342	665,341	36,881
2.2 Carried at cost	4,587	27,418	-	21,886
3. Mutual funds	61,924	1,625	41,557	9,849
4. Loans	-	1,446	-	1,446
5. Impaired loans	-	-	-	72
6. Assets sold but not eliminated from the balance sheet	-	-	-	-
Total	**846,153**	**134,762**	**706,898**	**136,440**

Analysis of loans to customers

Type of transaction/amounts	30/09/06	31/12/05
1. Current accounts	4,681,943	4,073,899
2. Repurchase agreements	11,547	16,464
3. Mortgage loans	12,158,189	11,129,820
4. Credit cards, personal loans and loans secured against salaries	1,561,365	1,411,181
5. Financial leases	2,602,575	2,313,349
6. Factoring	1,481,399	1,560,456
7. Other transactions	5,924,470	6,049,844
8. Debt securities	42,199	54,086
9. Impaired loans	539,035	590,414
10. Assets sold but not eliminated from the balance sheet	951,489	1,029,558
Total book value	**29,954,211**	**28,229,071**

Analysis of due to customers

Type of transaction \amounts	30/09/06	31/12/05
1. Current accounts and unrestricted deposit accounts	13,136,797	12,820,621
2. Restricted deposit accounts	631,397	834,297
3. Public funds administered	304	291
4. Loans	-	-
4.1 financial leases	-	-
4.2 other	-	-
5. Liabilities for commitments to repurchase own capital instruments	169,627	169,627
6. Liabilities for assets sold but not eliminated from the balance sheet	1,762,034	1,829,865
7. Other liabilities	112,191	137,612
Total	**15,812,350**	**15,792,313**

Debt securities issued: breakdown by sector

Type of securities/amounts	30/06/2006	31/12/2005
	BV	BV
A. Quoted securities	4,058,772	2,576,791
1. bonds	4,058,772	2,576,791
2. other securities	-	-
B. Unquoted securities	**10,165,136**	**10,540,583**
1. bonds	6,654,072	6,757,464
2. other securities	3,511,064	3,783,119
Total	**14,223,908**	**13,117,374**

Financial liabilities held for trading: breakdown by sector

Type of transaction/amounts	**30/09/2006**			**31/12/2005**		
	NV	**FV**		**NV**	**FV**	
		Q	**UQ**		**Q**	**UQ**
A. Cash liabilities						
1. Due to banks				**5**	**5**	
2. Due to customers	**356,149**	**357,160**		**962,208**	**953,319**	
3. Debt securities	**-**	**-**	**282**	**-**	**-**	**-**
3.1 Bonds						
3.2 Other securities			**282**			
TOTAL (A)	**356,149**	**357,160**	**282**	**962,213**	**953,324**	**-**
B. Derivatives						
1. Financial derivatives		**649**	**197,210**	**-**	**1,328**	**266,234**
1.1 trading		649	191,807		1,328	257,246
1.2 associated with the fair value option						
1.3 other			5,403			8,988
2. Credit derivatives		**-**	**-**	**-**	**-**	**-**
2.1 trading						
2.2 associated with the fair value option						
2.3 other						
TOTAL (B)		**649**	**197,210**		**1,328**	**266,234**
TOTAL (A+B)	**356,149**	**357,809**	**197,492**	**962,213**	**954,652**	**266,234**

Equity investments

	COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION			
	LINE-BY-LINE			
			Type of investment	
NAME AND REGISTERED OFFICE		**Investment held by**	**% holding**	**% votes at ordinary meetings**
1	BANCA CASSA DI RISPARMIO	Banca Regionale	100.00	100.00
	DI TORTONA SpA - Tortona (Al)	Europea SpA		
	Capital stock Euro 38,734,500			
	In shares of Euro 516.46 each			
2.	BANCA DI VALLE CAMONICA SpA - Breno (BS)	Banca Lombarda SpA	74.24	74.24
	Capital stock Euro 2,738,693	Banco di Brescia SpA	8.72	8.72
	In shares of Euro 1 each			
3.	BANCA LOMBARDA INTERNATIONAL SA	Banca Lombarda SpA	91.90	91.90
	Luxembourg	Banco di Brescia SpA	7.59	7.59
	Capital stock Euro 19,958,340	Banco di San Giorgio SpA	0.51	0.51
	In shares of Euro 510 each			
4.	BANCA LOMBARDA PREFERRED	Banca Lombarda SpA	100.00	100.00
	CAPITAL COMPANY LLC - Delaware (USA)			
	Capital stock Euro 1,000			
	In a single quota of Euro 1,000			
5.	BANCA LOMBARDA PRIVATE	Banca Lombarda SpA	100.00	100.00
	INVESTMENT SpA - Brescia			
	Capital stock Euro 52,500,000			
	In shares of Euro 3 each			
6.	BANCA REGIONALE EUROPEA SpA - Cuneo	Banca Lombarda SpA	53.33	55.48
	Capital stock Euro 442,000,000			
	In shares of Euro 0.52 each			
7.	BANCO DI BRESCIA SpA – Brescia	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 593,300,000			
	In shares of Euro 0.68 each			
8.	BANCO DI SAN GIORGIO SpA - Genoa	Banca Regionale		
	Capital stock Euro 66,926,667	Europea SpA	56.33	56.33
	In shares of Euro 1.50 each	Banca Lombarda SpA	34.59	34.59

	COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION			
	LINE-BY-LINE			
				Type of investment
NAME AND REGISTERED OFFICE		**Investment held by**	**% holding**	**% votes at ordinary meetings**
9.	CAPITALGEST SGR SpA – Brescia	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 12,661,740			
	In shares of Euro 6 each			
10.	CAPITALGEST ALTERNATIVE	Banca Lombarda SpA	100.00	100.00
	INVESTMENTS SGR SpA - Brescia			
	Capital stock Euro 1,500,000			
	In shares of Euro 1,000 each			
11.	C.B.I. FACTOR SpA – Milan	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 36,115,820			
	In shares of Euro 0.52 each			
12.	FINANCIERA VENETA E.F.C. SA - Madrid	Banca Lombarda SpA	61.00	61.00
	Capital stock Euro 5,108,500	CBI Factor SpA	39.00	39.00
	In shares of Euro 60.10 each			
13.	GRIFOGEST SGR SpA - Florence	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 2,582,300			
	In shares of Euro 516.46 each			
14.	LOMBARDA MANAGEMENT COMPANY SA - Luxembourg	Banca Lombarda	99.00	99.00
	Capital stock Euro 125,000	Private Investment S.p.A		
	In shares of Euro 10.00 each			
15.	LOMBARDA SISTEMI E SERVIZI SpA - Brescia	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 10,400,000			
	In shares of Euro 0.52 each			
16.	MERCATI FINANZIARI SIM SpA - Milan	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 10,320,000			
	In shares of Euro 5.16 each			
17.	S.B.I.M. SpA – Brescia	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 35,000,000			
	In shares of Euro 1 each			
18.	SBS LEASING SpA – Brescia	Banca Lombarda SpA	98.00	98.00
	Capital stock Euro 22,800,000			
	In shares of Euro 6 each			

	COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION			
	LINE-BY-LINE			
				Type of investment
NAME AND REGISTERED OFFICE		**Investment held by**	**% holding**	**% votes at ordinary meetings**
19.	SIFRU GESTIONI FIDUCIARIE SIM SpA – Brescia	Solofid SpA	100.00	100.00
	Capital stock Euro 1,040,000			
	In shares of Euro 0.52 each			
20.	SILF SpA - Cuneo	Banca Lombarda SpA	60.00	60.00
	Capital stock Euro 26,300,000	Banca Regionale		
	In shares of Euro 1 each	Europea SpA	40.00	40.00
21.	SOLIMM SpA – Brescia	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 2,580,000			
	In shares of Euro 5.16 each			
22.	SOLOFID S.p.A. – Brescia	Banca Lombarda SpA	100.00	100.00
	Capital stock Euro 1,508,000			
	In shares of Euro 0.52 each			
23.	GESTIONI LOMBARDA SUISSE SA - Switzerland	Banca Lombarda		
	Capital stock CHF 1,000,000	International SA	100.00	100.00
	In share of CHF 1,000 each			
24.	BANCA LOMBARDA PREFERRED SECURITIES TRUST Delaware (USA)	Banca Lombarda SpA	100.00	100.00
	In a single quota of Euro 1,000			
25.	LOMBARDA LEASE FINANCE 1 Srl - Brescia	Banca Lombarda SpA	10.00	10.00
	Capital stock Euro 10,000			
	In quotas of Euro 1.00 each			
26.	LOMBARDA LEASE FINANCE 2 Srl - Brescia	Banca Lombarda SpA	10.00	10.00
	Capital stock Euro 10,000			
	In quotas of Euro 1.00 each			
27.	LOMBARDA LEASE FINANCE 3 Srl - Brescia	Banca Lombarda SpA	10.00	10.00
	Capital stock Euro 10,000			
	In quotas of Euro 1.00 each			
28.	LOMBARDA LEASE FINANCE 4 Srl - Brescia	Banca Lombarda SpA	10.00	10.00
	Capital stock Euro 10,000			
	In quotas of Euro 1.00 each			
29.	LOMBARDA MORTGAGE FINANCE 1 Srl - Brescia	Banca Lombarda SpA	10.00	10.00
	Capital stock Euro 10,000			
	In quotas of Euro 1.00 each			

INVESTMENTS CARRIED AT EQUITY				
			Type of investment	
NAME AND REGISTERED OFFICE		**Investment held by**	**% holding**	**% votes at ordinary meetings**
1.	ANDROS Srl - Cuneo	Banca Regionale	100.00	100.00
	Capital stock Euro 260,000	Europea SpA		
2.	CORPORATION FINANCIERE EUROPEENNE SA	Banca Lombarda SpA	63.75	63.75
	Luxembourg			
	Capital stock Euro 1,300,000			
	In shares of Euro 1 each			
3.	GE.SE.RI SpA in liquidation - Cuneo	Banca Regionale	95.00	95.00
	Capital stock Euro 323,520	Europea SpA		
	In shares of Euro 1 each			
4.	LOMBARDA CHINA FUND MANAGEMENT CO.	Banca Lombarda SpA	49.00	49.00
	Shenzen (CHINA)			
	Capital stock RMB 120,000,000			
5.	LOMBARDA VITA SpA	Banca Lombarda SpA	49.90	49.90
	Capital stock Euro 105,300,000			
	In shares of Euro 5 each			
6.	PRISMA Srl – Milan	Banca Lombarda SpA	20.00	20.00
	Capital stock Euro 120,000			
	In quotas of Euro 1 each			
7.	TEX FACTOR SpA - Milan	CBI Factor SpA	20.00	20.00
	Capital stock Euro 1,033,000			
	In shares of Euro 51.65 each			

Reconciliation of stockholders' equity and net income for the period

	Stockholders' equity	Net income for the period d'esercizio
Stockholders' equity and result for the period pertaining to the Parent Bank	**2,060,757**	**219,882**
Consolidation entries:	491,032	243,602
- effect of line-by-line consolidation	564,684	258,818
- effect of valuations at net equity	3,417	8,215
- effect of intercompany transactions	(77,069)	(23,431)
Dividends collected during the period		(226,835)
Stockholders' equity and result for the period pertaining to the Group	**2,551,789**	**236,649**
Minority interests	430,057	35,879
Stockholders' equity and result for the period including minority interests	**2,981,846**	**272,528**

Interest income and similar revenues: analysis

Captions/technical forms	Performing financial assets		Impaired financial assets	Other assets	30/09/2006	30/09/2005
	Debt securities	Loans				
1. Financial assets held for trading	49,374		-	-	49,374	31,204
2. Financial assets available for sale	1,919		-	-	1,919	-
3. Financial assets held to maturity	567				567	2,437
4. Due from banks		45,215	-	5,470	50,685	33,004
5. Loans to customers	2,289	976,077	18,936	855	998,157	880,764
6. Financial assets at fair value	-	-	-	-	-	
7. Hedging derivatives	X	X	X	54,304	54,304	66,825
8. Financial assets sold but not yet eliminated from the financial statements	-	44,170	-		44,170	17,367
9. Other assets	X	X	X	1,095	1,095	1,156
Total	**54,149**	**1,065,462**	**18,936**	**61,724**	**1,200,271**	**1,032,757**

Interest expense and similar charges: analysis

Captions/technical forms	Payables	Securities	Other liabilities	30/09/06	30/09/05
1. Due to banks	(43,285)		-	(43,285)	(18,987)
2. Due to customers	(114,956)		(112)	(115,068)	(69,641)
3. Debt securities issued		(319,786)	(38)	(319,824)	(302,164)
4. Financial liabilities held for trading	-	(15,779)	-	(15,779)	(8,999)
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities associated with assets sold but not eliminated from the balance sheet	(47,305)	-	-	(47,305)	(33,297)
7. Other liabilities	-	-	-	-	(72)
8. Hedging derivatives	-	-	(19)	(19)	(38)
Total	**(205,546)**	**(335,565)**	**(169)**	**(541,280)**	**(433,198)**

Commission income: analysis

Type of services/Sectors	30/09/06	30/09/05
a) guarantees given	10,181	9,334
b) derivatives on loans	-	-
c) management, dealing and consultancy services:	246,796	227,309
1. trading of financial instruments	5,971	6,388
2. dealing in currency	4,552	4,484
3. portfolio management	126,477	120,966
3.1. individual	33,405	29,700
3.2. collective	93,072	91,266
4. safe custody and administration of securities	4,669	4,778
5. custodian bank	8,110	9,272
6. placement of securities	20,788	14,325
7. acceptance of instructions	15,947	17,455
8. consultancy	-	-
9. distribution of third-party services	60,282	49,641
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	45,298	34,342
9.3. other products	14,984	15,299
d) collection and payment services	49,035	49,823
e) servicing for securitisation transactions	-	-
f) factoring services	15,524	15,323
g) tax collection services	-	-
h) other services	100,923	99,772
Total	**422,459**	**401,561**

Commission expense: analysis

Services/Amounts	30/09/06	30/09/05
a) guarantees received	(595)	(820)
b) derivatives on loans	-	-
c) management and dealing services:	(33,626)	(24,357)
1. trading of financial instruments	(6,335)	(4,283)
2. dealing in currency	-	-
3. portfolio management:	(735)	(2,094)
3.1 own portfolio	(735)	(2,094)
3.2 third-party portfolio	-	-
4. safe custody and administration of securities	(1,975)	(902)
5. placement of financial instruments	(396)	(358)
6. door-to-door distribution of financial instruments, products and services	(24,185)	(16,720)
d) collection and payment services	(22,322)	(20,293)
e) other services	(8,215)	(9,066)
Total	**(64,758)**	**(54,536)**

Net trading income: analysis

Transactions/sub-items	Gains	Trading gains	Losses	Trading losses	Net income
1. Financial assets held for trading	**18,395**	**72,505**	**(9,402)**	**(62,599)**	**18,899**
1.1 Debt securities	2,885	10,888	(7,740)	(11,169)	(5,136)
1.2 Equities	1,695	5,993	(383)	(3,935)	3,370
1.3 Mutual funds	13,815	1,166	(1,279)	(421)	13,281
1.4 Loans					-
1.5 Other		54,458		(47,074)	7,384
2. Financial liabilities held for trading	**609**	**-**	**-** **411**	**-**	**198**
2.1 Debt securities	609	-	(411)	-	198
2.2 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences					(128)
4. Derivatives	**195,701**	**858,763**	**(185,722)**	**(851,239)**	**17,503**
4.1 Financial derivatives	195,701	858,763	(185,722)	(851,239)	17,503
- on debt securities and interest rate	184,674	834,128	(175,469)	(826,423)	16,910
- on equities and equity indexes	4,891	1,473	(4,117)	(2,569)	(322)
- on currency and gold					
- other	6,136	23,162	(6,136)	(22,247)	915
4.2 Derivatives on loans					-
Total	**214,705**	**931,268**	**(195,535)**	**(913,838)**	**36,472**

Other administrative expense: analysis

	30/09/06	30/09/05
Telephone, postage, data transmission and alarms	(27,984)	(27,800)
Repair and maintenance of premises	(20,682)	(21,764)
Rental of machines and software	(14,133)	(13,584)
Rental of premises	(20,121)	(20,847)
Security services	(5,754)	(6,141)
Transport	(8,509)	(7,473)
Professional and consultancy fees	(11,201)	(8,890)
Office supplies	(4,004)	(3,759)
Power, heat and water	(7,917)	(6,968)
Advertising	(8,571)	(9,479)
Legal fees for debt collection	(11,965)	(10,775)
External data processing	(19,633)	(18,321)
Insurance premiums	(21,362)	(16,244)
Credit information	(4,650)	(5,553)
Statutory auditors	(1,236)	(1,148)
Membership fees	(1,884)	(2,135)
Expenses for treasury contracts with public entities	(5,601)	(5,643)
Other expenses	(8,292)	(9,714)
Total administrative expenses	(203,499)	(196,238)
Indirect taxes and duties:		
- VAT	(1,277)	(1,468)
- Stamp duty, substitute and other taxes	(46,697)	(45,415)
Total other administrative costs	**(251,473)**	**(243,121)**

Other operating income: analysis

	30/09/06	30/09/05
Property rentals	1,546	2,033
Stamp duties and substitute tax recovered	41,952	41,791
Expense recoveries and other income on deposits and current accounts	11,502	11,154
Income from back-dated bank transfers	4,053	2,945
Capitalised payroll costs	298	429
Fees on taxes paid	3,527	3,711
Other income and recharges	58,897	44,583
Total	**121,775**	**106,646**

Other operating expenses: analysis

	30/09/06	30/09/05
Prior-year commission and interest	(2,400)	(3,232)
Expenses from back-dated bank transfers	(5,240)	(3,705)
Depreciation of leasehold improvements	(2,146)	(2,788)
Other	(7,692)	(6,151)
Total	**(17,478)**	**(15,876)**

DIFFERENCE	104,297	90,770

<u>Consolidated results by sector of activities</u>

With regard to the **primary segment information**, the Banca Lombarda e Piemontese Group has elected to analyze its consolidated results and consolidated financial position by major business segment; this analysis reflects the logical combination of data deriving from the various types of legal entity:

- **“Divisionalised”** (Banca Lombarda, Banco di Brescia, Banca Regionale Europea, Banca di Valle Camonica, Banco di San Giorgio, Cassa di Risparmio di Tortona, Banca Lombarda Private Investment and Banca Lombarda International SA);
- **“Non divisionalised:”** (product companies);
- **“Service Units”** that provide services and support within the Group.

The sectors describing the results of the Group were selected because they are representative of the major lines of business and comply with regulations covering the link between internal management reporting and the information used for external reporting. They are as follows: **Retail**, **Corporate**, **Private** (together comprising the **Commercial Activities of the Network Banks**), **Near-Banking**, **Wealth Management** and **Central Offices and Departments**. The sectors comprising Commercial Activities essentially reflect the customer segmentation of the Group's network banks, which are divisionalised for internal reporting purposes applying conduct/qualitative and quantitative criteria.

The following criteria have been adopted for determining the net operating results:

- the **interest margin** generated by the segments of each divisionalised business reflects their contribution, based on internal transfer prices that vary by product and maturity; with regard to other Group entities, this margin reflects the difference between interest income and similar revenues and interest expense and similar charges;
- **net commission income** is determined by directly allocating actual commissions to each business segment;
- **net adjustments** for impairment are allocated to the business segments that generated them;
- **operating expenses** are allocated on a full-costing basis, such that all operating costs are allocated to the various business segments.

Balance sheet

(in millions of Euro)

	RETAIL		CORPORATE		PRIVATE BANKING		NEAR-BANKING		WEALTH MANAGEMENT		HEAD OFFICE DEPARTMENTS		TOTAL		INTERCOMPANY ELIMINATIONS		CONSOLIDATED	
	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005
Due from banks	0	0	0	0	0	0	255	201	60	150	7.628	7.846	7.943	8.197	-5.843	-5.121	2.101	3.077
Loans to customers	9.799	9.053	12.982	12.263	83	61	6.493	6.279	1	0	4.775	4.347	34.133	32.004	-4.179	-3.775	29.954	28.229
Financial assets	0	0	0	0	0	0	16	15	56	54	4.047	4.086	4.119	4.155	-167	-172	3.952	3.984
Due to banks	0	0	0	0	0	0	4.720	4.255	45	133	7.069	7.024	11.833	11.413	-8.937	-7.948	2.896	3.465
Due to customers	11.009	10.830	2.802	2.740	763	742	73	81	0	0	1.602	1.662	16.249	16.056	-437	-264	15.812	15.792
Debt securities issued	4.614	4.272	70	74	113	84	1.621	1.801	0	0	8.587	7.679	15.005	13.909	-781	-791	14.224	13.117

Statement of income

(thousands of euro)

	RETAIL		CORPORATE		PRIVATE BANKING		NEAR-BANKING		WEALTH MANAGEMENT		HEAD OFFICE DEPARTMENTS		INTERCOMPANY ELIMINATIONS		CONSOLIDATED	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005	30/09/2006	30/09/2005	30/09/2006	30/09/2005	30/09/2006	30/09/2005	30/09/2006	30/09/2005	30/09/2006	30/09/2005	30/09/2006	30/09/2005
Net interest and other banking income	621.861	561.905	188.790	190.015	29.733	25.988	99.812	99.909	39.144	39.966	118.958	83.531	-3.256	-2.000	1.095.042	999.315
Net adjustments	-26.559	-23.938	-22.540	-25.400	-173	-47	-23.921	-23.163	-21	-17	6.133	5.571	0	0	-67.081	-66.995
Net financial income	595.302	537.967	166.250	164.614	29.560	25.941	75.891	76.746	39.123	39.949	125.091	89.102	-3.256	-2.000	1.027.961	932.320
Operating costs	-343.876	-346.186	-60.556	-60.516	-13.309	-12.049	-29.810	-32.323	-21.700	-21.031	-113.856	-109.197	3.289	2.047	-579.819	-579.255
Profit from operating activities before tax	251.426	191.781	105.694	104.098	16.251	13.892	46.081	46.253	25.353	25.812	12.316	-21.624	33	47	457.154	360.259

Bank networks

This segment, which represents the Group's core business, comprises the traditional banking activities (retail, private and corporate business units) and such related activities as the network of financial consultants, the promotion of bancassurance and pension products and the provision of electronic banking facilities.

"Retail" Business Unit

This Business Unit supports the "household" and "small business" customers (over one million accounts) of the Group's network banks (Banco di Brescia, BRE Banca, Banca di Valle Camonica, Banco di San Giorgio, Cassa di Risparmio di Tortona, Banca Lombarda Private Investment, Banca Lombarda International).

The business unit has 794 branches, 90% in the north, 9% in central Italy and 1% in the south, as well as two foreign branches.

The integration of the networks has resulted in the extension to all banks of the Group's distribution model, which specialises by type of customer. Account managers at the retail branches look after "wealthy" and "small business" customers, focusing respectively on high net worth individuals and professionals, farmers, artisans and other small businesses.

This Business Unit has 4,930 employees (including 575 financial consultants), who work in 36 retail commercial units.

Activity by the business unit in the first nine months of 2006 was designed to improve customer satisfaction by further specialisation and the personalisation of proposals made to them. Various steps have been taken to bring about a substantial reallocation of loans by accentuating the focus of private account managers on consumer credit and residential mortgage loans. Small Business Customers, on the other hand, have been earmarked for targeted campaigns designed to expand the volumes of short-term and medium/long-term loans systematically. The increase in short-term direct deposits depends on maintaining and raising the number of current accounts. On the deposits side, the existing range of current accounts has been rationalised with the launch of a new package (called Conto Creso), which can compete with the best products currently on the markets.

The Retail Business Unit has direct deposits of 15,623 million euro, 19,231 million euro of indirect deposits and 9,799 million of loans to customers.
With regard to the statement of income, the net interest and other banking income of the BU amounted to 622 million euro, up 10.7% with respect to the first nine months of 2005.
Operating costs, 344 million euro, are down slightly (-0.7% on the same period last year).
Profit from operating activities, 251.4 million euro, was 31.1% higher than at 30 September 2005.

"Private" Business Unit

This Business Unit looks after customer of high standing, with an entry level of around 1.5 million euro.
Approximately 7,000 private customers are served by 82 Relationship Managers at 20 operational centres.

The activities commenced during the first nine months of 2006 were designed to personalise the product range, so as to permit the consultants or account managers to optimise the risk/return profile of each customer's financial portfolio. In this regard, asset allocation tools have been developed to assist customers with the optimisation of their short and long-term financial planning.

The Private Business Unit is responsible for direct deposits of 876 million euro and about 5,658 million euro in indirect deposits.
The net interest and other banking income generated by the BU (29.7 million euro) was 14.4% higher than in 2005.
Operating costs came to 13.3 million euro.
Profit from operating activities has improved from 13.9 to 16.3 million euro (+17%).

"Corporate" Business Unit

The corporate Business Unit looks after the business customers of the Group's retail banks (from medium-sized businesses to national-level groups).

The organization dedicated to this customer segment comprises: 68 business units, 95% in the north and 5% in central Italy; 414 account managers work with specialist teams for the granting and management of credit.
There are about 24,000 corporate customers.

The strategy pursued during the first nine months of 2006 consisted of: i) strengthening commercial relations with business customers in historically important areas (Piedmont, Lombardy) by extending the range of available loan products and services (channeling commercial flows with abroad, support for the internationalisation process, liquidity management, financial investments); ii) acquiring new customers in the areas where market penetration is lower (the North East, Emilia Romagna, Liguria, Lazio); iii) replacing part of the loans to large corporations with loans to small and medium-sized enterprises.

In order to improve the effectiveness of the service model, decision-making has been further decentralised and the commercial tools available to account managers have been enhanced.
Great attention has been paid to the training of account managers with a view to providing excellent service, enhancing the professionalism of relations with our corporate customers and improving the commercial skills of business development personnel.

This Business Unit manages loans to customers of about 13,090 million euro; direct deposits of 2,974 million euro and indirect deposits of 3,207 million euro.
Corporate is the second most important business unit in terms of its contribution to consolidated profits; at the end of September 2006 it managed a slight increase in revenues, from 190 to 189 million euro; net operating costs, on the other hand, remained stable at 60.5 million euro.
Profit from operating activities amounted to 105.7 million euro, 1.5% up on the figure at 30 September 2005.

Wealth Management

This Business Unit includes the activities of the Group companies that provide asset management products (mutual funds/sicavs/hedge funds) to the network banks, as well as the depositary bank activities carried out by Banca Regionale Europea on behalf of the Grifogest and Banco di Brescia for the Capitalgest funds, the activities of the Group's trust companies and profits from the investment in Lombarda Vita.

In order to place its products, this segment mainly uses the Group's branch network as well as the grassroots network of financial consultants operated by Banca Lombarda Private Investment, with assets under management at the end of September 2006 of about 18,307 million euro.

This segment is highly profitable due to the limited absorption of capital with respect to the large volume of assets under management. The contribution made by Wealth Management to the profit from operating activities was 25.4 million euro, slightly down (-1.8%) on the first nine months of 2005.

Near-banking

The "near-banking" business unit is responsible for leasing, factoring and consumer credit. Operations in these sectors are carried out via the following Group subsidiaries: SBS Leasing, CBI Factor and Silf.

In the first nine months of 2006, the Group has been focusing on the business sectors with greater potential for growth and profitability (leasing) and on expanding the territorial coverage of operations (consumer credit).

The companies in this business unit made total loans during the period of 6,493 million euro.

The revenues of the near-banking sector totalled 99.8 million euro, in line with 2005.

Operating costs fell by 7.8% during the period to 29.8 million euro.

Profit from operating activities came to 46 million euro, in line with the figure at 30 September 2005.

Central offices and departments

The central offices and departments comprise the holding company activities, finance, the management of equity investments, the IT company and the two property companies, as well as the central offices of the network banks and "institutional customers" (group companies, associated companies, foundations, major entities and public and private enterprises) that work directly with top management.

The main components comprise the structures responsible for the strategic direction, governance and control of the other business units, as well as Lombarda Sistemi e Servizi, the Group's operational and technological hub.

Profitability therefore reflects the crossfunctional nature of these activities, which incur costs on a centralised basis and on behalf of other Group companies, not all of which are recharged down to operational level.

This composite business unit manages direct funding of about 10,189 million euro and loans of 4,775 million euro.
In the first nine months of 2006, the central offices and departments made a profit from operating activities of 12.3 million euro, compared with a loss of 21.6 million euro in the same period of 2005. The improvement in this result is largely due to trading and hedging activities, as well as to higher dividends received.

Payment of dividends

The dividend per share allocated in 2006 amounted to 0.40 euro for each of the 322,292,258 ordinary shares with dividend rights at the date of approval of the 2005 financial statements by the Stockholders' Meeting.

Significant subsequent events

As regards investments, in October the Board of Directors of Banca Lombarda e Piemontese authorised the start of a feasibility study concerning the Parent Bank's absorption of **Mercati Finanziari SIM**, a wholly-owned subsidiary of the Parent Bank with a book value of 11.7 million euro; this operation would form part of the interventions designed to rationalise the Group structure, in accordance with the 2006-2008 Strategic Plan.

Also in October, the Board of Directors of Banca Lombarda e Piemontese gave a favourable assessment to the guidelines of a project that envisages a number of company operations on the part of **Società Cattolica di Assicurazione**, the insurance partner with which Banca Lombarda e Piemontese set up Lombarda Vita, of which it holds 49.9%.

This project, the details of which are currently still being decided, would involve spinning off Società Cattolica di Assicurazione to Banco Popolare di Verona e Novara with various insurance lines and subsequently transforming it into a joint-stock company that would continue to hold the residual assets, including Lombarda Vita.

Subject to implementing this project and the sharing of a strategic plan, the Board was in favour of Banca Lombarda e Piemontese possibly taking a interest of around 1.90% in Società Cattolica di Assicurazione, once it has been transformed into a joint-stock company. It would act as an operating partner and by means of a reserved increase in capital, would work alongside a leading foreign insurance group that would buy a 28% stake in the company. The purpose of the insurance company's increase in capital is to reinforce operating relationships with the counterparty and to enhance as much as possible its holding in Lombarda Vita.

In November Banca Lombarda e Piemontese also subscribed its share of the increase in capital of Lombarda Vita, with an investment of 4.99 million euro.

Lastly, as regards the changes in capital stock that have taken place since the end of September, we would point out that 20 October was the first deadline for exercising the options issued by Banca Lombarda as part of the stock option plan reserved for the managers, as approved by the Board of Directors on 9 July 2003. Under the stock option plan, 167 managers exercised their rights to buy a total of 3,254,040 Banca Lombarda shares.

As a result, on 23 October, Banca Lombarda issued a total of 3,254,040 Banca Lombarda shares which were assigned to their respective beneficiaries on that same date.

It is possible for managers to exercise their option rights during the period from 1 December to 31 December 2006 for the residual number of unexercised options, giving rise to an allocation of 9,416 shares.

Transactions with group companies and related parties

Information on remuneration of directors, statutory auditors and executives

Details of remuneration are given below:

(amounts in euro)

NAME	POSITION AT PARENT BANK	TERM IN OFFICE	TOTAL REMUNERATION
	Directors		
Gino Trombi	Chairman and E.C. Member	1/1-30/09/06	457,438.58
Alberto Folonari	Sen. Vice Chairman and E.C. Member	1/1-30/09/06	133,213.58
Giovanni Bazoli	Vice Chairman and E.C. Member	1/1-30/09/06	133,213.58
Corrado Faissola	Chief Executive Officer and E.C. Member	1/1-30/09/06	1,089,172.48
Mario Cera	Director/Secr. and E.C. Member	1/1-30/09/06	319,930.68
Luigi Bellini	Director	1/1-30/09/06	24,885.44
Piero Bertolotto	Director and E.C. Member	1/1-30/09/06	296,015.68
Sergio Borlenghi	Director	1/1-30/09/06	24,885.44
Giuseppe Camadini	Director and E.C. Member	1/1-30/09/06	108,351.67
Mario Cattaneo	Director and E.C. Member	1/1-30/09/06	94,209.71
Virginio Fidanza	Director	1/1-30/09/06	24,885.44
Pietro Gussalli Beretta	Director	1/1-30/09/06	88,446.59
Giuseppe Lucchini	Director	1/1-30/09/06	24,885.44
Federico Manzoni	Director	1/1-30/09/06	24,885.44
Felice Martinelli	Director	1/1-30/09/06	24,885.44
Giovanni Minelli	Director	1/1-30/09/06	34,260.44
Luigi Nocivelli	Director	1/1-30/09/06	24,885.44
Pierfrancesco Rampinelli Rota	Director	1/1-30/09/06	39,885.44
Adriano Rodella	Director	1/1-30/09/06	24,885.44
Matteo Viglietta	Director	1/1-30/09/06	24,885.44
Romain Zaleski	Director	1/1-30/09/06	24,885.44
			3,042,992.86
	Statutory auditors		
Sergio Pivato	Chairman Board of Stat. Auditors	1/1-30/09/06	56,640.44
Angelo Coen	Acting Auditor	1/1-30/09/06	37,890.44
Filippo Rovetta	Acting Auditor	1/1-30/09/06	84,531.57
Vincenzo Broli	Alternate Auditor	1/1-30/09/06	0.00
Marco Confalonieri	Alternate Auditor	1/1-30/09/06	31,267.00
			210,329.46
Victor Massiah	General Manager	1/1-30/09/06	531,138.99
Grand total			**3,784,461.31**

The Group's organisational structure centralises certain functions and services of the subsidiaries within the Parent Bank, Banca Lombarda e Piemontese, and Lombarda Sistemi e Servizi.

These service relationships are remunerated on market terms, taking account of the overheads and depreciation associated with the related investment.

Transactions with related parties, as defined by CONSOB in recommendations 97001574 dated 20 February 1997, and 98015375 dated 27 February 1998, by Banca Lombarda e Piemontese and other

Group companies relate to normal financial intermediation and services. These transactions are monitored to identify possible conflicts of interest and are conducted on the usual terms for prime customers.

As regards the activity of management control and coordination on the part of the Parent Bank, as requested by art. 2497 bis of the Italian Civil Code, we would point out that this activity concerns all aspects of banking operations.

Indeed, in addition to defining policy guidelines as part of an overall Group strategy and issuing instructions on how Bank of Italy recommendations in the interest of Group stability are to be executed, the Parent Bank also manages at Group level, under specific outsourcing agreements, the Bank's own security portfolio and treasury function, the accounting and administrative area, planning and management accounting, and risk management. As regards the accounting and administrative area in particular, the Parent Bank's management control and coordination activities are also evidenced by the election to file for tax on a consolidated basis, which has resulted in current taxes being calculated on a Group-wide basis.

The fact that the Parent Bank performs this activity on an outsourcing basis makes it possible to benefit from better conditions compared with ordinary market terms, given the standardisation of the services offered by the Parent Bank to the various Group entities and, as a result, the economies of scale that are realised.

Transactions with other related parties

All transactions between Banca Lombarda e Piemontese, Group companies and other related parties refer to normal banking, financial and other business services. These transactions are monitored to identify possible conflicts of interest and are conducted on the usual terms for prime customers.

The following is a summary of the cash loans and endorsement credits granted to directors, statutory auditors and the general manager. Indirect cash loans include the indirect bonds relating to subsidiary companies.

	Cash loans		**Endorsement credits**
	Direct	**Indirect**	
Directors	14	154,632	103
Statutory Auditors	338	-	-
General Manager	-	-	-
	352	**154,632**	**103**

QUARTERLY REPORT OF BANCA LOMBARDA E PIEMONTESE S.P.A.

Balance sheet

ASSETS
(amounts in euro)

	Assets	30/09/06	31/12/05	Changes	
				Amount	%
10.	**Cash and cash equivalents**	42,893,733	41,680,414	1,213,319	2.9
20.	**Financial assets held for trading**	2,486,055,613	2,502,610,955	(16,555,342)	-0.7
40.	**Financial assets available for sale**	794,105,488	661,491,609	132,613,879	20.0
60.	**Due from banks**	3,811,906,761	3,891,616,107	(79,709,346)	-2.0
70.	**Loans to customers**	3,697,754,891	3,256,135,064	441,619,827	13.6
80.	**Hedging derivatives**	31,979,121	52,965,189	(20,986,068)	-39.6
100.	**Equity investments**	2,054,001,604	2,015,179,810	38,821,794	1.9
110.	**Property, plant and equipment**	62,147,815	64,400,726	(2,252,911)	-3.5
120.	**Intangible assets**	129	207	(78)	-37.7
130.	**Tax assets**	55,985,218	62,902,384	(6,917,166)	-11.0
140.	**Non-current assets held for sale**	2,290,103	-	2,290,103	-
150.	**Other assets**	151,699,624	158,348,207	(6,648,583)	-4.2
	Total assets	**13,190,820,100**	**12,707,330,672**	**483,489,428**	**3.8**

LIABILITIES
(amounts in euro)

	Liabilities and stockholders' equity	30/09/06	31/12/05	Changes	
				Amount	%
10.	Due to banks	4,583,802,677	5,555,196,474	(971,393,797)	-17.5
20.	Due to customers	131,341,276	7,070,348	124,270,928	1757.6
30.	Debt securities issued	5,402,301,503	3,953,838,533	1,448,462,970	36.6
40.	Financial liabilities held for trading	617,147,869	1,237,444,481	(620,296,612)	-50.1
60.	Hedging derivatives	316,283	774,437	(458,154)	-59.2
80.	Tax liabilities	50,920,336	41,128,247	9,792,089	23.8
100.	Other liabilities	104,322,774	150,980,957	(46,658,183)	-30.9
110.	Termination indemnities	11,686,878	11,597,447	89,431	0.8
120.	Provisions for liabilities and charges	8,341,429	6,005,302	2,336,127	38.9
130.	Revaluation reserves	416,293,145	312,668,034	103,625,111	33.1
160.	Reserves	319,011,551	271,344,189	47,667,362	17.6
170.	Additional paid-in capital	973,699,933	661,268,427	312,431,506	47.2
180.	Capital	351,752,470	322,292,258	29,460,212	9.1
200.	Net income (loss) for the period (+/-)	219.881.976	175,721,538	44.160.438	25,1
	Total liabilities and stockholders' equity	**13.190.820.100**	**12,707,330,672**	**483.489.428**	**3,8**

Statement of income

(amounts in euro)

	Statement of income	30/09/06	30/09/05	Changes	
				Amount	%
10.	Interest income and similar revenues	205,143,018	149,405,401	55,737,617	37.3
20.	Interest expense and similar charges	(235,623,772)	(177,723,051)	(57,900,721)	32.6
30.	**NET INTEREST INCOME**	**(30,480,754)**	**(28,317,650)**	**(2,163,104)**	**7.6**
40.	Commission income	6,284,316	6,991,747	(707,431)	-10.1
50.	Commission expense	(3,471,343)	(3,578,775)	107,432	-3.0
60.	**NET COMMISSION INCOME**	**2,812,973**	**3,412,972**	**(599,999)**	**-17.6**
70.	Dividends and similar income	244,481,211	193,446,805	51,034,406	26.4
80.	Net trading income	27,793,409	24,769,274	3,024,135	12.2
90.	Net hedging gains (losses)	358,062	469,534	(111,472)	-23.7
100.	Gains/losses on disposal or repurchase of:	322,531	(6,423)	328,954	-5121.5
	a) loans	29	-	29	
	b) financial assets available for sale	316,817	-	316,817	0.0
	d) financial liabilities	5,685	(6,423)	12,108	0.0
120.	**NET INTEREST AND OTHER BANKING INCOME**	**245,287,432**	**193,774,512**	**51,512,920**	**26.6**
130.	Net impairment adjustments	(698,421)	(1,347,474)	649,053	-48.2
	a) loans	*205,871*	*(1,120,298)*	1,326,169	-118.4
	b) financial assets available for sale	*(105,731)*	*(227,176)*	121,445	-53.5
	d) other financial assets	*(798,561)*	-	(798,561)	
140.	**NET FINANCIAL INCOME**	**244,589,011**	**192,427,038**	**52,161,973**	**27.1**
150.	Administrative costs:	(61,986,823)	(58,650,659)	(3,336,164)	5.7
	a) payroll	*(31,519,116)*	*(29,742,125)*	(1,776,991)	6.0
	b) other administrative costs	*(30,467,707)*	*(28,908,534)*	(1,559,173)	5.4
160.	Net provisions for liabilities and charges	*(4,544,766)*	(2,794,933)	(1,749,833)	62.6
170.	Net adjustments/write backs to property, plant and equipment	(1,475,138)	(1,443,397)	(31,741)	2.2
180.	Net adjustments/write backs to intangible assets	(77)	(77)	-	0.0
190.	Other operating income/expenses	24,241,591	22,034,272	2,207,319	10.0
200.	**OPERATING COSTS**	**(43,765,213)**	**(40,854,794)**	**(2,910,419)**	**7.1**
210.	Income (losses) from equity investments	7,672,136	(247,179)	7,919,315	-3203.9
240.	Gains (losses) on disposal of investments	1,042	6,532,899	(6,531,857)	-100.0
250.	**PROFITS (LOSSES) FROM ORDINARY ACTIVITIES BEFORE TAX**	**208,496,976**	**157,857,964**	**50,639,012**	32.1
260.	Income tax on operating activities	11,385,000	10,399,000	986,000	9.5
270.	**PROFITS (LOSSES) FROM ORDINARY ACTIVITIES NET OF TAXES**	**219,881,976**	**168,256,964**	**51,625,012**	30.7
290.	**NET INCOME (LOSS) FOR THE PERIOD**	**219,881,976**	**168,256,964**	**51,625,012**	**30.7**

Statement of changes in stockholders' equity

Changes at 30 September 2005

(amounts in euro)

	Balances as of 31.12.2004	Changes to opening balances	Balances as of 01.01.2005	Allocation of results for the previous year: Reserves	Allocation of results for the previous year: Dividends and other utilizations	Changes during the period: Changes in reserves	Changes during the period: Equity transactions: Issue of new shares	Changes during the period: Equity transactions: Purchase of treasury shares	Changes during the period: Equity transactions: Extraordinary distribution of dividends	Changes during the period: Equity transactions: Change in equity instruments	Changes during the period: Equity transactions: Derivatives on treasury shares	Changes during the period: Equity transactions: Stock options	Changes during the period: Actuarial gains/losses on defined-benefit pension plans	Changes during the period: Net income (loss) at 30.09.2005	Stockholders' equity at 30.09.2005
Capital stock	**320,828,442**	-	**320,828,442**	-	-	-	**739,782**	-	-	-	-	**724,034**	-	-	**322,292,258**
a) ordinary shares	320,828,442	-	320,828,442	-			739,782	-				724,034			**322,292,258**
b) other shares	-	-	-	-				-							-
Additional paid-in capital	654,723,160	-	654,723,160	-								**6,545,267**			**661,268,427**
Reserves:	**294,299,508**	**(53,856,000)**	**240,443,508**	**29,913,990**	-	-	-	-	-	-	-	**6,125,831**	-	-	**276,483,329**
a) retained earnings	285,480,508	(53,856,000)	231,624,508	29,913,990			-	-	-			6,125,831	-		**267,664,329**
b) other	8,819,000	-	8,819,000	-			-		-		-				**8,819,000**
Revaluation reserves:	**38,045,006**	**155,962,502**	**194,007,508**	-	-	**51,847,794**	-	-	-	-	-	-	**(155,224)**	-	**245,700,078**
a) available for sale	-	155,962,502	155,962,502	-		51,847,794									**207,810,296**
b) coverage of cash flows	-	-	-	-		-									-
c) special revaluation laws	38,153,563	-	38,153,563	-											**38,153,563**
d) other	(108,557)	-	(108,557)	-		-							(155,224)		**(263,781)**
Equity instruments	-	-	-	-						-					-
Treasury shares	-	-	-	-			-	-							-
Net income (loss) for the period	142,203,945	-	142,203,945	(29,913,990)	(112,289,955)									168,256,964	**168,256,964**
Stockholders' equity	**1,450,100,061**	**102,106,502**	**1,552,206,563**	-	**(112,289,955)**	**51,847,794**	**739,782**	-	-	-	-	**13,395,132**	**(155,224)**	**168,256,964**	**1,674,001,056**

Statement of changes in stockholders' equity

Changes at 30 September 2006

(amounts in euro)

	Balances as of 31.12.2005	Changes to opening balances	Balances as of 01.01.2006	Allocation of results for the previous year: Reserves	Allocation of results for the previous year: Dividends and other utilizations	Changes during the period: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Purchase of treasury	Equity transactions: Extraordinary	Equity transactions: Change in equity instruments	Equity transactions: Derivatives on treasury	Equity transactions: Stock options	Actuarial gains/losses on defined-benefit pension plans	Net income (loss) at 30.09.2006	Stockholders' equity at 30.09.2006
Capital stock	**322,292,258**	-	**322,292,258**	-	-	-	**29,460,212**	-	-	-	-	-	-	-	**351,752,470**
a) ordinary shares	322,292,258	-	322,292,258	-			29,460,212	-							**351,752,470**
b) other shares	-	-	-	-				-							-
Additional paid-in capital	661,268,427	-	661,268,427	-			312,431,506								**973,699,933**
Reserves:	**271,344,189**	-	**271,344,189**	**46,804,635**	-	-	-	-	-	-	-	**862,727**	-	-	**319,011,551**
a) retained earnings	260,799,735		260,799,735	46,804,635			-	-	-			-	-		**307,604,370**
b) other	10,544,454	-	10,544,454	-			-		-		-	862,727			**11,407,181**
Revaluation reserves:	**312,668,034**	-	**312,668,034**	-	-	**103,661,968**	-	-	-	-	-	-	**(36,857)**	-	**416,293,145**
a) available for sale	275,078,235,000		275,078,235	-		103,661,968									**378,740,203**
b) coverage of cash flows	-	-	-	-		-									-
c) special revaluation laws	38,153,563	-	38,153,563	-											**38,153,563**
d) other	(563,764)	-	(563,764)	-		-							(36,857)		**(600,621)**
Equity instruments	-	-	-	-						-					-
Treasury shares	-	-	-	-			-	-							-
Net income (loss) for the period	175,721,538	-	175,721,538	(46,804,635)	(128,916,903)									219,881,976	**219,881,976**
Stockholders' equity	**1,743,294,446**	-	**1,743,294,446**	-	**(128,916,903)**	**103,661,968**	**341,891,718**	-	-	-	-	**862,727**	**(36,857)**	**219,881,976**	**2,280,639,075**

Cash flow statement

(amounts in euro)

Indirect Method		
A. OPERATING ACTIVITIES	***Amount*** **30/09/2006**	***Amount*** **30/09/2005**
1. OPERATIONS	**(26,245,726)**	**(27,475,788)**
- Result for the period (+/-)	219,881,976	168,256,964
- Gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	1,289,508	179,324
- Gains/losses from hedging activities (-/+)	(358,062)	(469,534)
- Net impairment adjustments (+/-)	698,421	1,347,474
- Net adjustments/write backs to property, plant and equipment and intangible assets (+/-)	1,475,215	1,443,474
- Net provisions for contingencies and charges and other costs/revenues (+/-)	(237,847,784)	(187,834,490)
- Taxes not yet paid (-)	(11,385,000)	(10,399,000)
2. NET LIQUIDITY GENERATED/ABSORBED BY FINANCIAL ACTIVITIES	**(345,404,673)**	**(1,561,807,885)**
- Financial assets held for trading	15,265,834	(1,371,628,257)
- Financial assets available for sale	(23,191,580)	1,695,537
- Due from banks: repayable on demand	79,709,346	(837,874,814)
- Loans to customers	(441,896,105)	837,939,464
- Other assets	24,707,831	(191,939,815)
3. NET LIQUIDITY GENERATED/ABSORBED BY FINANCIAL LIABILITIES	**(44,258,185)**	**1,508,042,449**
- Due to banks: repayable on demand	(971,393,797)	797,851,856
- Direct deposits from customers	124,270,928	(109,974,793)
- Debt securities issued	1,449,303,180	197,464,158
- Financial liabilities held for trading	(620,296,612)	613,060,934
- Other liabilities	(26,141,884)	9,640,294
Net liquidity generated/absorbed by operating activities	**(415,908,584)**	**(81,241,224)**
B. INVESTING ACTIVITIES		
1. NET LIQUIDITY GENERATED BY	**244,481,211**	**204,426,367**
- Sales of investments	-	10,979,562
- Dividends collected from investments	244,481,211	193,446,805
2. NET LIQUIDITY ABSORBED BY:	**40,334,123**	**43,767,457**
- Purchases of investments	38,821,794	43,341,050
- Purchases of property, plant and equipment	1,512,329	426,407
Net liquidity generated/absorbed by investing activities	**204,147,088**	**160,658,910**
C. FUNDING ACTIVITIES		
- Issue/purchases of treasury shares	341,891,718	8,009,083
- Distribution of dividends and other movements	(128,916,903)	(112,289,955)
Net liquidity generated/absorbed by funding activities	**212,974,815**	**(104,280,872)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**1,213,319**	**(24,863,186)**
KEY: (+) GENERATED (-) ABSORBED		

STATEMENT OF CHANGES IN FINANCIAL POSITION - RECONCILIATION		
Captions	***Amount***	***Amount***
	30/09/2006	**30/09/2005**
Cash and cash equivalents at the beginning of the period	**41,680,414**	**61,428,918**
Total net liquidity total generated/absorbed during the period	1,213,319	(24,863,186)
Cash and cash equivalents at the end of the period	**42,893,733**	**36,565,732**

Adoption of the code of conduct for listed companies

The Board of Directors at Banca Lombarda has accepted the recommendations on corporate governance contained in the **Code of Conduct** for Listed Companies prepared by Borsa Italiana, as a further sign of openness and fairness toward the market.

In this connection, it is worth mentioning that Borsa Italiana has communicated that it has prepared a new Code of Conduct in light of the evolution in best practice and taking account of changes in the national and international regulatory framework; issuers have been invited to apply the new Code by the end of 2006, informing the market that this has been done in a report on corporate governance to be published in 2007.

Banca Lombarda e Piemontese has always been sensitive to corporate governance issues, and already set up an organisational structure in keeping with the best practices recommended in the Code of Conduct. More specifically, it has always observed a complex set of rules and regulations designed to ensure the good management of the bank, concerning, for example, the duties and limitations of the Board of Directors as established by the Bank of Italy, and the professional and ethical qualifications that the Treasury requires of bank officers. The Bank has taken steps to comply with the remaining principles set out in the Code, to which it in any case aspired, and thus to complete the internal regulations which already governed the operations of its units, in keeping with the Code and with current legislation for listed banks. For example, the Board of Directors was already responsible for setting the Bank's strategic and structural orientation, and for making sure that the proper controls were in place for monitoring the Bank's performance.

In this regard, the Bank decided to create a "Committee for the Compensation of Directors" and an "Internal Control Committee," and gave priority to autonomous, non-executive directors when designating the committee members.

The Board of Directors has also acknowledged the changes made to the Code in July 2002 by the Committee for Corporate Governance.

In order to adopt the rules issued by Borsa Italiana, which became effective on 1 January 2003, Banca Lombarda prepared a code of conduct which was approved by the Board of Directors during the meeting of 11/12/2002.

Following Italy's implementation of the Market Abuse Directive 2004/72/EC and CONSOB's adoption of the corresponding rules, the law introduced an obligation to communicate to the market all transactions in the company's financial instruments carried out by "relevant persons" and by those closely associated with them.

As a result, as mentioned by Borsa Italiana, the internal dealing rules issued by it were abrogated from the date the new provisions became effective, that is 1 April 2006.
In order to adopt the new rules, on 22 March 2006 the Board of Directors approved, with effect from 1 April 2006, the new "Regulations for transactions carried out by relevant persons and persons closely associated with them" in accordance with current law.

The new regulations more or less reiterate Borsa Italiana's rules on internal dealing.
The "Relevant Persons" needing to report have been identified as the directors, statutory auditors, members of senior management and the head of the finance department of Banca Lombarda e Piemontese S.p.A. and the persons closely associated with them.
The following do not have to be disclosed:

a) transactions totalling less than 5,000 euro in any one year; if derivatives are involved, the amount is calculated on the underlying shares;
b) transactions between relevant persons and those closely associated with them;
c) transactions carried out by the same listed issuer and by companies controlled by it.

For the purpose of ensuring proper control over confidential information relating to Banca Lombarda e Piemontese S.p.A. and its subsidiaries, the Board of Directors has also approved a set of new regulations called: "Internal Regulations for managing and handling confidential information and communicating documents and information externally".
These Regulations identify the persons in charge of managing this information, define the conduct to be adopted by directors, statutory auditors and employees of Banca Lombarda and its subsidiaries, as well as the procedures for communicating documents and information externally, with particular reference to "price sensitive" information.
In order to have a suitable tool to help identify the people with access to privileged information, as foreseen by art. 115 *bis* of Decree 58/98 and related implementing rules, a "**Register of persons with access to privileged information on Banca Lombarda and its financial instruments**" has been set up centrally at Group level, indicating the following:

1. the identity of the persons who have access to privileged information because of their job or profession, i.e. because of the activities carried out on behalf of the entity required to maintain the Register;
2. the reason for which the person is listed in the Register;
3. the registration date of each update.

The person concerned is promptly informed that this information has been recorded.

Again with reference to the Code of Conduct, the Board of Directors approved an "**Internal Regulation for transactions with related parties**". This establishes guidelines for the conduct of transactions with related parties and, therefore, the principles of behaviour to be followed by corporate bodies and structures when adopting resolutions and documenting transactions with such related parties.

We are therefore able to state that the rules of governance and control currently in effect through the Bank's by-laws and organisational structure respect the principles of transparency and good practice, are based on the central role of the Board of Directors, and are aimed at creating stockholder value.

Stockholders and share ownership

The rights issue relating to the increase in capital approved by the Board of Directors on 21 April 2006 was completed successfully in July 2006.

The increase in capital has therefore been concluded with the subscription of all of the 29,299,296 shares issued.

On 29 August 2006 Banca Lombarda issued a total of 160,916 Banca Lombarda shares as part of the stock option plan reserved for financial consultants approved by the Board of Directors on 9 July 2003.

On 23 October 2006 Banca Lombarda issued a total of 3,254,040 Banca Lombarda shares as part of the stock option plan reserved for managers approved by the Board of Directors on 9 July 2003.

As a result of this operation, Banca Lombarda's subscribed and paid-in capital amounts to 355,006,510 euro, represented by 355,006,510 shares of par value 1 euro each.

Based on available information, the stockholders with more than 2% of the new capital stock are as follows:

Stockholders	No. of shares	% Capital stock
Carlo Tassara S.p.A.	17,574,355	4.95%
Fondazione Cassa di Risparmio di Cuneo	17,487,272	4.93%
Fondazione Banca del Monte di Lombardia	17,363,412	4.89%
Findim Group S.A.	12,451,641	3.51%
Solofid S.p.A.[a]	12,161,647[a]	3.43%
Societa` Cattolica di Assicurazione Scarl	9,553,090	2.69%
La Scuola S.p.A. [b]	7,455,480	2.10%

(a) Investment held on a trust basis. Based on a declaration by the trust company, none of the settlors, directly or indirectly, holds more than 2% of the capital stock.

(b) Company controlled by Opera Educazione Cristiana.

Stockholder syndicate

The syndicate agreement involves a share block and the concerted exercise of voting rights solely at extraordinary stockholders' meetings called to approve changes to the articles of association.

The syndicate has 305 members who have committed 166,448,645 shares to this agreement, representing 46.88% of the Bank's capital stock.

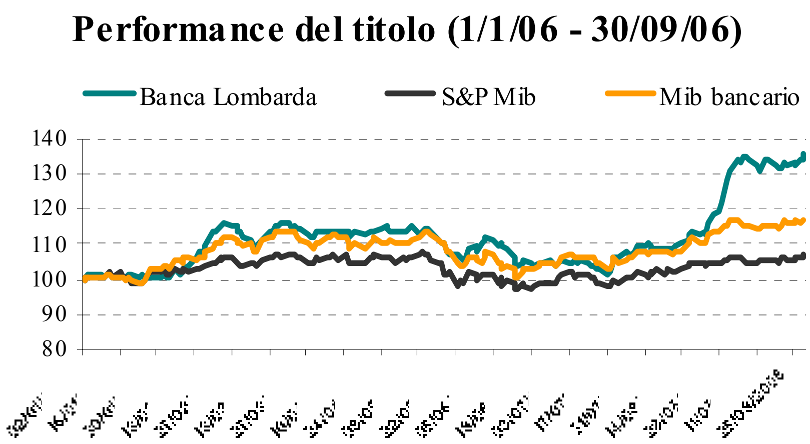
The contents of the syndicate agreement and subsequent amendments have been communicated to Consob and the Bank of Italy, as required by current regulations and published in "ItaliaOggi", a daily newspaper.

The agreement has also been lodged at the Brescia companies register.

Performance of Banca Lombarda's stock

The stock's performance in the first nine months of the year was decidedly positive with a revaluation of 35.3% since the beginning of 2006, reaching 16.177 euro per share by the end of September. By comparison, the S&P/Mib index rose 7% and the Mib banking index climbed 17%; the stock turned in its best performance in the third quarter with overall growth of 28.7%. Since the end of the third quarter, the Banca Lombarda stock has appreciated even more, reaching 17.9 euro on 10 November with an increase of around 50% since the beginning of 2006 and a stock market capitalisation of more than 6.3 billion euro.

In April, the Banca Lombarda stock joined the Midex, the synthetic index for mid-cap quoted companies.



Earnings per share

The average number of ordinary average number of ordinary shares making up the diluted capital stock

The average number of shares in issue during the period ended 30 September 2006 came to 322,288,403. Consolidated earnings divided by the average number of shares in 2006 gives an EPS of 0.712 euro. The number of shares in issue at 30 September 2006 was 351,752,470, so EPS based on that figure comes to Euro 0.673. EPS based on the diluted capital stock is Euro 0.67.

The financial instruments that could dilute basic EPS relate to the stock option plan for managers and financial consultants, which expired in October 2006.

Other attachments to the quarterly report of the Parent Bank

List of the equity investments in companies with unquoted shares or in limited liability companies (in accordance with article 126 of CONSOB resolution 11971 dated 14 May 1999)

Shares and quotas directly or indirectly held as of 30 September 2006

NAME AND REGISTERED OFFICE	Capital stock	Par value per share	Number of shares/quotas	Equity investments held directly by Banca Lombarda			(1)	Indirect equity investments		
				Number shares/quotas held	%	Par value		Number shares/quotas held	%	Par value
Subsidiary companies										
Banco di Brescia San Paolo Cab Spa - Brescia	593,300,000.00	0.68	872,500,000	872,500,000	100.00	593,300,000.00				
BRE Banca Spa - Cuneo	442,000,000.00	0.52	850,000,000	453,312,483	53.33	235,722,491.16				
.ordinary and preference shares	417,918,514.00	0.52	803,689,450	425,935,000	53.00	221,486,200.00				
.ordinary shares	382,250,963.64	0.52	735,098,007	407,816,746	55.48	212,064,707.92				
.preference shares	35,667,550.36	0.52	68,591,443	18,118,254	26.41	9,421,492.08				
.savings shares	24,081,486.00	0.52	46,310,550	27,377,483	59.12	14,236,291.16				
Banca C.R. di Tortona Spa - Tortona (Alessandria)	38,734,500.00	516.46	75,000				BRE	75,000	100.00	38,734,500.00
Banco di San Giorgio Spa - Genoa	66,926,667.00	1.50	44,617,778	15,439,183	34.60	23,158,774.50	BRE	25,134,237	56.33	37,701,355.50
Banca di Valle Camonica Spa - Breno (Brescia)	2,738,693.00	1.00	2,738,693	2,033,313	74.24	2,033,313.00	BdB	238,693	8.72	238,693.00
Banca Lombarda International SA	19,958,340.00	510.00	39,134	35,964	91.90	18,341,640.00	BdB	2,970	7.59	1,514,700.00
Luxembourg							BSG	200	0.51	102,000.00
Andros - Broker di Assicurazione Srl - Cuneo	260,000.00	260,000.00	1				BRE	1	100.00	260,000.00
Banca Lombarda Preferred Capital Co. LLC	1,000.00	1,000.00	1	1	100.00	1,000.00				
Delaware (USA)										
Banca Lombarda Preferred Securities Trust	1,000.00	1,000.00	1	1	100.00	1,000.00				
Delaware (USA)										
Banca Lombarda Private Investment Spa - Brescia	52,500,000.00	3.00	17,500,000	17,500,000	100.00	52,500,000.00				
Capitalgest SGR Spa - Brescia	12,661,740.00	6.00	2,110,290	2,110,290	100.00	12,661,740.00				
Capitalgest Alternative Investments SGR Spa - Brescia	1,500,000.00	1,000.00	1,500	1,500	100.00	1,500,000.00				
CBI Factor Spa - Milan	36,115,820.00	0.52	69,453,500	69,453,500	100.00	36,115,820.00				
CFE - Corporation Financière Européenne SA	1,300,000.00	1.00	1,300,000	828,750	63.75	828,750.00				
Luxembourg										
Financiera Veneta, EFC, SA - Madrid (Spain)	5,108,500.00	60.10	85,000	51,850	61.00	3,116,185.00	CBI	33,150	39.00	1,992,315.00
GESERI Spa in liquidation - Cuneo	323,520.00	1.00	323,520				BRE	307,344	95.00	307,344.00
Gestioni Lombarda (Suisse) S.A. - Lugano - (in CHF)	1,000,000.00	1,000.00	1,000				BLInt.	1,000	100.00	1,000,000.00

Grifogest Sgr SpA - Florence	2,582,300.00	516.46	5,000	5,000	100.00	2,582,300.00				
Lombarda Management Company S.A. - Luxembourg	125,000.00	10.00	12,500				BLPI	12,375	99.00	123,750.00
Lombarda Sistemi e Servizi Spa - Brescia	10,400,000.00	0.52	20,000,000	20,000,000	100.00	10,400,000.00				
Mercati Finanziari SIM Spa - Milan	10,320,000.00	5.16	2,000,000	2,000,000	100.00	10,320,000.00				
SBIM Spa - Brescia	35,000,000.00	1.00	35,000,000	35,000,000	100.00	35,000,000.00				
SBS Leasing Spa - Brescia	22,800,000.00	6.00	3,800,000	3,724,000	98.00	22,344,000.00				
SBS Rent Spa - Brescia	750,000.00	10.00	75,000				SBS	75,000	100.00	750,000.00
Sifru Gestioni Fiduciarie SIM Spa - Brescia	1,040,000.00	0.52	2,000,000				Solofid	2,000,000	100.00	1,040,000.00
Silf Società Italiana Leasing e Finanz. SpA - Cuneo	26,300,000.00	1.00	26,300,000	15,780,000	60.00	15,780,000.00	BRE	10,520,000	40.00	10,520,000.00
Solimm Spa - Brescia	2,580,000.00	5.16	500,000	500,000	100.00	2,580,000.00				
Solofid Spa - Brescia	1,508,000.00	0.52	2,900,000	2,900,000	100.00	1,508,000.00				
Other companies										
Econossa Spa	15,000,000.00	1.00	15,000,000				BdB	3,000,000	20.00	3,000,000.00
Giarolo Leader Srl - S. Sebastiano Curone (Alessandria)	100,000.00	1.00	100,000				CRT	14,999	15.00	14,999.00
Help Rental Service Srl - Rome	775,000.00	1.00	775,000				SBS	186,000	24.00	186,000.00
Leasemac Spa in liquidation - Milan	258,230.00	516.46	500				BdB	166	33.20	85,732.36
Lombarda China Fund Management Co. - China	120,000,000.00	1.00	120,000,000	58,800,000	49.00	58,800,000.00				
Lombarda Vita Spa - Brescia	115,300,000.00	5.00	23,060,000	11,506,940	49.90	57,534,700.00				
Parco Scientifico Tecnologico e delle Telecomunicazioni	4,797,727.60	258.22	18,580				CRT	3,150	16.95	813,393.00
in Valle Scrivia SpA - Tortona (Al)										
Prisma Srl - Milan	120,000.00	1.00	120,000	24,000	20.00	24,000.00				
Siderfactor Spa - Milan	1,200,000.00	100.00	12,000				CBI	3,240	27.00	324,000.00
Tex Factor Spa - Milan	1,033,000.00	51.65	20,000				CBI	4,000	20.00	206,600.00

(1) BdB = Banco di Brescia
BLInt. = Banca Lombarda International
BLPI = Banca Lombarda Private Investment
BRE = Banca Regionale Europea
BSG = Banco di San Giorgio
BVC = Banca di Valle Camonica
CBI = CBI Factor
CRT = Cassa di Risparmio di Tortona
SBS = SBS Leasing

Pledged shares/quotas held indirectly as of 30 September 2006 (through Banco di Brescia)

NAME AND REGISTERED OFFICE	CAPITAL STOCK	CURRENCY	PAR VALUE PER SHARE	TOTAL SHARE/QUOTAS	PLEDGED SHARES/QUOTAS	% of capital stock
Through Banco di Brescia						
Centro Sportivo Rigamonti SpA - Brescia	624,139	€	2.77	225,321	22,533	10.00
Società Agricola Le Colombaie Srl - Visano (BS)	15,215,122	€	1.00	15,215,122	15,215,122	100
ARCHE' Spa - Milan	5,200,000	€	1.00	5,200,000	1,300,000	25.00
DUE A Srl - Rome	200,000	€	100.00	2,000	2,000	100
Agricor Srl - S. Paolo (Brescia)	15,300	€	1.00	15,300	15,300	100