



ANNUAL REPORT 2006

MAIN FIGURES AND GENERAL INFORMATION

(as at 31st December 2006)

Company Officers

Board of Directors

Chairman	Angelo Sette*
Deputy Chairman	Raffaele Agrusti*
Directors	Corrado Antonini Paolo Baessato* Mario Calamati* Giuseppe Campeis Piero Cattaruzzi* Roberto Lunelli Antonio Paoletti Božo Prka Gemma Luisa Ravizza Giovanni Sandrin* Emilio Sgarlata*

* Members of the Executive Committee

Board of Statutory Auditors

Chairman	Pietro Martini
Statutory Auditors	Aldo Boschi Giampaolo Scaramelli
Substitute Auditors	Giulio Castelli Antonio Rosso

Main figures

Items (thousands of Euro)	2006	2005	Changes	
			Absolute	%
Economic figures				
Net interest income	146.196	128.053	18.143	14,2
Dividends	104	80	24	30,0
Net commission income	86.720	87.213	-493	-0,6
Profits on trading	18.388	10.350	8.038	77,7
Other operating income (expenses)	2.535	2.678	-143	-5,3
Net operating income	253.943	228.374	25.569	11,2
Operating expenses	-125.102	-122.389	2.713	2,2
Operating results	128.841	105.985	22.856	21,6
Net adjustments on impairment of loans	-16.818	-14.807	2.011	13,6
Net profit	60.188	54.147	6.041	11,2
Balance Sheet items				
Loans to customers	4.123.429	3.742.284	381.145	10,2
Net financial assets/liabilities held for trading	225.647	101.388	124.259	n.s.
Financial assets available for sale	38.469	28.047	10.422	37,2
Investments	64.138	64.735	-597	-0,9
Total net assets	4.627.498	4.065.510	561.988	13,8
Customer deposits	3.336.407	3.061.495	274.912	9,0
Direct customer deposits	5.370.948	5.144.098	226.850	4,4
including deposits under management	2.746.601	2.812.444	-65.843	-2,3
Net inter-bank deposits	513.775	312.177	201.598	64,6
Shareholders' equity	497.841	482.298	15.543	3,2
Operating structure				
Number of employees	1.318	1.313	5	0,4
Number of bank branches	151	148	3	2,0

Balance Sheet Indicators

Ratios	2006	2005
Balance Sheet ratios (%)		
Loans to customers / Total net assets	89,1	92,0
Investments / Total net assets (a)	1,4	1,6
Direct customer deposits / Total net assets	72,1	75,3
Deposits under management / Indirect deposits	51,1	54,7
Profitability ratios (%)		
Net interest income / Net operating income	57,6	56,1
Net commission income / Net operating income	34,1	38,2
Operating charges / Net operating income	49,3	53,6
Net profit / Total net assets (ROA)	1,4	1,4
Net profit / Shareholders' equity (ROE) (b)	13,9	12,7
Income (Loss) before tax from continuing / Risk-weighted assets	2,4	2,5
Economic Value Added (E.V.A.) (c)	33,2	30,8
Risk Ratios (%)		
Net non-performing loans / Due from customers	0,6	0,5
Value adjustments accumulated on non-performing loans / Gross non-performing loans to customers	70,4	71,4
Capital ratios (%)		
Regulatory Tier 1 capital / Risk-weighted assets	10,2	11,3
Total regulatory capital / Risk-weighted assets	10,7	12,2
Risk-weighted assets (millions of Euro)	4.270	3.731
EPS basic – Euro (d)	2,8	2,7

^(a) Investments include financial assets held to maturity, equity investments, tangible and intangible assets. ateriali.

^(b) Net profit compared to the weighted average of share capital, share premium reserve, reserves and revaluation reserves.

^(c) This indicator represents the shareholders' economic value generated during the year, that is the balance of the profit for the year, after the remuneration of the shareholders' equity through the capital cost. The latter represents the opportunity cost resulting from the Capital Asset Pricing Model.

^(d) Net profit ascribable to the holders of ordinary shares compared to the weighted average number of the outstanding ordinary shares.

Management Report (abridged version)

Corporate growth policies

The strategies

As a result of the merger between Banca Intesa and Sanpaolo Imi, Crédit Agricole (already main shareholder of Banca Intesa) has decided to create a new bank group to compete in the Italian market.

In order to achieve this plan, on 11 October 2006 Crédit Agricole agreed with Banca Intesa to acquire the ownership of two of Intesa Group's most performing banks, the Cassa di Risparmio di Parma e Piacenza and Banca Popolare FriulAdria. To these, Intesa Sanpaolo added further 202 branches pursuant to the Antitrust regulation.

Altogether the new Italian bank network controlled by Crédit Agricole and with Cariparma as parent company will be able to count on approximately 700 branches (spread over Northern and Central Italy and Campania), over 1,400,000 customers, loans for 21 billion, deposits for 68 billion (direct and indirect) and approximately 6,800 employees.

After the important growth season inside the Intesa Group, in which it entered since 1998, FriulAdria now enters into the orbit of Crédit Agricole, first bank group of France, second bank group of Europe and fifth world-wide in terms of Shareholders' equity. Crédit Agricole operates, among others, through the Caisse Régionales (7,150 bank branches that offer products and services to a market of over 16 million customers, mainly families and small-medium enterprises) and the Crédit Lyonnais (1,900 branches and a market of over 5 million customers). The strong presence in the international markets is accompanied with the constant attention to the needs of the covered areas, also testified by the historical origins of the French Group.

On 1st December 2006 the extraordinary Shareholders' meetings of Banca Intesa and Sanpaolo Imi approved the plan of merger between the two banks, a preparatory operation for the entry of FriulAdria (on 1st March 2007) in the new Group.

From 1st April 2007, following a principle of geographic proximity, FriulAdria will add 29 branches to its network (of the 202 former Sanpaolo Intesa) located in the Veneto region (2 in the province of Belluno, 11 in the province of Padua, 14 in the province of Venice, 2 in the province of Rovigo). The other 173 former Sanpaolo Intesa branches will be conferred to the Cariparma network.

Moreover, a plan was anticipated of new openings in all the provinces of the Veneto region that will make FriulAdria a bank of reference for the entire Northeast, with over 200 branches. All this in full respect of the Bank's identity and autonomy, and in coherence with the Bank's traditional vocation to support the economic and social context of the communities in which it operates.

The articulated operation will be specifically illustrated during the extraordinary session of the Shareholders' meeting.

Human resources and Organization

The report on the Bank's activities of the last financial year cannot but start with the personnel, the Company's most important resource.

The Bank's employees at 31 December 2006 are 1,318. 37.6% of the employees are female; the average age of staff is equal to approximately 42 years with an average service seniority of 17 years. 10.7% of staff works part-time.

The staff's level of education is as following: 27.7% of employees are graduated (26.1% in 2005), 65.6% has high-school education (66.9% in 2005) and 6.7% possesses other education levels (7% in 2005). The distribution of the staff by activity areas highlights how approximately 83% work in the Sales Network.

Customers and Shareholders

In a market scenario characterized by a strong competition it is necessary to develop and consolidate excellence in customer relationship and to increase their esteem and confidence towards FriulAdria.

The bank started the "Ascolto 100%" plan in order to increase customer retention through a systematic survey on their satisfaction regarding the quality of the services supplied.

The satisfaction and retention model emerging from the plan will make it possible to position the priorities assigned to the business process improvement actions, and to focus the attention on those that reported lower satisfaction levels.

The following projects continued:

- FAI Affari for the sales development of the corporate segment which refers to the "small business" and "small-medium enterprises"; within such plan a specific methodology was defined for the release of short-term credit lines so as to make the process easier and faster when in presence of past relationships and limited risks.
- FA.I.V. focused on the development of the retail segment.

Before passing to illustrate the main initiatives achieved in favour of the corporate customers, it should be noted that the bank continued its collaboration with the Trade Associations, with the Consortia of Guarantee Trusts and with the Chambers of Commerce, with which it realized numerous plans and underwrote new agreements.

The Bank has joined the "Techno Seed" project of the Scientific and Technological Park of Udine, that has the objective of selecting innovative ideas in the fields of computer science and telecommunication technologies finalized to the creation of new enterprises.

The initiative is financed by the Ministry of Production Activities and promoted by Friuli Innovation, by the Centre of Research and Technological Transfer, by the University of Udine and by the Institute of Economic and Social Research of the Friuli Venezia Giulia region, and has the objective, in particular, to promote the birth of twelve new enterprises in next three years.

The bank has set forward a new lending product named FriulAdria Business with the attempt to widen the range of products offered to the "Small Enterprises" and "Small Business" customers. It is an unsecured lending that has the objective of covering, with simplicity and timeliness, the mid-long term financial requirements for investments.

The lending is characterized by the absence of charges for preliminary investigation and early discharge. Moreover, the Basel II rules are taken into account, with the application of different rates based on the customer's rating.

FriulAdria has set forward a credit line named FriulAdria Freeway, an amortisation loan addressed to the medium and small enterprises that have the necessity to search new markets for sales and/or supply.

For what concerns the insurance area, FriulAdria has underwritten an agreement with Europ Assistance to commercialize the Patente NoProblem policies, insurance solutions for enterprises and individuals created in order to cover the risks connected to professional activity.

The Valore Mutuo Business policy was introduced, oriented to cover house loans and loans in favour of sole proprietors and enterprises that combines with the Valore Mutuo Privati. Last, the bank signed a collaboration agreement with the credit insurance company Euler Hermes Siac Spa in order to make the MicroImpresa policy available for the small enterprises, a product offered to the market under exclusive right, studied for the segment in order to access, with simplicity and sure costs, to the protection of their trade receivables and to the specialised service of analysis and monitoring of the economic-financial ability of their clients. In the month of December, in consideration of the entry in force of the social security reform, FriulAdria set forward a training plan for its fund managers that enables them to offer information and advisory services to enterprises and private employees interested in the new regulation. To this purpose the bank established a collaboration agreement with Caam Sgr that allows the Bank to distribute the Second Pension open pension fund, classified at the top of the market for services offered, costs and performance.

The merchant banking division Impresa e Finanza provided high profile services of which business appraisal advisory, intermediation in the acquisition or sales of companies or business lines, assistance in order to anticipate possible crises and also to face size development issues and of expansion in the nearby foreign countries. Moreover, since 2006 there is an interesting initiative in the field of alternative energy, concerning in particular the intermediation and trade of green certificates.

Finance Lab srl, is a subsidiary of the Bank that offers an expert advisory activity related to non speculative derivatives to protect from interest and exchange rate risks for individuals and enterprises and its transaction volume increased remarkably.

We furthermore refer to a few investments in enterprises operating in the handicraft, commercial and agricultural industries and the services for access to the loans issued to support new initiatives.

For what concerns the agriculture industry, the bank reactivated a credit plafond finalized to the distribution of tenure loans and advanced contribution payments of associates of the cooperatives. A new agreement has been underwritten with the regional Directorate of Agriculture of the Friuli Venezia Giulia region, in order to activate new investments in the areas of fishing and aquaculture and in order to extend the duration of the loans granted by the Bank to 20 years, making the repayment of the invested sums easier. Following the bird flu disease emergency, that caused serious difficulties to the business area, FriulAdria accepted the farmers' demands to temporarily suspend the instalments for the period running from 1 January to 31 October 2006. Considering the consolidated relationship with the National Small Farmers' Confederation of the region of Friuli Venezia Giulia, the Bank in 2006 financed a yearly research to analyse the knowledge of the regional agro-food industry, with particular attention to the economic-structural elements that characterise it, in terms of the trends of earnings and investments, labour force and value chain evolutionary dynamics.

Following the adaptation of the regional regulations to the European Community dispositions relating to micro, small and medium enterprises, the Bank restructured the special rate loans of the service and tourism industries.

Passing to the construction industry, the Bank underwrote a convention with the Construction Workers' Mutual and Assistance Fund in order to offer particularly favourable economic conditions to the registered enterprises.

For what concerns the furniture industry, the Bank has joined the initiative promoted by Congafi Handicraft Association of Udine in order to make financing of research and sales activities easier for those registered firms localised in the towns of the Chair District.

For what concerns professionals, FriulAdria has created a bank account model called Professionisti Attivi that address to the technical and advisory offices and to all the professionals registered in an association or public board that wish to dynamically manage with flexibility their professional activity with use of bank tools, without however neglecting the administration of their personal financial resources.

Furthermore, as in the past, the Bank proposed a range of special rate short and long term loans for the firms damaged by various unfavourable weather events, of which drought, with loans to cover of damages to crops and infrastructures. Last, following the violent weather events that in the month of September hit several towns of the Eastern part of the Veneto region and damaged production activities, the Bank decided to take action in favour of the manufacturing, service and handicraft enterprises that endured damages, by granting loans at favourable conditions.

Passing to the actions set forward in favour of individual clients, the Bank has offered new typologies of bank accounts, of which:

- Conto Insieme 0-6, mainly dedicated to the family segment in order to respond to the requirements to find clear and transparent conditions at a limited cost, whatever the amount of deposits, and to be able to choose the products and services that are really needed without having to pay for those that are not used;
- Contolo, reserved to those clients interested in operating with the bank through distance tools such as ProntobancaPiù and Carta Micra; the characteristics of this product are oriented to satisfy the requirements of the customers who wish to use their time at the best and to operate independently in all tranquillity wherever with the advantage of a extremely limited fee;
- ExtraConto, dedicated to the customers who have as primary requirement that of combining together investment solutions with a high remuneration of their liquidity.

The new initiative Contat has been launched, with the objective of creating a new package of banking products and services reserved to those originally from Friuli Venezia Giulia that emigrated to foreign countries and their relatives.

In the area of consumer credit the Bank proposed, during the summer, a special rate personal loan named PrestInsieme Estate.

Referring to non-Community customers, the Bank stipulated a convention with the Burkina Faso community present in Spilimbergo that sets forward particularly favourable conditions for remittals towards their original country, as well as the supply of further services.

Following the introduction of several novelties related to the Friuli Venezia Giulia Regional Law n. 6/2003 on first-house contributions, the branches supplied advisory services in order to verify the specific credit requirements of the applicants and to propose the most adequate solutions. Still in 2006, the Bank renewed the agreement for management of the season tickets campaign for the Snaidero Cucine (2006/2007 Basketball Championship A1 Series) with the possibility of booking the season tickets in all the branches.

Last, similar to what was achieved during the past winter season, FriulAdria underwrote a convention with the Nassfeld Company of Passo Pramollo for the sales of ski-passes in the branches also for the 2006/2007 season.

The Bank continued the sales of insurance products with high financial content of which the Unit-linked and Index-linked Policies, made available by both companies of the Group and in collaboration with primary insurance companies. Concerning the continuous pursuit of highly innovative financial products the Bank started the sales of Aig Life's Unit-linked Life Policy connected to funds of alternate funds.

For what concerns managed savings, the Bank placed new products such as Formula Garantita, highly innovative for the Italian market.

The bank continued the placement of its own bond loans, of which FriulAdria Supercinque and FriulAdria Supercinque II, bonds with guaranteed capital and guaranteed minimum returns at due date, that forecast a dynamic allocation of the invested capital along the duration of the investment.

The Bank looks at its Shareholders as the most natural and interested addressees for the promotion and sales of services and products, reserving for them exclusive conditions with the objective to consolidate the operating relationships and spirit of belonging.

The free offering to the Shareholder, effective since May 2004, is made up of the following:

- Best Mix concerning telephone savings;
- Benessere Soci (Shareholders' Well-being), an exclusive policy offered in collaboration with Europ Assistance;
- Well-being Discounts with Wellness Card for discounts on entry of spa structures linked to the wellness world;
- Special rate credit.

In 2006 Insieme Gold was added to the above products, a new secure credit card with special conditions.

Institutions

The relationship with local Government, Public Agencies and Local Institutions continued in the perspective of collaboration and partnership in relation to treasury management services.

The Bank in 2006 won the bid for the management of 10 new services that brought the total number of convening agencies to 142. The volume of the transactions, excluding those carried out on behalf of the region Friuli Venezia Giulia, were equal to approximately 3,833 million euros for a total of 606,000 operations carried out.

Passing to the relationships with its own Authorities, FriulAdria sustains relationships focused on maximum transparency and collaboration.

In the month of January 2006 the Italian Foreign Exchange Office communicated their observations collected during the course of the inspection assessments carries out in the Bank during the months of November and December of 2005 in matter of anti-laundering and management of operations with foreign countries. The Bank has subsequently communicated their own counter-deductions and has adopted the opportune provisions in order to remedy for the observed inefficiencies.

The general verification by part of the tax police Regional Command Group Tax and Revenue Police F.V.G. of Trieste of the Bank started in the month of January and concluded in the month of April, under the ordinary yearly planning of fiscal verifications of the so-called "relevant sized" subjects. This activity has confirmed the correct implementation of the fiscal impositions.

In the month of February the Human Resources office received an inspection of the National Institute for Insurance against Industrial Accidents (INAIL) of Pordenone that monitored the years from 2002 to 2005, with the scope of verifying the compliance of the regulations on accident insurance for employees and for temporary workers with salaries similar to those of employees (long term consultants and directors). The verification concluded on 2 March 2006, without objections.

Furthermore, the Bank of Italy carried out several verifications concerning bank transparency at the branches, and issued observations and indications that were timely adopted.

Local communities

FriulAdria, a relationship Bank, has for long time chosen an innovative path with an approach that exceeds the idea of sponsorship and moves along a logic of partnership with the institutions, in coherence with the spirit of social responsibility that belongs to its tradition. Therefore, we wish to retrace the framework that characterized its presence in the territory.

Culture

The Bank, after a careful inventory work, published the catalogue Signs from a territory that illustrates the main pieces of art of its private collection, mainly done by local artists. Furthermore, the plan will also see the realization of an online gallery in order to enable the customer who enters the Bank's website a multimedia reading of these works. All this in a path oriented to the promotion of an interactive relationship with art works that witnesses FriulAdria's collaboration with the University of Udine and the Department of Multimedia Techniques and Languages of the University Consortium of Pordenone.

Always in the perspective of valorisation of the artistic heritage, the Bank has granted loan for use of the three frescoes (Saint Francis who receives the stigmata, Saint Franciscan and Fragment of hand) works of the great painter Giovanni Antonio de Sacchis, as known as "il Pordenone", to the Museum of Pordenone now showing in the renewed rooms dedicated to the artist and inaugurated on 20 February 2006.

The Bank has moreover promoted and supported the publication of the new 12 volume encyclopaedia on the Friuli Venezia Giulia region published by the Editoriale Friuli Venezia Giulia in collaboration with the region.

In 2006 FriulAdria joined the Association Paper of Cividale, a structure constituted in order to coordinate various plans, of which the candidature of Cividale to Humanity Heritage of Unesco, the constitution of an Observatory on the Balkans, the continuation of the studies on the Patriarchy of Aquileia for the creation of a database of all documentary and archival sources and, finally, the development of the projects connected to the Longobardia.

During the year 2006 the sixth digging campaign concluded in the archaeological area of Aquileia promoted by the University of Udine and supported also by FriulAdria. The main objective of the plan is the total illustration of the entire spa system, one of the biggest and most beautiful buildings of the Fourth Century A.C. with an extension of over two hectares, and the reconstruction of its history, in order to make the area visible and usable in a near future to in a perspective of the promotion of archaeological and scholastic tourism.

The Bank has also renewed the support to many cultural initiatives achieved in Friuli Venezia Giulia and in the Eastern Veneto. Of the main here remembered, the adhesion, in quality of honorary associate, to the Association Town Theatre "Giuseppe Verdi" of Pordenone, as well as

the sponsorship of the 2006/2007 theatre season. FriulAdria has moreover joined, in quality of associate supporter, the Lyric Theatre Foundation "Giuseppe Verdi" of Trieste for the three years 2006/2008.

Furthermore, the Bank renewed its support to prestigious cultural events, of which pordenonelegge.it, the Days of the Silent Cinema, Close Far/Terzani Award, Udin&Jazz, Musical Summer at Portogruaro, Oder-Opera at Piazza Grande of Oderzo. More, the Bank sponsored the traditional exhibitions of contemporary art for young emerging artists at Saint Vito al Tagliamento, now renamed "Palinsesti".

For what concerns the valorisation plan of the display windows of Palazzo Cossetti, home of the Bank's General Management, as for tradition during the Christmas holidays therein was prepared an exhibition made of twenty-four paintings of twelve emerging young painters, who were asked to interpret the cultural, social and sport engagement of the Bank for the draft of the 2007 calendar.

The Bank moreover collaborated to the organization of important study conventions and seminars, on legal, fiscal, economic and social topics.

Tourist development

The Bank sponsored several wine and food events and initiatives, considered by the region Friuli Venezia Giulia a strategic area for the economic development of the local territory.

Therefore, the Bank continued the engagement with the regional Chambers of Commerce for the draft of the Guide to Wines of the Friuli Venezia Giulia region. The Bank renewed the engagement with the Vinum Loci Committee, a wide breath national cultural project finalised to the acquaintance and safeguard of the ancient and native tendrils that involves institutions and universities, responsible for research and filing.

Sport

The Bank renewed for the years 2006-2009 the partnership with the Sport Committees of Friuli Venezia Giulia to support of the regional sport world. The participation has the objective, in particular, of supporting the initiatives against doping, the formation of sports managers and directors and the valorisation of sport talent.

A particular collaboration has been developed for winter sports and swimming activities.

Innovation

With reference to the initiatives in the field of innovation the Bank underwrote a convention between the University of Trieste and the Bank for the financing of a research fellowship on the economic and financial systems of the Central European Countries and the Balkans.

Solidarity

Also during the year 2006 the Bank had a leading role in numerous investments in solidarity in all the provinces in which it operates. In particular, the Bank sustained initiatives in favour of increasing the attention towards the problems of differently abled persons, of which the sponsorship of the European Disabled Ski Cup and the support to the initiatives promoted by the Non-profit Sport Culture Solidarity Committee.

Of the initiatives of solidarity achieved during the year 2006 it should be noted the support to the "Luchetta, Ota, D'Angelo and Hrovatin Foundation for the children victims of war".

On the occasion of the delivery ceremony of the journalist award named after Marco Luchetta promoted by the homonymous Foundation in collaboration with RAI, FriulAdria delivered a further acknowledgment to a journalist of the Friuli Venezia Giulia distinguished for the promotion of dialogue between the Italian culture and that of the Countries of the Balkan-Danube area.

Health and safety, Environment

In matter of employee safety and health (Legislative Decree n. 626/1994) during the year 2006 the Bank implemented an array of improvements to the work environments, it continued the initiatives in the field of staff training, of health surveillance and of measures against robbery in general. Of others, the Bank installed new smoke detection and alarm systems in the archive premises, it improved the emergency lighting system and it installed new fire-cut doors. The handbook on physical safety was updated: it collects the safety regulations and the relative implementation procedures for what concerns anti-crime problems. The norms contained in the handbook make up the necessary base so that all the staff can become a point of force of the Bank's defence system.

Passing to the environment, during the year 2006 the bank continued the initiatives finalised to the reduction of the environmental impacts deriving from the activities carried out by the Bank. In particular, rubbish is disposed of through specialised companies and, in great part, recycled (as the toner cartridges, paper and packaging cardboards).

Moreover, for what concerns the work environment, FriulAdria, besides the compliance to the safety and health regulations in force, is committed to the use of materials and furniture that do not contain toxic substances.

Relations with Group Companies and related Parties

With reference to the provisions of CONSOB and to the indications of accounting principle IAS 24 that regulates the information on the operations with related parties, also including therein transactions between parties belonging to the same group, transactions with related parties refer to the normal activity of financial brokerage and the supply of services.

These transactions are also evaluated from the point of view of potential conflicts of interest and are regulated under the conditions normally applied on the market, in relation to the quality of the goods and the services offered and exchanged.

During the year 2006 the Bank had collaboration relationships with other companies of the Intesa Group regarding placement operations of savings management products of the Group, leasing and factoring activities, as well as activities of preparation and implementation of staff training projects.

Economic results

General considerations

The prospects that follow and the relative comments analyse the items of the 2006 income statement comparing them with those of the year 2005. The data reported is in thousand euros.

Income statement reclassification criteria

In order to report a more effective representation of the profits and losses the Bank drafted a synthetic income statement, with appropriate reclassifications according to reporting criteria more suitable to represent the content of the items according to operational homogeneity. The following items were reclassified:

- the dividends from shares classified among the assets available for sale and those held for trading, that were reallocated in the profits (losses) on trading;
- the fair value adjustments in hedge accounting, that were reallocated among the interest margin due to the existing strong correlation;
- profits (losses) on disposal of financial assets available for sale and of financial liabilities that were reallocated to profits (losses) on trading;
- the recoveries of charges and of taxes, that were directly written down of administrative charges rather than reported among the other operating income;
- Net adjustments on impairment of other financial operations, related to guarantees, commitments and credit derivatives, that were reallocated under the net adjustments on impairment of loans;
- The repayment of the time value on credits, that was reported among the interest margin rather than allocated between the net adjustments to loans, as the phenomenon derives directly from the application of the amortised cost criteria in absence of the variations in the forecast of the future expected cash flows. A coherent formulation is used for the time value of the Staff severance indemnity and of the Provisions for risks and charges;
- the part of the profits/losses on disposal of equity investments that, together with the item Profits (losses) from disposal of investments, makes up the profits and losses on financial assets available for sale and other investments, net of the profits (losses) on equity investments valued based on the equity method and that are reported in a specific item of the Net operating income.

Reclassified Income Statement

Items	2006	2005	Changes	
			Absolute	%
Net interest income	146.196	128.053	18.143	14,2
Dividends	104	80	24	30,0
Net commission income	86.720	87.213	-493	-0,6
Profits on trading	18.388	10.350	8.038	77,7
Other operating income (expenses)	2.535	2.678	-143	-5,3
Net operating income	253.943	228.374	25.569	11,2
Employees costs	-79.453	-77.603	1.850	2,4
Administrative expenses	-42.062	-41.325	737	1,8
Amortisation/Depreciation of intangible and tangible assets	-3.587	-3.461	126	3,7
Operating charges	-125.102	-122.389	2.713	2,2
Operating results	128.841	105.985	22.856	21,6
Net provisions for risks and charges	-10.645	-8.109	2.536	31,3
Net adjustments to loans	-16.818	-14.807	2.011	13,6
Net adjustments on other assets	-42	-160	-118	-73,7
Profits and losses on financial assets held to maturity and on other investments	834	11.224	-10.390	n.s.
Income (Loss) before tax from continuing operations	102.170	94.132	8.038	8,5
Income taxes on continuing operations	-41.982	-39.985	1.997	5,0
Net profit	60.188	54.147	6.041	11,2

The financial year 2006 evidences a strong increase in the firm's profitability performance, if compared with the values of 2005, both in terms of operating results as well as for net profits. Comparing the performance of the operating results of the financial year 2006 (128.8 million) with that of the same period of the previous year, growth was strong, equal to 21.6%, and it was supported by a significant increase of revenues (+11.2% the rise of net operating income, valued at 253.9 million) far higher than the reported rise of operating costs (+2.2 for a total amount of 125.1 million). Due to the various trends in costs and revenues, the relationship between these two dimensions (cost/income) significantly drops when compared on a yearly basis, passing from 53.6% of 2005 to 49.3% of 2006.

There were also important increases for the other items of the income statement: net profits for the year 2006 amount to 60.2 million, that is 11.2% higher than the amount reported in the same period of 2005.

Here following the dynamics of the main items composing the net income of operating activity are analysed.

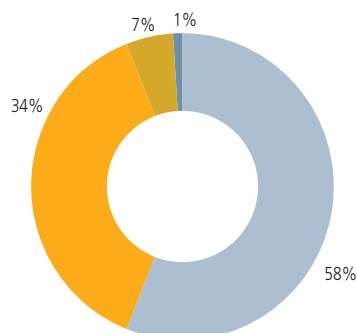
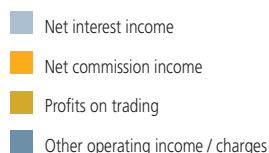
Net operating Income

The net operating income represents the entire value of revenues raised by the Bank and at 31 December 2006 was equal to 253.9 million (+11.2% year over year).

The increase of the net operating income was due mainly to the higher contributions of interest margins (+14.2%) and of the profits on trading (+77.7%) while there was a slight decrease in commission income (-0.6%).

The incidence of interest margins on the net operating income is of 57.6%, and it increased by 1.5 percentage points compared to 2005, while the weight of the net commissions has, year over year, decreased by 4 percentage points (from 38.2% to 34.1%).

Breakdown of net operating income



Interest margin

In 2006 the interest margin, equal to 146.2 million, recorded an actual increase of 14.2%.

The interest margin was supported by the positive dynamics of the invested assets and, markedly, of the loans to customers and the customer deposits and other funds on deposit (+10.2% the yearly increase of investments, +9% that of deposits), counterbalancing the further reduction the average yearly interest rate differential, that slipped from 3.07 of 2005 to 2.96 of 2006.

Dividends

The income arising from evaluation with the equity method relates to the subsidiaries that the Bank jointly controls or relevantly influences.

The dividends of FriulAdria relate to a single investment and amount to approximately 0.1 million (+30% compared to the dividend received during the year 2005).

It should be remembered that the dividends of the investments held for trading or available for sale are instead reported under the profits (losses) on trading.

Net commission income

Items	2006	2005	Changes	
			Absolute	%
- guarantees given	2.561	2.096	465	22,2
- collection and payment services	7.830	7.803	27	0,3
- current accounts	29.188	29.041	147	0,5
- ATM and credit card services	5.566	5.478	88	1,6
Retail banking activities	45.145	44.418	727	1,6
- share trading and placement	24.553	26.443	-1.890	-7,1
- foreign currency trading	759	732	27	3,7
- asset management	4.855	4.764	91	1,9
- insurance product distribution	9.643	9.222	421	4,6
- other trading/managing commissions	771	1.082	-311	-28,7
Managing, trading and consulting activities	40.581	42.243	-1.662	-3,9
Other net commission income	994	552	442	80,1
Total net commission income	86.720	87.213	-493	-0,6

Net commission income, equal to a value of 86.7 million for the year 2006, is slightly lower than the result of the past year (-0.6%).

This decrease is justified by lower returns from share trading and placement (-1.9 million, -7.1%), for effect of the lower placement of structured products, not completely compensated by the higher proceeds originated by the savings management and administration services (altogether equal to 14.5 million, +3.7%) and by those generated from the traditional retail banking activities (45.1 million, +1.6%).

Profits (losses) on trading

The net profits on trading amount to 18.4 million in 2006, a 77.7% increase compared to the number of last year. The increase, year over year, is particularly positive thanks to the good performances deriving from the share trading, to the improvement generated from activity in derivatives with customers as well as from the profits raised from the dismissal of four subsidiaries (Dezelna, SI Holding, Modul Block e S.F.E.T.).

The dividends recorded in the area followed an important growth rate passing from 0.6 million to 1 million, as the effect of an extraordinary dividend yield from a subsidiary. Moreover, it should be noted that difference compared to the numbers of the past year is particularly high as the 2005 data was impacted by the elision losses (2.1 million) accumulated after the buy back of bond loans.

Other operating income (expenses)

The income and charges of various nature are reported under the item other operating income and expenses (contingent assets and liabilities, real estate rent income, depreciation on expenses for improvements on third party assets). The item does not include the recoveries of expenses and of taxes, that are instead written down from administrative expenses.

The net other operating income at 31 December 2006 amounts to 2.5 million, substantially in line with the result of the year 2005 (2.7 million).

Operating expenses

Items	2006	2005	Changes	
			Absolute	%
- wages and salaries	56.897	54.573	2.324	4,3
- social security costs	14.967	15.125	-158	-1,0
- other employees charges	7.589	7.905	-316	-4,0
Employees costs	79.453	77.603	1.850	2,4
- general operation expenses	10.234	10.175	59	0,6
- information services' expenses	16.195	16.140	55	0,3
- indirect taxes	11.193	11.140	53	0,5
- premises management expenses	3.318	3.262	56	1,7
- legal and professional expenses	4.044	4.336	-292	-6,7
- advertising and promotional expenses	2.926	2.812	114	4,1
- indirect staff costs	1.374	1.477	-103	-7,0
- other expenses	3.379	2.834	545	19,2
- recovery of expenses and charges	-10.601	-10.851	-250	-2,3
Administrative expenses	42.062	41.325	737	1,8
- intangible assets	85	81	4	4,9
- tangible assets	3.502	3.380	122	3,6
Amortisation/Depreciation	3.587	3.461	126	3,6
Operating charges	125.102	122.389	2.713	2,2

The operating charges amount to 125.1 million, registering an increase of 2.2%.

Of the aggregate item, employees costs arrived at a level of 79.5 million, with a 2.4% rise compared to last year. Such greater charges are due mainly to the increase of the average cost per worker, estimated at about 3.2%, related to contractual salary increases.

It should be noted that the impact in terms of percentage share of staff costs on net operating profits reported a decrease compared to last year (31.3% in 2006, 34% in 2005).

Other administrative expenses amount to 42.1 million at year end, with an incidence on net operating profits of 16.6% (18.1% at 31.12.2005).

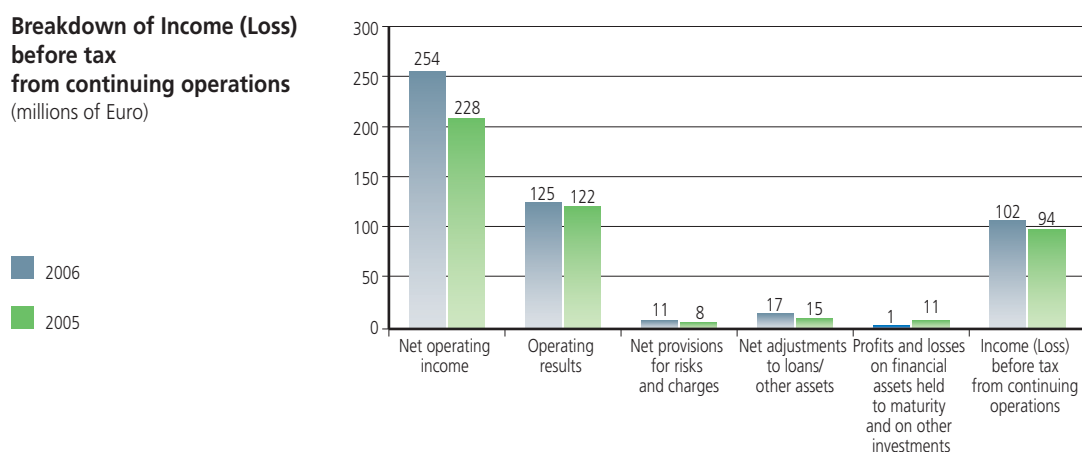
The item shows a small rise (+1.8%) when compared with the same item of last year (41.3 million). Compared to the substantial stability of the general operation expenses and of the information services' expenses, that make up 63% of the total expenses, there are instead increases in other expense items – of which advertising and third party services – more related to the development of new products and services. Year over year it should be noted that there was a reduction of legal and professional expenses (-0.3 million) due to less advisory activities of the year. Indirect taxes, that make up 27% of the total aggregate, relate mostly to the operations with customers; the almost entirety of this expense is collected directly from the customers, together with other similar expenses, and is reported in the reclassified income statement written down directly from the total administrative expenses.

The depreciation and amortisation related to tangible and intangible assets, for a total of 3.6 million, reports a yearly increase of (+3.6%) that is due to the restructuring investments carried out in several branches.

Income (Loss) before tax from continuing operations

The income (loss) before tax from continuing operations achieved at 31 December 2006 is equal to 102.2 million, after the reduction due to prudential allowances for risks and charges of 10.6 million, of net adjustments on loans and other assets 16.9 million and profits/losses on disposal of financial assets held to maturity and other investments for 0.8 million.

The following points illustrate the arising of this item.



Provisions for risks and charges

The provisions for risks and charges reported in 2006, equal to 10.6 million, rose 31.3% compared to the year 2005. The increase is in particular due to the constitution of a fund activated as a result of the agreement between the Bank and the trade-union representations and relate to the regulation of the conditions of the voluntary resignation from the Company of staff that possess pension requirements and of staff that will mature these pension requirements within 31 December 2012.

The increase of this item is further imputable to the prudential adaptation of the funds already set forward to stand legal actions, claims and suits in general.

Net adjustments to loans

The value adjustments on loans, appropriately matched with relative value recoveries, amount to 16.8 million in 2006 compared to 14.8 million in 2005, with a 13.6% increase.

This amount is due to the effect of adjustments for 29.7 million (+24.8%), against value recoveries of 12.9 million (+43.3%).

Profits and losses on financial assets held to maturity and on other investments

For the year 2006 this item is made up of profits arising from real estate dismissals.

The item at 31 December 2006 records an important reduction compared to the previous year (-10.4 million) because last year the Bank dismissed several important investments.

Net Profit

The year 2006 closes with a net profit of 60.2 million, an increase of 11.2% compared to the 54.1 million of 2005. This result was made possible after the estimate of last year's direct taxes for an amount equal to 42 million, with a tax rate (ratio between income taxes and pre-tax profits) equal to 41.1%.

The consistent expansion of the profit base concurred to maintain the Bank's profitability at more than satisfactory levels, with a ROE of 13.9%, compared to 12.7% of 2005.

The net profit attributable to the Shareholders holding ordinary shares over the number of ordinary shares in circulation passes from 2.7 to 2.8 Euro.

Balance sheet items

General aspects

Here following the balance sheet items at 31 December 2006 are analysed in comparison with the year end balances of 2005. The amounts are in thousands of Euro.

The reclassification criteria of the balance sheet

In order to give a clearer and easier reading of the balance sheet, a synthetic outline of the consolidated assets and liabilities has been prepared, through specific groupings, which relate to:

- the inclusion of Cash and cash equivalents within the residual item Other assets;
- the inclusion of the value of hedging derivatives and the value adjustments of financial assets and liabilities among the Other Assets/Liabilities;
- the aggregation under a single item of the tangible and intangible assets;
- the aggregation under a single item, named "Customer deposits", of the value of "Due to customers" and of "Securities issued";
- the grouping under a single item liabilities with specific destination (Staff severance indemnity and Provisions for risks and charges);
- the report of Reserves under an aggregate item, net of any treasury shares.

Moreover, in order to present the composition of the aggregates in a more effective manner, in the following detailed tables of detail and related comments, the indication of the Trading Assets/Liabilities been provided on a net basis, that are derivative contracts and amounts due to/from banks, and the fair value of the hedging derivatives has been related to the respective hedged assets and liabilities.

Reclassified Balance Sheet

Assets	31.12.2006	31.12.2005	Changes	
			Absolute	%
Net trading financial assets/liabilities	225.647	101.388	124.259	102,2
Financial assets available for sale	38.469	28.047	10.422	37,2
Loans to customers	4.123.429	3.742.284	381.145	10,2
Equity investments	2.287	1.069	1.218	102,1
Tangible and intangible assets	64.138	64.735	-597	-0,9
Tax assets	57.208	56.974	234	0,4
Other assets	116.320	71.013	45.307	63,8
Total net assets	4.627.498	4.065.510	561.988	13,8

Liabilities	31.12.2006	31.12.2005	Changes	
			Absolute	%
Net inter-bank deposits	513.775	312.177	201.598	64,6
Customer deposits	3.336.407	3.061.495	274.912	9,0
Tax liabilities	59.430	60.602	-1.172	-1,9
Other liabilities	175.213	114.379	60.834	53,2
Provisions for specific use	44.832	34.559	10.273	29,7
Share capital	101.975	101.975	0	0,0
Reserves	322.227	312.040	10.187	3,3
Revaluation reserves	13.451	14.136	-685	-4,8
Profit (Loss) for the year	60.188	54.147	6.041	11,2
Total shareholders' equity and net liabilities	4.627.498	4.065.510	561.988	13,8

FriulAdria closed the 2006 financial year with a consistent rise of the gross banking product that amounts to 12.8 billion, marking a yearly increase of 7.4%. A particularly important result that was due to the growth of all the main asset aggregates.

This rise was evidenced also by the average unit productivity per worker that in the year under analysis passed from 9 million to 9.6 million, reporting a growth of over 6%.

Gross banking product

Items	31.12.2006	31.12.2005	Changes	
			Absolute	%
Loans to customers	4.123.429	3.742.284	381.145	10,2
Direct deposits	3.336.407	3.061.495	274.912	9,0
Indirect deposits	5.370.948	5.144.098	226.850	4,4
	12.830.784	11.947.877	882.907	7,4

Loans to customers

Items	31.12.2006	31.12.2005	Changes	
			Absolute	%
Current accounts	581.303	504.539	76.764	15,2
Loans	1.998.009	1.835.540	162.469	8,9
Advances and financing	1.320.512	1.215.639	104.873	8,6
Impaired loans	84.748	73.901	10.847	14,7
Credits under the form of securities	147.394	121.488	25.906	21,3
Loans to customers	4.131.966	3.751.107	380.859	10,2
Net value of related fair value hedging derivative contracts	-8.537	-8.823	-286	-3,2
Total	4.123.429	3.742.284	381.145	10,2

Year 2006 witnessed a particularly strong growth trend of loans to customers.

The amount of the value of loans to customers, at 31 December 2006, to 4,123 million, was 0.2% higher than to the amount (3,742 million) reported at 31 December 2005.

Almost all the credit typologies contributed to the increase of the total amount, with a further development of the mid to long term, that represents 48.4% of the total loans to customers, and with a strong revival of the short term contracts (46% of the aggregate).

The "active" part represents 98% (4,047 million) of the total aggregate and within this number there is the constant development of the technical frame of the loans to customers that amounts to 1,998 million showing an increase of 162 million (+8.9%).

The total bank accounts and loans for prepayments grew by 10.6% yearly, with a total amount of 1,902 million at 31 December 2006 (1,720 million in 2005).

The credits under the form of securities (147 million at year end 2006) are made up entirely of insurance capitalization certificates.

Loans to customers: credit quality

Items	31.12.2006			31.12.2005		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
Non-performing loans	77.526	54.616	22.910	59.247	42.289	16.958
Doubtful loans	60.688	13.242	47.446	54.207	13.542	40.665
Expired loans	15.476	1.083	14.393	18.175	1.897	16.278
Total impaired loans	153.690	68.941	84.749	131.629	57.728	73.901
Performing loans	4.071.656	24.439	4.047.217	3.696.605	19.399	3.677.206
Loans to customers	4.225.346	93.380	4.131.966	3.828.234	77.127	3.751.107

The total of the bad debt, net of adjustments, amounts to 84.7 million at year end, showing a growth of 14.7% compared to the 73.9 million of December 2005.

Non-performing loans amount to 22.9 million, compared to the 17.0 million of 2005; this increase is due to the classification to non-performing of some important situations of the corporate market.

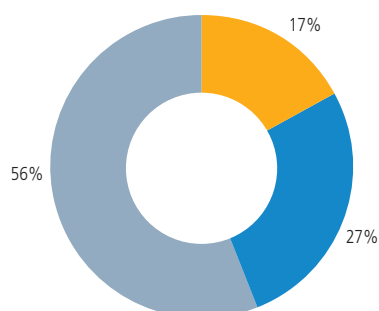
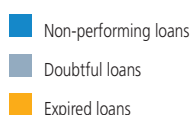
The share of this item on the total loans is close to 0.6%, compared to the 0.5% of end 2005, with an approximately 70% hedging level.

Doubtful loans, at 47.4 million, grew by 16.7%, and the share on total loans of 1.1%, substantially equal to last year, and a hedging level of 21.8% that even if lower than last year it is nevertheless adequate to hedge the implicit risk in this portfolio.

The net total doubtful loans rose due to the dynamics of the asset volumes of customers but also to their classification in this "status". The latter rose to 14.4, evidencing an 11.6% drop on a net basis with a share on total loans that decreased to 0.4% from 0.3% of 2005.

The total accumulated adjustments amount to 24.4 million, 26% higher than the aggregate of 2005, due to the growth in loan volumes and, partly, to the modification of the performing loans. These adjustments represent 0.6% of the gross customer performing loans (0.5% in 2005).

Breakdown of doubtful loans to customers



Customer deposits

The total customers' deposits reached 8,707 million at the end of the year, showing a 6.1% increase, equal to an absolute variation of over 500 million.

In the analysis of dynamics of the amounts, there was a slight increase of the share of the direct deposits on the total managed assets, passing from 37.3% of 2005 to 38.3% of 2006.

Direct deposits

Items	31.12.2006	31.12.2005	Changes	
			Absolute	%
Deposits	7.316	2.762	4.554	n.s.
Current accounts and other accounts	2.334.294	2.236.354	97.940	4,4
Other items	39.016	34.446	4.570	13,3
Repurchase agreements	204.855	156.329	48.526	31,0
Due to customers	2.585.481	2.429.891	155.590	6,4
Outstanding securities	750.926	631.604	119.322	18,9
Total	3.336.407	3.061.495	274.912	9,0

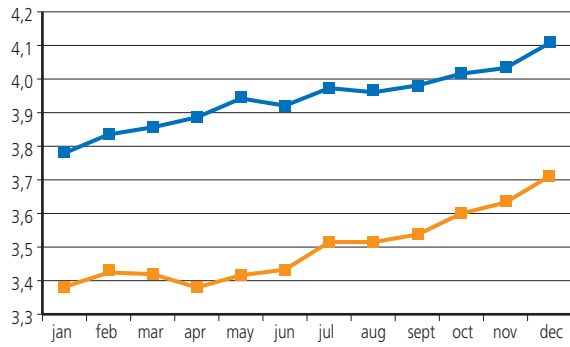
Direct deposits for the year exceeded 3,336 million, reporting a yearly increase of 9%.

The assets at end December 2006 confirm both the customers' desire to maintain liquid assets or, however, to engage in short-term loans under an uncertain situation of interest rates, and the increase of sales of securities expiring in the long term.

With reference to the composition of the aggregate at year end 2006, the main element was made up of banking and other accounts, that reached 2,334 million, with incidence equal to 70% of the total direct deposits. Bonds followed at 751 million, and represent 22.5% of the deposits from customers, with an increase of 18.9% compared to the year 2005, as a result of the massive activity put in place by the Bank in order to improve the transformation of the due dates.

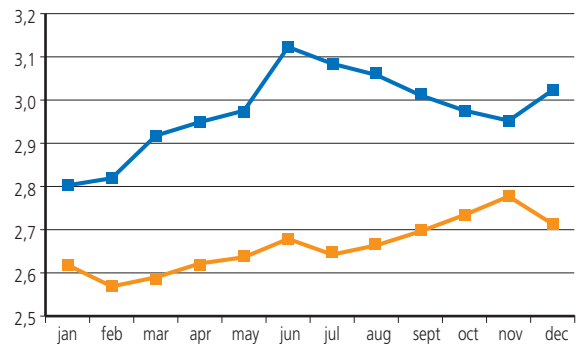
For what concerns the remaining elements there was an increase of swap operations (+31% on a yearly basis).

Loans to customers
Monthly average volumes



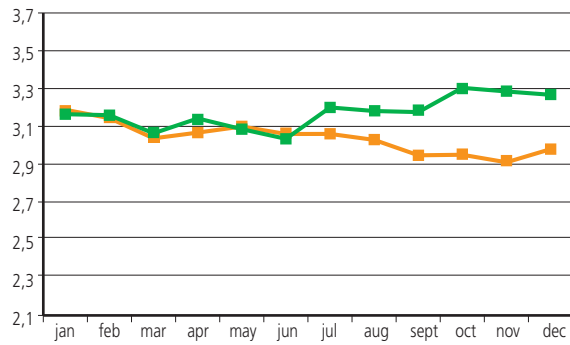
Final Financial Statements — 2005 — 2006

Customer deposits
Monthly average volumes



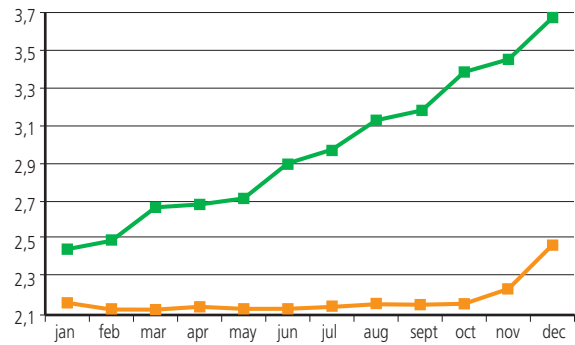
Final Financial Statements — 2005 — 2006

Customer spread



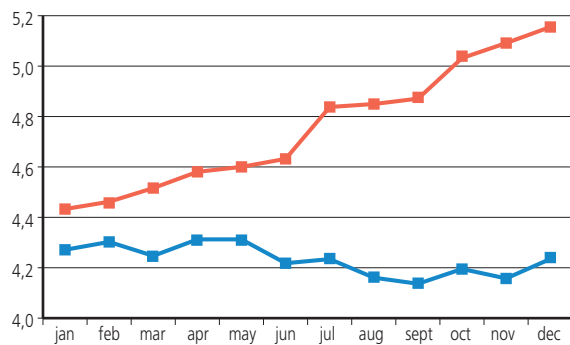
Final Financial Statements — 2005 — 2006

1 month Euribor



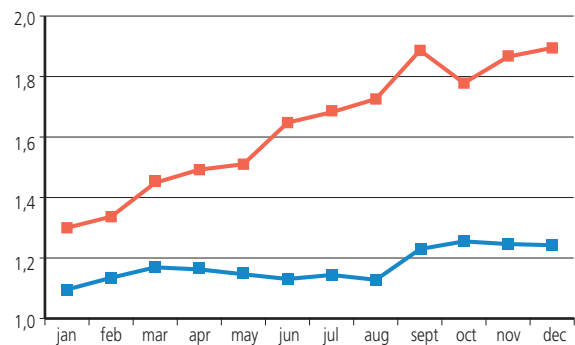
Final Financial Statements — 2005 — 2006

Rates of loans to customers
Management figures



Final Financial Statements — 2005 — 2006

Rates of customer deposits
Management figures



Final Financial Statements — 2005 — 2006

Indirect deposits

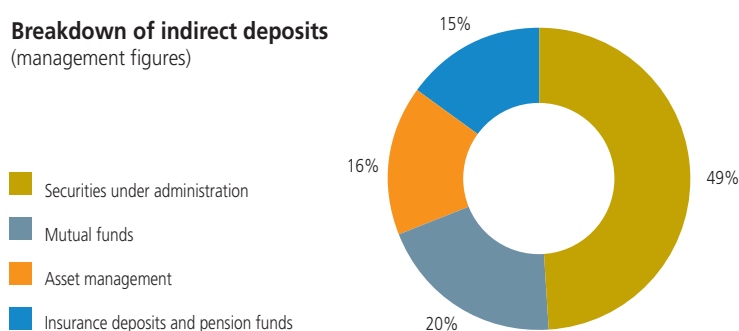
Items	31.12.2006	31.12.2005	Changes	
			Absolute	%
Assets under management	1.983.088	2.112.469	-129.381	-6,1
Insurance products	763.513	699.975	63.538	9,1
Total managed savings	2.746.601	2.812.444	-65.843	-2,3
Deposits under administration	2.624.347	2.331.654	292.693	12,6
Indirect deposits	5.370.948	5.144.098	226.850	4,4

Indirect deposits – asset under management and administration – amounted at 31 December 2006 to 5,371 million, with a yearly increase of 4.4%.

The analysis of the elements of indirect deposits witnessed the development of the administered segment whose amount to 2,624 million at 31 December 2006 compared to the same at December 2005 (2,332 million). The managed assets, that represent approximately 51% of the indirect deposits, reported a slight decrease compared to the amount of 2005 (-2.3%).

The decrease related exclusively the delivery of asset management (-6.1%) while the stock of insurance products reported a strong increase of 9.1%.

Breakdown of indirect deposits
(management figures)



Net financial assets/liabilities held for trading

The item, that at 31 December 2006 amounted to 225.6 million, compared to 101.4 million of last year, was substantially made up of the portfolio held for trading activity with clients.

Equity investments

This item contains the equity investments in subsidiaries and connected companies.

The aggregate value at 31.12.2006 was equal to 2.3 million and includes equity investments in the subsidiary Centurion F.S. and in the connected companies Neubor Glass SpA, Finance Lab Srl and Elettrostudio Trading Srl. Compared to 2005 this item rose altogether of 1.2 million, mainly due to the increase of Centurion F.S. Shareholders' equity.

The minorities are reported in the available-for-sale financial assets. Their value is of 38.5 million, with an increase of 10.4 million compared to 2005. During this year the investments in Dezalna, SI Holding, Modul Block and SFET (total assets of 4.1 million) were dismissed and there was an increase in the investment in Friulia of approximately 15 million following the plan

of rationalization of the investments in companies in the region Friuli Venezia Giulia through the assignment to Friulia of the role of holding company. Friulia will therefore take up central role in the framework of the regional economic system, coordinating under a unique direction the ordinary activity and the development strategies of the regional companies.

Net inter-bank balance

At the end of December 2006 the net inter-bank balance reports an increase of the debt balance, that passes from 312.2 million of 2005 to 513.8 million (+201.6 million). The increase, emerged during the year, is mainly related to the necessities of supporting the growth of deposits.

Provisions for specific use

Other than the provisions for staff severance indemnity for 23.5 million, the item also includes provisions for risks and charges for a total of 21.3 million. The latter grew by 78.8% compared to the end of 2005 and refer to the formation of a loan solidarity provision as of Minister Decree 158/2000 for 6.6 million, while the remaining (14.8 million) matches, of the main elements, charges relating to legal controversies as well as other charges related to staff.

Shareholders' equity and regulatory capital

At 31 December 2006 the Bank's Shareholders' equity, including the profit for the year, amounts to 497.8 million, with an increase of over 13 million compared to the same amount of last year.

The regulatory capital and the ratios at 31 December 2006 were calculated with the application of the provisions issued by the Bank of Italy that takes into account the IAS/IFRS standards. The regulatory capital at 31.12.2006 amounts to 454.8 million, substantially in line with the comparable value of last year. The risk-weighted activities showed an increasing trend, passing from 3,731 million to 4,270, with an increase of about 14.5 percentage points, in great part due to the dynamics of credit risk.

All the asset ratios remain largely above the regulatory limits. The solvency ratio (10.7%), that characterizes the degree of the Bank's asset adequacy through the division between the regulatory capital and the total weighted risk assets, remains above the minimum requirement established by the Bank of Italy (7% for the financial institutions belonging to banking groups).

At 31.12.2006 the Bank did not hold treasury shares nor shares of the parent company.

Regulatory capital and solvency ratios

Items	31.12.2006	31.12.2005	Changes	
			Absolute	%
Tier 1 capital	435.753	423.360	12.393	2,9
Tier 2 capital	20.580	31.237	-10.657	-34,1
Items to be deducted	1.519	289	1.230	n.s.
Regulatory capital	454.814	454.308	506	0,1
Risk-weighted assets	4.270.465	3.730.894	539.571	14,5

Solvency ratios

Items	31.12.2006	31.12.2005	Changes	
			Absolute	%
Tier 1 capital / Risk-weighted assets	10,2	11,3	-1	-10,1
Regulatory capital / Risk-weighted assets	10,7	12,2	-2	-12,5

Significant events after the end of the accounting period

In the framework of the operation of integrating the Bank in the Crédit Agricole Group, after the end of the accounting period the Board of Directors approved to propose to the extraordinary Shareholders' meeting the proposal of an increase of the Bank's share capital from the current nominal Euro 101,975,060 to Euro 114,582,885, reserved to Intesa Sanpaolo Spa, through an issue of n° 2,521,565 ordinary shares of a nominal value of 5 Euro each, against the transfer of 29 branches of Intesa Sanpaolo to FriulAdria.

The forecasted transfer of the Intesa Sanpaolo branches is for 1 April, and it represents an important opportunity for the Bank, that – without cash outflow – will be able to continue a path of business and territory development completely coherent with the past, with the objective of creating an interregional bank that plays a primary role in the economy of the Friuli Venezia Giulia region and that further develops its presence in the close Veneto region.

Management outlook

The 2007 scenario is witnessing a gradual deceleration of banking intermediation, coherent with the rise of interest rates and the expectations of a more moderate growth of the real economy.

In particular for what concerns the evolution of the corporate loans, a gradual reduction is expected, even if in the perspective of an evolution of a still consistent demand, in order to match current business and production investments. An incentive for recurring to bank loans could however arise, after the second half of 2007, from the unavailability of the staff severance indemnity for firms with more than 50 employees.

In parallel, the dynamics of family loans should discount the increase of interest rates, and furthermore be penalised by the house fiscal policy and the slow down of real estate listings. The families' recurrence to loans should continue to be supported by structural elements as, for example, the wide gap in consumer lending compared to the European average, but also

from the continuous innovation of the offering policies, focused on greater product flexibility and personalisation.

The growth of bank funding seems to precede a slight slow down in 2007; the continuation of the phase of rising interest rates should represent an increase of the bond market and a brake to the increase of sight deposits. Moreover, the possible realignment of the taxation of financial income could stimulate a temporary reprisal of the sight and certificates of deposit. Even if slowing down, the trend of the traditional intermediation activity should provide a positive contribution to the income statement of the banking industry. In particular, thanks also to the reprisal of the average money management spread level, the dynamics of the interest rate is forecasted to further strengthen in 2007. Meanwhile, the evolution of the service revenues is forecasted to moderately increase. For what concerns the operating expenses, the scenario indicates a slight increase, in line with the trend of the more recent years: discipline of expenses will continue to represent one important lever for value creation. Summarising, the results of the industry for this year should confirm the strength of the Italian banks' key figures that already emerged in 2006: increasing profitability, thanks to increasing revenues and operating expenses under control, high debt quality and robust capital structure.

In this context the Bank wants to further position itself as the bank of reference for the territory, by setting forward the objective to increase its market share through a particular attention to the needs of its current customers as well as the acquisition of new clients. The bank forecasts an important economic and asset growth brought forward by both a size expansion and the implementation of organizational and sales initiatives focused on increasing the sales effectiveness as well as operational efficiency.

In terms of profitability, the expectations for the current year are of a clear progress, with an increase of revenues and a continuous attention on the side of expenses.

In particular for what concerns revenues, the activity in various segments aims at increasing the interest margin by means of developing the volumes more higher than the reference market while in the service segments the objective is to revive the areas of asset management and to of facilitation of payments.

Also the expectations on operating charges are positive, with forecasts of small increases related to salary policies, for what concerns staff expenses, and to business development activities and fee increases for what concerns operating charges.

Proposed allocation of the net income

Shareholders,

We propose to Your approval the financial accounts of the year 1 January – 31 Decembers 2006, comprising the balance sheet, income statement, explanatory notes and related attachments, as accompanied by this Report on operations, are submitted for your approval. We therefore propose to approve the distribution of a unit dividend of Euro 2.30 to each share and to allocate the net profits of Euro 60,188,203.00, entirely available pursuant to articles 5 and 6 Legislative Decree n° 38 of 28 February 2005, in the following way:

	euro
To the legal reserve 5%	3.009.410
With regards to the remainder:	
A dividend to the Shareholders of Euro 2.30 on each of the 20,395,012 shares payable on 1 January 2006	46.908.528
To the extraordinary reserve	8.770.265
To the Charities reserve	1.500.000
Total net income for the year	60.188.203

If the financial accounts and the proposal of allocation of the yearly profits will obtain your approval, the Bank's Shareholders' equity – comprehensive of the profit elements reported in the year under IAS/IFRS valuation reserves – will become as illustrated in the following table, in thousand Euros.

	euro
Share capital	101.975.060
Share premium account	286.914.348
Reserves	60.543.307
Total	449.432.715

We propose as dividend registration date 23 March 2007 with payment of the same as from 28 March 2007.

In concluding this report, first and foremost we would like to express our sincere thanks to the Shareholders, for the confidence shown and to the Customers for their preference, recognising to the Banca Popolare FriulAdria its propulsive role in favour of the development of the local territory. We would also like to express our gratitude to the Board of Statutory Auditors, which carefully followed the business management, and that supplied an important professional contribution whilst carrying out with competency their delicate functions.

We would like to a vivid and particular thanks to the staff, strength and main key success factor of the Bank. A special thought goes to the Supervisory Authorities, and particularly to the Directors of the branches of the Bank of Italy of Pordenone of the year, as well as to their assistants, for the attention with which they followed our work.

Lastly, we wish to thank all those who supported us in order to seize the important business goals achieved.

Pordenone, 26 February 2007

for the Board of Directors
the Chairman
Angelo Sette

BALANCE SHEET AT 31 DECEMBER 2006

Assets

	31.12.2006	31.12.2005
10. Cash and cash equivalents	30.919.396	27.308.286
20. Financial assets held for trading	263.528.744	132.222.308
30. Financial assets designated at fair value through profit and loss		
40. Financial assets available for sale	38.469.045	28.046.725
50. Financial assets held to maturity		
60. Due from banks	582.487.950	426.198.550
70. Loans to customers	4.131.965.553	3.751.107.399
80. Hedging derivatives	1.835.659	624.120
90. Fair value change of financial assets in hedged portfolios		
100. Equity investments	2.287.326	1.068.672
110. Tangible assets	63.908.139	64.514.183
120. Intangible assets of which: goodwill	229.657	221.423
130. Tax assets	57.207.828	56.974.061
a) current	39.237.467	46.128.098
b) deferred	17.970.361	10.845.963
140. Non-current assets held for sale and discontinued operations		
150. Other assets	85.400.695	43.704.973
Total assets	5.258.239.992	4.531.990.700

Liabilities and shareholders' equity

	31.12.2006	31.12.2005
10. Due to banks	1.096.263.419	738.375.587
20. Due to customers	2.585.480.764	2.429.891.311
30. Securities issued	750.925.829	631.603.617
40. Financial liabilities held for trading	37.881.592	30.834.065
50. [Financial liabilities designated as at fair value]		
60. Hedging derivatives	10.371.822	9.446.949
80. Tax liabilities	59.429.721	60.602.043
a) current	45.378.963	53.865.405
b) deferred	14.050.758	6.736.638
90. Liabilities associated with non-current assets held for sale and discontinued operations		
100. Other liabilities	175.213.388	114.378.958
110. Employee termination indemnities	23.494.324	22.624.789
120. Allowances for risks and charges	21.337.890	11.933.502
a) post employment benefits		
b) other allowances	21.337.890	11.933.502
130. Valuation reserves	13.450.487	14.136.013
140. Reimbursable shares		
150. Equity instruments		
160. Reserves	35.313.145	25.127.028
170. Share premium reserve	286.914.348	286.914.348
180. Share capital	101.975.060	101.975.060
190. Treasury shares		
200. Net income (loss) for the year	60.188.203	54.147.430
Total Liabilities and Shareholders' Equity	5.258.239.992	4.531.990.700

INCOME STATEMENT

Items

	31.12.2006	31.12.2005
10. Interest and similar income	224.439.635	177.319.721
20. Interest and similar expense	-80.618.616	-50.135.257
30. Interest margin	143.821.019	127.184.464
40. Commission income	91.060.697	91.601.231
50. Commission expense	-4.340.244	-4.388.457
60. Net commission income	86.720.453	87.212.774
70. Dividend and similar income	1.114.730	637.750
80. Profits (Losses) on trading	15.504.571	11.858.499
90. Fair value adjustments in hedge accounting	2.129.635	797.264
100. Profits (Losses) on disposal of:	1.872.689	-2.065.897
a) loans		
b) financial assets available for sale	996.643	51.354
c) investments held to maturity		
d) financial liabilities	876.046	-2.117.251
110. Profits (Losses) on financial assets and liabilities designated at fair value		
120. Net interest and other banking income	251.163.097	225.624.854
130. Net adjustments on impairment to:	-15.574.064	-14.042.041
a) loans	-15.515.354	-13.882.158
b) financial assets available for sale	-42.279	-159.883
c) investments held to maturity		
d) other financial activities	-16.431	
140. Net income from banking activities	235.589.033	211.582.813

Items

	31.12.2006	31.12.2005
150. Administrative expenses:	-133.034.153	-130.579.878
a) personnel expenses	-80.370.780	-78.404.530
b) other administrative expenses	-52.663.373	-52.175.348
160. Net provisions for risks and charges	-10.768.540	-8.161.728
170. Net adjustments to tangible assets	-3.501.472	-3.379.872
180. Net adjustments to intangible assets	-85.018	-80.657
190. Other operating expenses (income)	13.136.738	13.527.772
200. Operating expenses	-134.252.445	-128.674.363
210. Profits (Losses) on equity investments	9.017	
230. Impairment of goodwill		
240. Profits (Losses) on disposal of investments	824.961	11.223.965
250. Income (Loss) before tax from continuing operations	102.170.566	94.132.415
260. Taxes on income from continuing operations	-41.982.363	-39.984.985
270. Income (Loss) after tax from discontinued operations	60.188.203	54.147.430
290. Net income (loss)	60.188.203	54.147.430

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Balances at 1.01.05	Allocation of net Income of the previous year		Changes in reserves	Issue of new shares
		Reserves	Dividends and other allocations		
Share Capital:					
a) ordinary shares	101.975				
b) other shares					
Share premium reserve	286.914				
Reserves:					
a) retained earnings	25.128	10.117			
b) other					
Valuation reserves:					
a) available for sale	14.136			-516	
b) cash flow hedges				-170	
c) other (to be detailed)					
Income (Loss) for the year	54.147	-10.117	-44.030		
Shareholders' equity	482.300		-44.030	-686	

Changes in the period

Operations on shareholders' equity

Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivative on treasury shares	Stock options	Income (Loss) of the year 2005	Shareholders' equity at 31.12.2006
						101.975
						286.914
68						35.313
						13.450
					60.188	60.188
68					60.188	497.840

CONSOLIDATED STATEMENT OF CASH FLOWS

	31.12.2006	31.12.2005
A. OPERATING ACTIVITIES		
1. Cash flow from operations	128.248	119.393
- net income (+/-)	60.188	54.147
- capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (-/+)	-492	745
- gains/losses on hedging activities (-/+)	-2.130	-797
- net losses/recoveries on impairment (+/-)	12.228	11.465
- adjustments to/net recoveries on tangible and intangible assets (+/-)	3.586	3.461
- net provisions for risks and charges and other costs/revenues (+/-)	13.234	10.539
- taxes and duties to be settled (+)	41.983	39.985
- other adjustments (+/-)	-349	-152
2. Cash flow from / used in financial assets	-722.812	-372.355
- financial assets held for trading	-130.815	-24.876
- financial assets available for sale	-10.464	-28.207
- due from banks: other	-156.289	40.360
- loans to customers	-393.242	-382.025
- other assets	-32.002	22.393
3. Cash flow from / used in financial liabilities	646.240	288.332
- due to banks: other	357.887	93.233
- due to customers	155.590	234.186
- securities issued	112.286	24.014
- financial liabilities held for trading	7.048	10.091
- other liabilities	13.429	-73.192
Net cash flow from (used in) operating activities	51.676	35.370

	31.12.2006	31.12.2005
B. INVESTING ACTIVITIES		
1. Cash flow from	1.467	8.156
- sales of investments in associates and companies subject to joint control	41	0
- dividends collected on investments in associates and companies subject to joint control	104	80
- sales of property and equipment	1.322	8.076
2. Cash flow used in	-5.570	-2.164
- purchases of investments in associates and companies subject to joint control	-1.259	0
- purchases of property and equipment	-4.217	-2.052
- purchases of intangible assets	-94	-112
Net cash flow from (used in) investing activities	-4.103	5.992
C. FUNDING ACTIVITIES		
- dividend distribution and other	-43.962	-41.540
Net cash flow from (used in) funding activities	-43.962	-41.540
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3.611	-178

KEY: (+) from (-) used in

RECONCILIATION

Items	31.12.2006	31.12.2005
Cash and cash equivalents at beginning of period	27.308	27.486
Net increase (decrease) in cash and cash equivalents	3.611	-178
Cash and cash equivalents: foreign exchange effect	0	0
Cash and cash equivalents at end of period	30.919	27.308
Cash and cash equivalents at end of period (for control)	30.919	27.308
Difference	0	0