GRUPPO BANCA SELLA

CONSOLIDATED ANNUAL REPORT
2006

Drawn up by the Parent Company

SELLA HOLDING BANCA S.p.A.

CONSOLIDATED ANNUAL REPORT-CONTENTS

BOARD OF DIRECTORS OF THE PARENT COMPANY SELLA HOLDING BANCA S.p.A.

Appointed up to the approval of the 2009 financial statements

Chairman	*	Maurizio Sella
Vice-chairman	*	Lodovico Sella
Vice-chairman	*	Franco Sella
CEO and General Manager	*	Pietro Sella
Director		Mario Cattaneo
		Mario Renzo Deaglio
“		Pier Vittorio Magnani
“		Enzo Panico
“		Giovanni Rosso
“		Marco Scarzella
“	*	Federico Sella
“	*	Sebastiano Sella
“		Vittorio Sella
“		Marco Weigmann
		Giovanni Zanetti

* Member of the Executive Committee

BOARD OF STATUTORY AUDITORS OF THE PARENT COMPANY SELLA HOLDING BANCA S.p.A.

Appointed up to the approval of the 2008 financial statements

Auditor - Chairman	Alessandro Rayneri
“ “	Paolo Piccatti
“ “	Alberto Rizzo
Supplementary auditor	Mario Pia
“ “	Riccardo Foglia Taverna

AUDIT COMMITTEE

Chairman	Marco Weigmann
	Mario Cattaneo
	Giovanni Zanetti

BOARD OF DIRECTORS' REPORT ON ACCOUNTS

GRUPPO BANCA SELLA FINANCIAL HIGHLIGHTS

	31/12/2006	31/12/2005	% Change
BALANCE SHEET *(euro million)*			
Total assets	11.363,0	10.427,6	9,0%
Loans to customers	6.596,7	5.856,9	12,6%
Guarantees given	285,1	387,5	-26,4%
Financial assets	2.407,9	2.250,1	7,0%
Equity investments	7,0	5,8	20,7%
Tangible and intangible fixed assets	223,3	275,1	-18,8%
Direct deposits from customers	8.642,1	8.057,2	7,3%
Indirect deposits from customers[1]	20.028,0	19.771,4	1,3%
Total deposits	28.670,1	27.828,6	3,1%
Capital for supervisory purposes	649,4	549,2	18,2%

INCOME STATEMENT [2] *(euro million)*			
Net interest income and dividends [3]	262,7	219,5	19,7%
Net other banking income	225,5	212,6	6,1%
Net insurance activity income	16,8	12,1	38,8%
Net operating revenues	504,9	444,2	13,7%
Operating costs	337,2	323,7	4,2%
Operating income	167,8	120,5	39,3%
Adjustments on impaired loans	52,7	41,1	28,3%
Income taxes on current operations for the year after IRAP on staff expense	52,3	28,6	82,9%
Parent company (net) profit for the year	49,8	30,9	61,2%

[1] *The aggregate, excluding "cash" (included in direct deposits from customers), is the sum of the following items of the section "Other Information" of the Explanatory Note to the Financial Statements: "portfolio management", "Third party securities held in deposit related to the management of the Custodian Bank", "Other third party securities held in deposit (net of securities issued by the companies included in the consolidation)".*

[2] *As per items reported in the reclassified consolidated Income Statement.*

[3] *The aggregate does not include the part related to the insurance sector.*

STAFF AND BRANCHES *(year end)*	2006	2005	2004	2003	2002	2001
Staff- banking group	4.027	3.765	3.714	3.579	3.467	3.355
Staff – Consolidated group (as per Civil Law prescriptions)	4.065	3.800	3.745	3.611	3.500	3.383
Branches (Italy and abroad)	312	296	277	269	259	246
Financial promoters	390	457	540	603	684	713

GRUPPO BANCA SELLA ALTERNATIVE PERFORMANCE INDICATORS

	2006	2005
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [1]	13,7%	10,0%
R.O.A.A. (return on average assets) [2]	0,52%	0,37%
Net interest income [3] / Net operating revenues [3]	52,0%	49,4%
Net other banking income [3] / Net operating revenues [3]	44,6%	47,9%
Net insurance activity income [3] / Net operating revenues [3]	3,3%	2,7%
Cost to income	63,9%	69,5%
PRODUCTIVITY RATIOS *(euro/thousand)*		
Net operating revenues [3] / Average No. of employees	128,4	117,8
Gross operating income [3] / Average No. of employees	42,7	31,9
Cash loans / No. of employees at year end	1.622,8	1.541,3
Direct deposits from customers / No. of employees at year end	2.126,0	2.120,3
Total deposits / No. of employees at year end	7.052,9	7.323,3
BALANCE SHEET RATIOS *(%)*		
Cash loans / direct deposits from customers	76,3%	72,7%
Cash loans / Total assets	58,1%	56,2%
Direct deposits from customers / Total assets	76,1%	77,3%
CREDIT RISK RATIOS *(%)*		
Net impaired loans/ cash loans	2,0%	2,4%
Net adjustments to loans / Cash loans	0,8%	0,7%
CAPITAL ADEQUACY RATIOS *(%)*		
Tier 1 capital adequacy ratio	5,82%	5,57%
Total capital adequacy ratio	10,21%	9,35%

[1] Ratio between net profit and equity, net of valuation reserves, both including minority interest.
[2] Ratio between "Net profit, including minority interest and "Total average assets".
[3] As per item reported in the reclassified consolidated Income Statement.

STRATEGIC ISSUES

During the year the Group's structural evolution was completed; it was included in the 2004-2006 Strategic Plan based on the following main **Guidelines**:

a) To continue the growththrough a highly qualitative and competitive offer, and wide geographic and *business* diversification;
b) To innovate and enhance the organizational model to obtain greater efficiency and effectiveness of controls.

The Group therefore reviewed and rationalised its **corporate structure** to reach a functional set-up able to face the market challenges and the growth objectives. In the three year period the number of Group companies has been progressively reduced, from 43 in 2004 to 32 (of which 3 under liquidation) at the end of 2006; this allowed a streamlining and a better structuring of offered services and products.

The **organizational model** pursued in these last few years is based first of all on the strengthening of the role played by the Parent Company by granting it more functions, which, carried out at centralised level for the associated companies, allow a better service, more effective control and coordination, also with the objective of achieving productivity increases.

These activities were put in place through:

- The overall improvement of the internal controls system, with the adoption of single process platforms, also in relation to levels of service and management of anomalies, for a better centralization and automation, reaching a more effective systematic model of internal controls, with the strengthening of the follow up *activity*;
- The mapping and analysis of corporate process with the review of their efficiency and cost effectiveness, always in line with the streamline and rationalisation objectives;
- The monitoring and control of the proper corporate governance within the Group with subsequent higher homogeneity in the management in line with the best practice rules;
- The adjustment of the Corporate organization and coordination Chart with the redefinition of devolutions and responsibilities in order to achieve a higher specialization and a better governance.;
- The centralization of information systems and the adoption of common technological platforms to benefit all the Group's companies;
- The updating of operational procedures and the implementation of higher and higher automations to decrease the deployment of staff;
- The steady investment in training to enhance professional skills.

During the year the following **corporate operations** were carried out:

- Transfer, starting January 1st, 2006, of the Italian distribution network and of the asset management activities of *private banking* of Banca Sella S.p.A. to a newly created bank within the Group. To maintain the existing relations this new bank acquired the historical name Banca Sella and the role of main entity in charge of customer relations. At the same time, the entity identified until December 31, 2005 as Banca Sella changed its name into Sella Holding Banca S.p.A., maintaining all the remaining assets, which became its "*core business*";
- Merger by incorporation, starting April 1st, 2006, of Fiduciaria Sella SIM in Gestnord Fondi SGR, with concurring renaming of the latter in Sella Gestioni SGR S.p.A. The new Company combines the competence and reliability in individual asset management of the first, with the multidecade-long experience of the second in collective asset management, and pursues the objective of rationalising and organizing asset management within the Group;
- Liquidation of Selsoft Direct Marketing after the disposal of the business line "originators" to Sella Holding Banca;
- Establishment, on May 5, 2006, of a Luxembourg asset management company as per UCITS III regulations, called Selgest S.A., to take the Sicavs ma-

nagement responsibilities in order to maintain the so-called “European Passport”;

- Partial demerger of Finanziaria Bansel into the to-be investment holding Finanziaria 2006 outside the Group (the beneficiary company);
- Merger by incorporation, on July 14, 2006, of the demerged company Finanziaria Bansel (formerly Parent company) into its subsidiary Sella Holding Banca with concurrent acquisition of Parent Company role by the incorporating company; following this operation Sella Holding Banca concentrates in one entity both management, coordination and control activities typical of the Parent Company, and those carried out as a bank, including payment systems, finance, custodian bank, outsourcing of services provided to all the Group's companies and third parties;
- Closing of the liquidation procedure of the two Irish companies Sella Advisor Ireland and Sella Fund Management Ireland;
- Transfer, from October 1st, 2006, of eight branches in the Veneto region of Banca Sella to Banca Bovio Calderari concurrently renamed Banca Sella NordEst Bovio Calderari with the objective of the further improvement of coordination on the local area, leveraging synergies and scale economies among all the Group branches in North-Eastern Italy.

The **growth** envisaged by the Strategic Plan was implemented through:

- The opening of 16 new branches, reaching a total number of 312 for the Group,

with a further enhancement of geographical diversification;

- Approx. 9% increase in new customers;
- Widening of the range of products and services offered and of their use;
- Staff increase by 267 people, reaching a total of 4,065.

The careful evaluation of results from investments made during the previous years, further efforts and adjustments to those able to create higher profits, together with the actions to recover productivity and contain costs, allowed this year too, the reduction of the cost to income ratio, which stands at 63,9%, compared to 69,5% in 2005.

In 2006 the Group celebrated 120 years from the foundation of Banca Sella, during which period it acquired a strong identity and external distinguishability thanks to Distinctive Features such as Trust, Personal relation, Quality, Innovation; these features are at the same time the reason for its external success and the core of its internal business culture.

RATING

As every year, towards the end of 2005, the usual meeting with the *rating* agency Moody's took place.

According to Moody's, the new Group setup should lead to scale economies allowing to work on costs and diversify offer, with a particular focus on asset management and *private banking*, continuing to prioritise investments on technologies and alternative distribution channels.

On April 13th, 2007 Moody's Investors Service published the new ratings for all the Italian banks, after reviewing its *rating* methods for financial strength and its methods for JDA (Joint Default Analysis).

Based on that review, the Parent Company Sella Holding Banca' s *rating* was upgraded as follows:

Long Term Global local currency deposit rating	**A2**	Upgraded from previous A3
Short term	**P–1**	unchanged
Bank Financial Strength Rating	**C–**	Downgraded by a notch from previous C
Outlook	**Stable**	unchanged

FINANCIAL YEAR RESULT

In a global scenario characterised by a significant rebalancing of development dynamics in the various geographical areas and by a growth recovery in the Eurozone, the financial year 2006 closed with an income for the Group amounting to 49,8 million: a clear increase compared to last year (30,9 million).

Consolidated R.O.E. therefore reached 13,7%, remarkably better than 2005, when it stood at 10%.

The main items, indicated in the reclassified income statement, which influenced the trend of the financial year were:

- A fair increase of net operating revenues (13,7%), thanks mainly to the component net interest income;
- A cost dynamic characterised by a growth remarkably lower than the income development rate, thus leading to a significant efficiency improvement.

The net profit result is only marginally affected by the balance of extraordinaryitems , since extraordinary profits deriving mainly from the sale of no longer strategic minority interests, are counterbalanced by prudential provisions for operational risks related to foreign subsidiaries.

Almost all the companies recorded profitability results better than the previous year.

The Group banks operating in Italy mainly in retail, although with varying increases, significantly contributed to the consolidated profitability.

Among foreign banks, Sella Bank AG recorded a remarkably better result compared to last year, while Sella Bank Luxembourg, still affected by the negative results recorded in the previous years, closed in the red.

In the insurance sector, C.B.A. Vita, specialised in life insurances, recorded a significant improvement.

The leasing company recorded profits in line with last year, confirming its role as one of the main income source for the Group.

Consel, specialised in consumer credit, recorded a result that is not as outstanding as last year, due to the spreads reduction which characterised its segment.

The companies whose core business is asset management and securities trading , close the year with stable profits, like Sella Consult SIM, which continued to benefit from the structure rationalisation and efficiency improvements interventions carried out in the previous years.

The paragraph “Group Companies” contains a more detailed analysis of the results obtained by each company”.

The following table contains the return on equity (R.O.E.) of the main Group companies, except investment holdings and real estates companies; the aggregates considered for the calculation base are those determined by applying the accounting principles used in the drawing up of single reports:

R.O.E. [1]

	2006	2005
Banca Arditi Galati S.p.A.	8,3%	10,1%
Banca di Palermo S.p.A.	14,4%	5,8%
Banca Patrimoni S.p.A.	6,7%	2,2%
Banca Sella S.p.A.	11,7%	-
Banca Sella NordEst Bovio Calderari S.p.A.	10,0%	4,5%
Biella Leasing S.p.A.	18,2%	20,5%
Brosel S.p.A.	37,1%	47,3%
C.B.A. Vita S.p.A.	10,1%	7,2%
Consel S.p.A.	11,8%	31,3%
Easy Nolo S.p.A.	14,2%	18,9%
Selfid S.p.A.	12,7%	12,6%
Selgest S.A.	-17,3%	-
Selir S.r.l.	30,2%	0,3%
Sella Bank AG	4,2%	2,5%
Sella Bank Luxembourg S.A.	-28,3%	-46,2%
Sella Capital Management SGR S.p.A.	7,8%	11,1%
Sella Consult SIMp.A.	24,2%	26,9%
Sella Corporate Finance S.p.A.	15,2%	9,3%
Sella Gestioni S.p.A.	7,1%	4,2%
Sella Life Ltd	-4,9%	-3,5%
Sella Synergy India Ltd	67,9%	301,0%

[1] *Ratio between "Netincombe profit" and "Equity and general banking risks fund less revaluation reserves". The impact of the capital increase made during the year has been taken into consideration prorated to the months of actual pre-existence.*

INCOME DATA

RECLASSIFIED CONSOLIDATED INCOME STATEMEMT *(euro million)*	2006	2005	% change over 2005
10. Interest receivable and similar income	465,26	347,20	34,0%
20. Interest payable and similar charges	(208,88)	(134,22)	55,6%
70. Dividends and similar income	6,29	6,49	-3,1%
NET INTEREST INCOME AND DIVIDENDS [1]	**262,67**	**219,47**	**19,7%**
40 Commission income [1]	301,10	295,00	2,1%
50. Commissions expenses [1]	(96,67)	(101,28)	-4,6%
80. Net income from trading [1]	21,84	19,02	14,8%
90. Net income from hedging	(0,87)	(0,28)	210,7%
100. Income (loss) from sale or repurchase of:			
- financial assets available for sale (less equity securities)	-	-	-
- financial assets held to maturity	-	-	-
- financial liabilities	0,06	0,17	-64,7%
Net other banking income	**225,45**	**212,63**	**6,0%**
150. Net premiums	139,25	57,90	140,5%
Other net income from insurance activities	22,40	36,05	-37,9%
160. Other income/charges balance from insurance activities	(144,82)	(81,88)	76,9%
Net interest income and net income from insurance activity	**16,83**	**12,07**	**39,4%**
NET OPERATING REVENUES	**504,95**	**444,17**	**13,7%**
180. Administrative expenses:			
a) Staff expenses	(207,56)	(195,54)	6,1%
IRAP relevant to staff and attached staff net expenses [2]	(7,50)	(7,10)	5,6%
b) Other administrative expenses	(141,55)	(134,17)	5,5%
Recovery of stamp duty and other taxes [3]	24,46	24,11	1,5%
200. Net adjustments to tangible fixed assets	(16,45)	(15,25)	7,9%
210. Net adjustments to intangible fixed assets	(9,05)	(10,57)	-14,4%
220. Other operating charges/income (excluding recovery of stamp duty and other taxes)	20,48	14,84	38,0%
Operating costs	**(337,17)**	**(323,68)**	**4,2%**
OPERATING INCOME	**167,78**	**120,49**	**39,2%**
190. Net provisions for risks and charges	(55,61)	(21,04)	164,3%
130. Net adjustments for impairment of:			
- loans	(52,71)	(41,10)	28,2%
- financial assets available for sale	-	(0,15)	-100,0%
- financial assets held to maturity	-	-	-
- other financial operations	0,48	-	-
100. Income (loss) from sale or repurchase of:			
- financial assets available for sale	49,41	9,42	424,5%
240. Profits (loss) of equity investments	0,17	(0,12)	-
260. Adjustments to goodwill	(0,10)	(1,63)	-93,9%
270. Income (loss) from sale of investments	(0,31)	0,15	-
PRE TAX INCOME FROM CURRENT OPERATIONS	**109,12**	**66,02**	**65,3%**
290. Income taxes of the year on current operations (excluding IRAP relevant to staff and attached staff net expenses)	(52,33)	(28,61)	82,9%
AFTER TAX INCOME FROM CURRENT OPERATIONS	**56,79**	**37,41**	**51,8%**
310. After tax income(loss) of groups of assets in course of divestment	-	-	-
NET PROFIT(LOSS)	**56,79**	**37,41**	**51,8%**
330. Net profit(loss) of parent company	**49,79**	**30,94**	**60,9%**
340. Net profit (loss) of minority interests	**7,00**	**6,47**	**8,2%**

[1] *The insurance sector items have been separated from the Income Statement items and grouped under a specific item called "Other net income from insurance activities".*
[2] *Separated from " Income taxes on current operations for the year".*
[3] *Separated from "Other operating charges/income".*

The following remarks relate to the **Reclassified Consolidated Income Statement tables** previously reported

NET INTEREST INCOME

Net interest income at December 31st , 2006 stood at 262,7 million, growing by 19,7% if compared to the previous financial year, mainly thanks to the increased brokered assets, together with a slightly improved spread especially in relation to mark down.

The details of the items contributing to net interest income highlight how activity with customers produced net interest for an amount of 264,4 million, with an increase amounting to 22,6%.

At the end of 2006 net interest income was 52% of net operating revenues, compared to 49,4% last year.

NET INTEREST INCOME *(euro million)*	31/12/2006	31/12/2005	% change
Net interest with customers	**264,36**	**215,59**	**22,6%**
- interest receivable	346,85	276,85	25,3%
- interestpayable	(82,49)	(61,26)	34,7%
Interest receivable on financial assets	**56,20**	**32,05**	**75,4%**
Interest payable on securities	**(86,41)**	**(41,89)**	**106,3%**
Interbank net interest	**29,47**	**12,87**	**129,0%**
- interest receivable	60,54	37,07	63,3%
- interestpayable	(31,07)	(24,20)	28,4%
Differentials on hedging transactions	**(8,15)**	**(6,75)**	**20,7%**
Other net interest	**0,91**	**1,11**	**-18,0%**
Total net interest	**256,38**	**212,98**	**20,4%**
Dividends and other income	**6,29**	**6,49**	**-3,1%**
BANK GROUP NET INTEREST INCOME AND DIVIDENDS	**262,67**	**219,47**	**19,7%**
Insurance activity net interest	**6,43**	**19,73**	**-67,4%**
RECLASSIFIED NET INTEREST INCOME	**269,10**	**239,20**	**12,5%**

NET OPERATING REVENUES

Net consolidated operating revenues in 2006 stood at 504,9 million, growing by a total 13,7% compared to the previous year, confirming the Group's ability to constantly increase profitability in all the activities.

Net other banking income

The total aggregate reached 225,5 million, higher if compared to 2005, when it stood at 212,6 million.

As far as this result is concerned, net fees showed a positive trend, increasing by 5,2%, supported by positive results of asset management and administration activities and of other segments.

NET FEES *(dati in milioni di euro)*	31/12/2006	31/12/2005	% change
Banking and commercial activity	**46,51**	**47,02**	**-1,1%**
- guarantees	2,81	2,45	14,7%
- servizi di incasso e pagamento	43,70	44,57	-1,9%
Asset management, dealing and advisory services	**116,10**	**107,54**	**8,0%**
-customer indirect deposits (assetmanagement, custody and administration of securities, advisory, dealing and placement of securities)	99,06	88,87	11,5%
-dealing in currencies	1,70	1,69	0,7%
-custodian bank	7,89	7,66	3,0%
-other fees on asset management, dealing and advisory services	7,45	9,32	-20,1%
Other net fees	**41,82**	**39,15**	**6,8%**
BANK GROUP TOTAL NET FEES	**204,43**	**193,71**	**5,5%**
Insurance activity net fees	**0,47**	**1,11**	**-57,4%**
TOTAL NET FEES	**204,90**	**194,82**	**5,2%**

Net insurance activity income

The comprehensive aggregate reached 16,8 million, a clear growth compared to 12,1 million the year before, thanks to the greater focus on the sector.

OPERATING COSTS

Operating costs reached a total of 337,2 million, with a limited growth amounting to 4,2% compared to the previous year. This increase is due to the company and organizational rationalization processes envisaged in the 2004-2006 Strategic Plan.

Administrative expenses (net of the recovery of stamp duty and other taxes and including IRAP on the net cost of staff and attached staff)

Administrative expenses (excluding recovery of stamp duty and other indirect taxes and including IRAP on the net cost of staff) amounting to 332,2 million, recorded a 6,3% increase remarkably lower than the development rate of operating revenues.

Staff expenses, including related IRAP, stood at 215,1 million, rising by 6,2%, due to 265 new employees, wages increases, promotions and annual increments.

The item "Other administrative expenses" (excluding the recovery of indirect taxes), increased by 6,4% reaching 117, 1 million.

Adjustments o tangible and intangible fixed assets

Adjustments to tangible and intangible fixed assets reached 25,5 million, slightly decreasing compared to the previous financial year.

During 2006 investments were made amounting to 36,7 million mainly related to Electronic Payments systems, the Telematic Bank, traditional distribution (following the opening of new branches) and IT.

PROVISIONS AND NET ADJUSTMENTS

Provisions for risks and charges amounted to 55,6 million, up from 1 million in 2005 due to provisions against operational risks, potential risks of revocatory actions and expected losses in passive lawsuits.

Loan net adjustments at 52,7 million, increased by 28,2% compared to 41,1 million in 2005.

The quality of assets has improved, as is shown by the ratio of net non-performing loans over loans, decreased from 2,4 % in 2005 to 2,0% in 2006, while the ratio between net write-downs to loans and cash loans stands at 0,8% (0,7% in the previous year).

The item **Income from disposal of assets available for sale (equity securities component)** increased significantly, from 9,4 million in the previous financial year to 47,6 million, thanks mainly to the realization of a capital gain amounting to 36,8 million attributable to the disposal of a part of the interest in Borsa Italiana S.p.A.

INCOME TAXES

Income taxes (after IRAP related to staff expenses to which it has been added) stood at 52,3 million compared to 28,6 million last year, with a 82,9% increase while current operations profits recorded a growth of 65,3%.

The higher tax burden in absolute terms is due to the increased profitability of the group and to the non posting of prepaid taxes in relation to some provisions for risks and charges made during the year.

The tax rate, net of the IRAP component on staff expenses, stood at 47,9%.

BALANCE SHEET DATA

FINANCIAL ASSETS

In compliance with the new accounting standards, the securities portfolio is classified into 4 categories: financial assets held for trading, financial assets available for sale, financial assets held to maturity, due from banks and customers.

At December 31st, 2006 total financial assets (net of transferred and not derecognised assets, amounting to 530,3 million, and derivative instruments) amounted to 1.806,5 million. In a market characterized by stable spreads, the investment philosophy aims at combining high credit rating corporate bonds with government bonds to improve profitability, and at investing in mutual funds and Sicavs.

FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING *(euro million)*

	31/12/2006	31/12/2005	Absolute changes	% changes
Debt securities	951,74	1.160,17	-208,43	-18,0%
Equities	1,60	4,64	-3,04	-65,5%
OICR units	470,93	387,82	83,11	21,4%
Total securities for trading	**1.424,27**	**1.552,63**	**-128,36**	**-8,3%**
Derivatives	**25,35**	**9,20**	**16,15**	**175,5%**
-of which financial derivatives	*25,35*	*9,20*	*16,15*	*175,5%*
-of which credit derivatives	-	-	-	-
Details for main Group companies				
Sella Holding Banca S.p.A.	425,6	538,5	-112,9	-21,0%
Banca Arditi Galati S.p.A.	4,2	76,6	-72,4	-94,5%
Banca di Palermo S.p.A.	2,6	25,7	-23,1	-89,9%
Banca Patrimoni S.p.A.	109,3	131,5	-22,2	-16,9%
Banca Sella S.p.A.	34,1	-	34,1	-
Banca Sella NordEst Bovio Calderari S.p.A.	14,1	84,8	-70,7	-83,4%
C.B.A. Vita S.p.A.	437,5	412,3	25,2	6,1%
Sella Life Ltd	374,2	261,4	112,8	43,2%
Other Group companies	22,7	21,8	0,9	4,1%
Total securities for trading	**1.424,3**	**1.552,6**	**-128,3**	**-8,3%**

The portfolio of securities held for trading recorded a 8,3% decrease compared to last year, mainly related to debt securities.

The *fair values* of derivatives, represented as net value between assets and liabilities, stood at 25,4 million, recording a remarkable growth compared to last year.

Strategies have been designed to follow extreme prudence criteria, giving priority to diversification of instruments and risks related to them.

FINANCIAL ASSETS AVAILABLE FOR SALE *(euro million)*	31/12/2006	31/12/2005	Absolute changes	% changes
Debt securities	206,56	192,25	14,31	7,4%
Equities	92,85	56,28	36,57	65,0%
OICR units	0,20	0,15	0,05	33,3%
Total securities available for sale	**299,61**	**248,68**	**50,93**	**20,5%**
Details for main Group companies				
Sella Holding Banca S.p.A.	50,6	43,2	7,4	17,1%
Banca Arditi Galati S.p.A.	0,4	0,4	-	-
Banca di Palermo S.p.A.	0,3	0,2	0,1	50,0%
Banca Patrimoni S.p.A.	12,7	0,5	12,2	2.440,0%
Banca Sella S.p.A.	10,5	-	10,5	-
Banca Sella NordEst Bovio Calderari S.p.A.	1,1	1,0	0,1	10,0%
Biella Leasing S.p.A.	11,3	9,7	1,6	16,5%
C.B.A. Vita S.p.A.	195,2	182,5	12,7	7,0%
Other Group companies	17,5	11,2	6,3	56,3%
Total securities available for sale	**299,6**	**248,7**	**50,9**	**20,5%**

Financial assets available for sale amount to 299,6 million, compared to 248,7 last year (+20,5%).

The main part is represented by debt securities, amounting to 206,6 million.

FINANCIAL ASSETS HELD TO MATURITY *(euro million)*	31/12/2006	31/12/2005	Absolute changes	% changes
Debt securities (carrying value)	82,65	82,91	-0,26	-0,3%
Debt securities (fair value)	83,79	87,11	-3,32	-3,8%
Details for main Group companies				
Sella Holding Banca S.p.A.	60,5	60,3	0,2	0,3%
Banca Arditi Galati S.p.A.	5,0	5,0	-	-
Banca di Palermo S.p.A.	2,5	2,5	-	-
Banca Sella NordEst Bovio Calderari S.p.A.	12,0	12,0	-	-
Sella Bank AG	2,7	3,1	-0,4	-12,9%
Total debt securities (carrying value)	**82,7**	**82,9**	**-0,2**	**-0,2%**

This item includes debt securities of the Group companies, for which a decision has been taken to hold them up to their natural maturity.

LOANS TO CUSTOMERS

LOANS TO CUSTOMERS *(euro million)*

	31/12/2006	31/12/2005	Absolute change	% change
Current accounts	1.129,37	708,60	420,77	59,4%
Mortgages	2.281,25	1.898,31	382,94	20,2%
Credit cards, consumer credits, loans to employees (1/5 of the wage)	925,36	673,87	251,49	37,3%
Leasing	878,44	717,71	160,73	22,4%
Debt securities	12,89	-	12,89	-
Other operations	1.010,16	1.458,11	-447,95	-30,7%
Impaired loans	130,75	142,05	-11,30	-8,0%
Assets sold not derecognised	228,49	258,30	-29,81	-11,5%
Total loans to customers	**6.596,71**	**5.856,95**	**739,76**	**12,6%**

In 2006 loans to customers continued to record good growth rates standing at euro 6.596,7 million, with a 12,6% increase compared to last year, when they had already recorded a 13% increase: in spite of the not particularly favourable economic scenario, the focus was placed at local level, on small and medium enterprises and families.

The positive trend of the aggregate is characterised by the positive dynamics of mortgages (+20,2%), in particular medium-long term, thanks to still attractive level of interest rates.

In spite of a slow economic recovery, the financial leasing sector recorded a significant growth (+22,5%).

The mortgages of the 2005 securitisation operation, which had been posted under “Assets sold not derecognised” of Loans to Customers (since they do not meet the requirements of derecognition as per IAS/IFRS) remain in this category for the part outstanding part.

The following table contains the details on the aggregate composition, subdivided between the Group banks:

DETAILS FOR GROUP COMPANIES *(euro million)*

	31/12/2006	31/12/2005	Absolute change	% change
Sella Holding Banca S.p.A.	89,6	3.451,4	-3.361,8	-97,4%
Banca Arditi Galati S.p.A.	505,0	435,1	69,9	16,1%
Banca di Palermo S.p.A.	266,6	229,1	37,5	16,4%
Banca Patrimoni S.p.A.	42,7	41,3	1,4	3,4%
Banca Sella S.p.A.	3.592,3	-	3.592,3	-
Banca Sella NordEst Bovio Calderari S.p.A.	536,9	424,0	112,9	26,6%
Sella Bank AG	13,6	10,6	3,0	28,3%
Sella Bank Luxembourg S.A.	82,7	88,8	-6,1	-6,9%
Consel S.p.A.	603,4	454,8	148,6	32,7%
Biella Leasing S.p.A.	862,9	721,8	141,1	19,5%
Other Group companies	1,0	-	1,0	-
Total Group companies	**6.596,7**	**5.856,9**	**739,8**	**12,6%**

LOANS TO CUSTOMERS: CREDIT QUALITY

The Group credit policies are based on precise guidelines:

- high size fractioning of the credit portfolio, to reduce exposure to loss impacts in case of default (aggregate and individual), and to enjoy Basel II benefits for loans within one million euros (75% weighting); at the end of the financial year about 80,3% of cash loans were within that limit;
- fractioning by macro sectors (in order to pursue the appropriate resources allocation): except for consumer families (42,3%) no sector exceeds 7%;
- balanced structure of the credit portfolio in terms of duration: the medium/long term loans rate (over total cash loans) stood at 53,7%, while exposures between 20 and 30 years stood at 15,9% of the total medium and long term loans and 8,5% of the total cash loans.

CREDIT QUALITY *(euro million)*

	31/12/2006	31/12/2005	Absolute change	% change
Loans to customers	**6.596,71**	**5.856,94**	**739,77**	**12,6%**
Performing loans	6.465,96	5.714,89	751,07	13,1%
Impaired loans	130,75	142,05	-11,30	-8,0%
of which net non performing loans	*55,48*	*54,28*	*1,20*	*2,2%*
of which net watchlist loans	*34,39*	*43,54*	*-9,15*	*-21,0%*
Impaired loans/loans to customers	1,98%	2,43%		
Net non performing loans/ loans to customers	0,84%	0,93%		
Net watchlist loans/ loans to customers	0,52%	0,74%		

Thanks to these guidelines, together with vision and prudence that have always characterised the Group in this field, the credit portfolio quality improved; this result was confirmed by the reduction of impaired loans and their lower impact over total net loans to customers (from 2,43% at the end of 2005 to 1,98% at the end of 2006).

In detail, watchlist loans stood at euro 55,5 million, slightly up by 2,2% over 2005, while watchlist loans recorded a remarkable decrease reaching euro 34,4 million (-21%) on a yearly basis.

DIRECT DEPOSITS FROM CUSTOMERS

DIRECT DEPOSITS FROM CUSTOMERS *(euro million)*

	31/12/2006	31/12/2005	Absolute change	% change
Due to customers	6.974,51	6.709,35	265,16	4,0%
Outstanding securities	1.667,62	1.347,86	319,76	23,7%
Total direct deposits from customers	**8.642,13**	**8.057,21**	**584,92**	**7,3%**
Available current accounts and deposits	5.466,80	5.321,61	145,19	2,7%
Term current accounts and deposits	272,68	219,20	53,48	24,4%
Liabilities related to assets sold not derecognised	768,53	765,91	2,62	0,3%
- of which sale and repurchase agreements	*515,77*	*504,83*	*10,94*	*2,2%*
- of which due to securitization company	*252,76*	*261,08*	*-8,32*	*-3,2%*
Other	466,50	402,63	63,87	15,9%
Total due to customers	**6.974,51**	**6.709,35**	**265,16**	**4,0%**

At the end of 2006 direct deposits from customers amounted to euro 8.642,1 million, a 7,3% increase over 2005.

By analysing the components, it can be seen that the amounts due to customers (mainly currents accounts, deposits and repurchase agreements), at euro 6.974,5 million, record a 4% increase, with a 2,7% increase of current accounts, while debt securities amounted to euro 1,667,6 million (23,7% increase).

INDIRECT DEPOSITS FROM CUSTOMERS

INDIRECT DEPOSITS FROM CUSTOMERS *(euro million)*

	31/12/2006	31/12/2005	Absolute change	% change
Assets under management	6.212,73	6.348,02	-135,29	-2,1%
Assets under administration	13.815,31	13.423,39	391,92	2,9%
Total indirect deposits from customers	**20.028,04**	**19.771,41**	**256,63**	**1,3%**

At December 31st, 2006 the total stock of indirect deposits from customers stood at euro 20,028 million, up by 1,3% on a yearly basis.

Assets under administration slightly decreased by 2,1% reaching euro 6.212,7 million.

CAPITAL FOR SUPERVISORY PURPOSES

CAPITAL FOR SUPERVISORY PURPOSES *(euro million)* **and CAPITAL ADEQUACY RATIOS** *(%)*

	31/12/2006	31/12/2005	Absolute change	% change
Tier 1 capital	377,11	334,92	42,19	12,6%
Tier 2 capital	321,21	261,23	59,98	23,0%
Items to be deducted	(48,94)	(46,97)	(1,97)	4,2%
Capital for supervisory purposes	**649,38**	**549,18**	**100,20**	**18,3%**
Credit risks	500,34	462,33	38,01	8,2%
Markets risks	12,45	13,50	(1,05)	-7,8%
Tier 3 subordinated loans	12,45	13,50	(1,05)	-7,8%
Other prudential requirements	5,55	5,55	-	-
Prudential requirements	518,34	481,40	36,94	7,7%
Risk-weighted assets	**6.479,29**	**6.017,28**	**462,01**	**7,7%**
Tier 1 capital / total risk-weighted assets				
(Tier 1 Capital Ratio)	5,82%	5,57%		
Total capital / total risk-weighted assets				
(Total Capital Ratio)	10,21%	9,35%		

The capital for supervisory purposes and the ratios at December 31st, 2005 were determined by applying the provisions established by the Bank of Italy, with particular focus on so called “prudential filters”.

At the end of the year the Group consolidated capital for supervisory purposes amounted to euro 649,4 million, of which euro 377,1 million tier 1 capital (share capital and reserves), euro 321,2 million tier 2 capital net of euro 48,9 million of items to de deducted. Risk-weighted assets stood at euro 6.479,3 million.

At December 31st, 2006 the ratio between total capital for supervisory purposes of the Group and total risk-weighted assets recorded a total capital adequacy ratio of 10,21%, compared to 9,35% in the previous year; at the same date the ratio between the Group Tier 1 capital and the total risk-weighted assets amounted to 5,82%.

PROFIT DISTRIBUTION POLICY

The profit distribution policy within the Group is based on a method whereby the dividend, distributed by each company on a yearly basis, depends on the *risk free* interest rate, on a share of the risk premium and on the average equity of the associated companies.

In any case the maximum distributable dividend is equal to the income for the year less the provisions established by the Articles and allocated to legal and statutory reserves.

The Parent Company distributes about 10% of its consolidated net profitand this policy is unchanged compared to the past.

In order to guarantee an optimal allocation of capital within the Group, periodical controls are carried out to assess adequacy on the equity of the Group companies.

COMMERCIAL AND DISTRIBUTION POLICIES

COMMERCIAL POLICIES

The multi-function character of the Group, made up of 29 companies operating in many geographical areas with a wide range of products and services, allows the reconciliation of the virtues of diversification and roots in the territory with the will to offer a global and specialised service.

Structures dedicated to corporate and private customers , and branches are always available thanks to the multi-channel set-up, where professionals are present to build a tailored relationship with the Customer.

For the last 120 years the Group has been an independent entity aiming at maintaining a reputation of innovative and dynamic bank.

The results achieved were reached playing, as usual, on the distinguishing marks of the Group:

- strong localfranchise;
- transparency, professionalism and experience in customer relationships;
- tailored and high quality services;
- constant commitment towards the values of privacy and correctness in customer relationships;
- constant innovation to improve quality of products and services;

In compliance with the above principles the commercial activities of the Group pursued the following objectives:

- development of new customers through the continuous evolution of the distribution network, also with the adoption of innovative structural and communication criteria in the branches management;
- commercial policies based on competitiveness and high quality levels;
- increase of the activity of existing customers by improving cross selling, also through centralized actions (direct marketing campaigns);
- widening of on line products and services, to increase the customers' activity and to support traditional channels. In April 2006, the web portal called "WebSella.it" was included in the "Sella.it" multi-channel strategy; this portal offers products and services to customer who wish to operate only on line without availing themselves of the traditional branches;
- development of the "SWS Sella World Service" service targeted at immigrants through dedicated services ranging from the Money Transfer service for a quick, reliable and cheap and cost-effective money transfer to foreign countries, to personal loans, insurance policies and mortgages;
- widening of the offer of coverage insurance products with the launch of the policy "CBA Protezione Più" targeted mainly at self-employed workers and free lancers; continuous focus on quality and innovation in the creation of insurance policies, in particular index linked ones, and the new multi-business policy "CBA Scelta Multipla";
- upgrading of the loans range to customers which includes multiple types of mortgages, personal loans, honour loans suitable to any need.

In relation to the "Patti Chiari" project, promoted by A.B.I. (the Italian Banking Association) in 2003 for a continuous improvement of customers relations, during the year the Group banks added a new initiative to the eight already existing ones. It is called "Investimenti finanziari a confronto" and it aims at increasing the customers' awareness in the selection of investments, at assessing their consistency over time with their economic and financial needs and at supporting them in the operations of financial instruments purchase.

Following its dedication and transparency principles, always a mainstay with customers, starting February 2006 the Group ceased to charge private customers and families for the closing of accounts and for securities transfer costs.

One of the commercial initiatives has been the sponsoring of the basketball team in the Premier League and the participation in on line trading shows "Internet Trading Forum" in Rimini and "Tol Expo" in Milan.

During the year the Group received the following awards:

- "Premio Alberto Falk Azienda familiare del 2006", granted by the Associazione Italiana delle Aziende Familiari as an acknowledgement of the commitment and innovative capacity of the Group, which achieved excellent results in performance and development honouring tradition;
- "Premio Welcome award 2006 per l'Innovazione", established by Fondazione Cassa di Risparmio di Biella and by Etnica to the mark "SWS Sella World Service", for implementing an innovative service model able to effectively and thoroughly meet bank, financial and insurance requirements of customers and immigrants.

To celebrate the Group's 120 anniversary, a conference was held, with the title "La Banca del futuro. Una banca sostenibile" (The bank of the future. A sustainable bank); starting from the assumption that the banks' contribution to economy is based on a long tradition of trust personal relations, one of the main drivers of economic development, it analysed the evolution of these relations in an economic and social environment characterised by the increase in the number of players, a strong competitiveness and a growing technological component.

Many representatives of the academic, economic and political world attended this conference in Biella last November.

DISTRIBUTION POLICIES

Bank branches

The Group has an integrated distribution structure in which banks are assigned the role of local defence at local level in the various geographical areas to be developed.

The "network" banks' activities are coordinated by a single strategical management unit reporting to the Parent Company Sella Holding Banca S.p.A.

During the year the presence of the Group on the whole country was rationalised and further enhanced, bringing the total number of branches to 307 with a 5,4% increase over 2005.

In particular, Banca Sella, which at the end of the year had 201 branches, in October sold to Banca Sella Nordest Bovio Calderari eight branches located in the Veneto region to improve the coordination on the territory leveraging synergies and scale economies among all the branches on the Group in North-eastern Italy. Moreover, during the year, Banca Sella opened seven new branches: one in the Lombardia region, in Saronno, three in the Emilia Romagna region, in the province of Modena, one in Roma Eur and two in the Campania region, in the Salerno province.

Banca Arditi Galati continued its progressive territorial expansion in the Puglia region opening a branch in Andria and the third branch in Lecce, and enhancing its presence in the Campania region with the new branches in Battipaglia and Grottaminarda.

Banca Patrimoni rose its branches to 11 opening a new one in Cuneo and Napoli, while Banca di Palermo, with the Siracusa branch, reached number 20 in the Sicilia region.

Lastly, Banca Sella NordEst Bovio Calderari, besides the eight branches acquired by Banca Sella, again in Veneto, opened a second branch in Verona and, in the same province, one branch in Legnago.

The following table contains the geographical distribution on the territory of Gruppo Banca Sella branches:

GROUP BRANCHES	2006	Over total branches	2005	Over total branches
Banca Arditi Galati S.p.A.	36	11,5%	32	10,8%
Banca di Palermo S.p.A.	20	6,4%	19	6,4%
Banca Patrimoni S.p.A.	11	3,5%	9	3,0%
Banca Sella S.p.A.	201	64,5%	202	68,3%
Banca Sella NordEst Bovio Calderari S.p.A.	39	12,5%	29	9,8%
Total branches in Italy	**307**	**98,4%**	**291**	**98,3%**
Sella Bank AG - Svizzera	3	1,0%	3	1,1%
Sella Bank Luxembourg S.A. – Luxembourg	1	0,3%	1	0,3%
Banca Sella Miami - USA	1	0,3%	1	0,3%
Total branches abroad	**5**	**1,6%**	**5**	**1,7%**
Total Group branches	**312**	**100%**	**296**	**100%**
Geographical distribution of branches in Italy				
- North West *(Piemonte, Valle d'Aosta, Lombardia, Liguria)*	166	54,2%	164	56,3%
- North East *(Veneto, Trentino Alto Adige, Emilia Romagna)*	55	18,0%	50	17,2%
- Centre *(Toscana, Lazio, Molise)*	21	6,9%	20	6,9%
- South and islands *(Campania, Puglia, Sicilia, Sardegna)*	65	20,9%	57	19,6%
Total branches in Italy	**307**	**100%**	**291**	**100%**

During the year, as a support to the traditional distribution structure, a further significant spreading took place in registered customers of the Internet channel with a multichannel strategy.

Promoters

The distribution network of the Group is entrusted also to 390 financial promoters working in the following companies:

GROUP COMPANIES	Promoters 2006	Promoters 2005	% change
Sella Consult SIMp.A.	254	304	-16,5%
Banca Patrimoni S.p.A.	134	151	-11,3%
Sella Gestioni SGR S.p.A.	2	2	-
Total Group promoters	**390**	**457**	**-14,7%**

Sella Consult promoters work through 30 financial promotion centres in the whole country, while Banca Patrimoni promoters avail themselves of the Bank's 11 branches and 13 financial promotion centres.

During the year the promoters number rationalization process continued, while the average portfolio of each promoter increased.

The Group distribution activity is carried out also through 19 branches of Consel, subsidiary specialized in consumer credit, and 9 offices of Biella Leasing, active in financial leasing.

The Group also operates through the offices of its companies active in asset management, corporate finance, trusteeship services, IT services and insurance brokerage.

The distribution structure also includes corporate and private bankers, telematic banking operators, as well as a network of agents placing POS in Italy.

As regards the innovative channels, the functions available on the *internet banking* service were enriched, allowing for a telematic access to products and services of the Group, together with telephone bank and *mobile banking* services.

HUMAN RESOURCES

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

The staff of Gruppo Banca Sella at December 31st, 2006 amounted to 4.065 people (including insurance savings companies) with an increase of 265 people over the end of 2005, mainly as a consequence of investments to support the distribution network and enhance central structures.

During the year, the employment policy of the Group was affected first by the transfer of the bank division from the "original" Banca Sella (concurrently renamed Sella Holding Banca) to the "new" network bank, and then, by the merger by acquisition of Finanziaria Bansel into Sella Holding Banca (which became Parent Company on July 14th). These operations led to a distribution of staff between the involved companies, but did not have a negative impact on employment.

The following table contains the subdivision of staff per company, with corresponding percentage on total staff:

GRUPPO BANCA SELLA

Group staff [1]	Employees at 31/12/2006	Employees at 31/12/2005	Absolute change over 2005	% Over total staff
Sella Holding Banca S.p.A. (Parent Company)	1.105	-	1.105	27,19%
Finanziaria Bansel S.p.A. (former Parent Company)	-	117	-117	-
Banca Arditi Galati S.p.A.	231	223	8	5,68%
Banca di Palermo S.p.A.	130	132	-2	3,20%
Banca Patrimoni S.p.A.	154	158	-4	3,79%
Banca Sella S.p.A.	1.404	2.290	-886	34,54%
Banca Sella NordEst Bovio Calderari S.p.A.	219	179	40	5,39%
Biella Leasing S.p.A.	55	52	3	1,35%
Consel S.p.A.	191	147	44	4,70%
Easy Nolo S.p.A.	4	7	-3	0,10%
International Capital Holding S.A.	-	1	-1	-
Selban S.p.A.	-	1	-1	-
Selir S.r.l.	142	75	67	3,49%
Sella Austria Financial Services AG	-	1	-1	-
Sella Bank AG	32	30	3	0,79%
Sella Bank Luxembourg S.A.	96	96	-	2,36%
Sella Capital Management SGR S.p.A.	13	12	1	0,32%
Sella Consult SIMp.A.	25	21	4	0,62%
Sella Gestioni S.p.A. [2]	76	76	-	1,87%
Sella Synergy India Ltd	150	146	4	3,69%
Selsoft Direct Marketing S.p.A.	-	1	-1	-
Total Banca Sella Group	**4.027**	**3.765**	**262**	**99,07%**
Average total Banca Sella Group	**3.896**	**3.739**		
Brosel S.p.A.	15	14	1	0,37%
C.B.A. Vita S.p.A.	19	18	1	0,47%
Sella Life Ltd	4	3	1	0,10%
Total Banca Sella Group (as by Civil Law prescriptions)	**4.065**	**3.800**	**265**	**100%**
Average total Banca Sella Group (as by Civil Law prescriptions)	**3.933**	**3.772**		

[1] The table does not include the following companies, which do not employ own staff, but which manage their activities with the collaboration of attached staff and/or external corporate adviser:: BC Finanziaria S.p.A., Immobiliare Lanificio Maurizio Sella S.p.A., Immobiliare Sella S.p.A., Secursel S.r.l., Selfid S.p.A., Sella Corporate Finance S.p.A., Sella Holding N.V., Sella South Holding S.p.A.

[2] The company results from the incorporation of Fiduciaria Sella SIM S.p.A. in Gestnord Fondi Sgr S.p.A. with consequent staff joining.

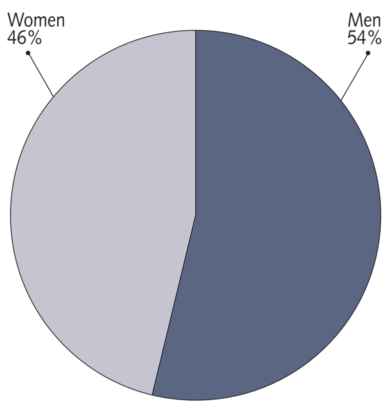
The average age of Group staff is about 35 years, basically in line with 2005, while average seniority amounts to about 8years. As at December 31st, 2006, women were amount 46% of the Group's total working force, substantially unchanged compared to last year.

The following table shows the staff subdivision among the various roles

GRUPPO BANCA SELLA		
Roles	**Number of employees**	**Percentage**
Administration	626	15,40%
Commercial	1.733	42,60%
Finance Professional	92	2,30%
Business management	768	18,90%
IT	448	11,00%
Organizational	54	1,30%
Specialist	290	7,10%
Juridical/legal	31	0,80%
Logistics support	23	0,60%
Total	**4.065**	**100%**

An analysis of Group staff highlights that 83% of people work for the banks of the Group (of which 27% in the Parent Company); leasing and consumer credit companies employ 6% of total staff, while Selir and Sella Synergy India (producing software for the Group) about 7%; the remaining 4% of staff is subdivided among the remaining business lines of the Group.

STAFF
(figures in percentage)



Training

The human resources management enacted by the Gruppo Banca Sella is based on the ability to improve skills and increase the staff motivation, in order to properly cover all the various roles which characterise the group's organizational model and business processes: given the Group's dynamism, it is always necessary to implement continuous updating, training and assessment of the consistency of tools and management and motivational solutions.

During 2006 the mapping process of all employees continued, in relation to roles, tasks and skills present or to be developed, with the aim of dynamically detecting the main training needs of the various positions and creating tailored training plans.

The training, which includes further learning of laws and operational and management processes, offered 73.645 training hours, (40.839 hours for in-house courses and 32.806 hours for external courses) supported by the distribution of suitable training literature.

The training activity carried out by the Group during the year involved a total of 83% of staff.

Great attention was given to e-learning, through telematic programs on the company Intranet, which reached all the Group companies; a dedicated platform for remote training, allows the tracking of the taking of courses and tests in real time and the assessment of the results and the effectiveness of the single training course.

RESEARCH AND DEVELOPMENT ACTIVITIES

Even though the companies of the Group do not carry out pure research and development activities, they focus on innovation related to new products and channels and on technological upgrading.

Research activities also involved the joining of research and work groups within the Italian Banking Association (ABI), including the ABILAB Committee, involved in "technological research in the precompetitive field in the bank sector" and in particular the group on information security and on business continuity.

The introduction of open source software strongly continued in production sectors, especially in reference to systems management and monitoring, software development tools, office automation application solutions.

INFORMATION TECHNOLOGY

Continuing the strategy aimed at developing application software within the Group, during the year the IT companies Sella Synergy India and Selir, in cooperation with the Information technology and Development sector of the Parent Company, continued the development of applications, with continuous focus on staff skill promotion, availability of resources allocated to analysis and programming and flexibility of the IT system architecture.

The various activities carried out include:

- Creation of operational environments and migration activities following the merger by incorporation of Finanziaria Bansel into Sella Holding Banca and the transfer of branches to Banca Sella NordEst Bovio Calderari;
- Optimization of procedures to achieve process improvement;
- Improvement and enlarging of the tools necessary to attain a more effective information to customers;
- Enhancement of technological infrastructures of the new Printing Centre, together with the activities necessary for the new mail sending procedures;
- Increase of automatic controls in the IT procedures;
- Efficiency maintenance and increase of central infrastructures of the Data Centre to ensure a continuous technological adequacy and suitability to increasing volumes;
- Implementation of the new Scoring procedure and extension of the Operational Risks Alarms module in the new information system;
- Continuation of the migration of the information system procedures to the new "open source" technology on three levels, thus implementing the "services system" concept, usable to generate operational efficiency;
- Increase of cooperation with the Group companies for the centralization of some IT systems in the Parent Company to ensure their better control and coordination;
- Cooperation with Trento University for the training of foreign employees, especially Indian, with the participation to a Master's degree course funded by the Group through grants in Italy;
- Extended use of analysis, architecture and code quality controls, as envisaged by the Development Process, for the Sistema MultiBanca activities.

INTERNAL CONTROLS

Gruppo Banca Sella, continuing the approach characterised by the importance attached to control management, in 2006 too invested extensive resources to improve the general “Internal Controls System”, with continuous adjustment to the relevant regulations. This approach is based, in particular, on a detailed action plan which was started in the middle of 2005 and has been further and continuously updated to take into considerations the experience acquired and the best practice existing in the System.

This action plan includes various projects in four sectors of activity:

a) Control of rules and processes;
b) Continuous review to ensure the rules’ adequacy;
c) Controls execution and verification of rules compliance;
d) Growth of people and control culture.

These actions are part of the review activity of the structural and organizational set-up of the Group that, envisaging the adoption of single procedural platforms within the Group and the centralization of functions in the Parent Company, promote the effectiveness of improvement of processes and controls themselves.

The main activities carried out are:

a) Control of rules and processes

The activity aims at improving the Group operational organization, acting therefore on the elements which determine exposure to operational risk and affect risk management. During the year the mapping and first analysis of all Group processes was carried out, detecting the relevant levels of exposure to risk and allowing immediate mitigation interventions and improving the relevant set-up of regulations, controls and responsibilities allocation.

These are some of the main interventions:

- Upgrading and standardisation of the process of new prospective customers acceptance within the Group, with the concurrent introduction of new assessments to be made during evaluation, registration and accounts opening;
- Completion of the new Regolamento per la Tenuta della Contabilità (book keeping regulations) in order to provide a common and homogeneous basis for all the Group companies;
- Starting of a project aimed at changing the work tools introducing more constraints which prevent up stream operations not complying with internal rules;
- Identification and subsequent creation of new automatic indicators for the prevention of potential risk;
- Review of the general internal regulations set-up, with the adoption of a new IT tool to support the use and consultation of organization charts, job descriptions, instructions and technical rules called “Portale della normativa” (regulations portal) of Gruppo Banca Sella. This portal is accessible by all Group employees and is easily “surfable” at various depth levels.

New projects are being planned to analyse processes, to allow a continuous improvement of the whole control system.

b) Continuous review to ensure the rules’ adequacy

The organizational and internal rules set-up, underlying the exposure to operational risks in a company, requires continuous evolution in time to adapt to changes in rules and to the evolution of technology, products and risks themselves, also based on the experience accrued.

The Group has therefore focused on the “Compliance” process, both strengthening the existing structure and activities, and preparing its adjustment as per “Istruzioni di vigilanza inerenti al rischio di non conformità e alla relativa funzione” (supervisory instructions on non compliance risk and on related function) issued by the Bank of Italy on August 2006.

In relation to risk identification and mitigation and the elimination of causes for possible anomalous events, an internal process has been adopted for the whole Group, called “Ciclo del Controllo” (control cycle) regulating the treatment of anomalies and the removal of effects and causes which generated them. This process is coordinated by the Risk Management and Controls Service of the Parent Company; through a dedicated IT procedure, it monitors the registration, monitoring and management activities of all anomalous events which occur in each Group company, to promote the subsequent follow up activities.

To control the effects of technological, process, business and product innovations, the procedures, the verifications and the quality controls have been updated, carried out by second tier control structures, before their release.

c) Controls execution and verification of rules compliance

During 2006 control services were strengthened further from a quality and quantity point of view; activities formulation and tasks allocation were continuously improved, without neglecting the adoption of state-of-the art automatisms and tools to support the activity itself.

The organizational set-up of the Internal Controls System divides controls into three levels, as per the Supervisory Authority's provisions.

The first level or line controls aim at:

- automating manual controls;
- introducing new controls deriving from the above mentioned comprehensive analysis of processes and risks;
- reinforcing central monitoring of the result of the control activity in peripheral structures
  verifying the adequacy of existing controls carried out by Internal Auditing in relation to the Group's own inspection and auditing independent activity;
- eliminating from the origin risks points requiring control by changing processes.

In relation to second levels, or risk controls the Group has worked based on the general guideline of allowing the maximum coverage of central monitoring in real time.

The main innovations include:

- Adoption of a new measure of risk in relation with other bank and financial counterparts, based on the Credit Risk Equivalent (CRE) method; its monitoring is now in real time;
- Extension of the control of best execution trading to securities purchase and sale orders of some securities outside the regulated markets (OTC);
- Activation of performance attribution calculation for the Group OICR management;
- Activation and application of a model for the verification and the independent control of pricing of structured products and their profitability;
- Extension to all Group companies of the market risk control (VAR calculation) for all securities portfolios (administered, managed, property);
- Activation of centralised control of fees to brokers for their intermediation activity on the markets, in order to identify any economies of scale and maximise the trading service effectiveness;
- Further improvement of the activity of collection and classification of data on operational loss, aimed at adopting risk monitoring advanced models, as envisaged by the new agreement on capital (Basel 2);
- Start of second level specialised control services per single business line; in close cooperation with Risk Management and Controls, they monitor operational risks and follow up of risk indicators of any operational anomaly found;
- Conclusion of the project for the realization of new preventive automatic indicators of anomalies of customers with credit lines;
- Particular attention to the follow up of inspections and reviews on credit quality, envisaging specific verifications.

In relation to third level, or internal auditing controls:

The **Group Internal Auditing**, in the new set-up started in 2005, is made up of two services, **Group Auditing Control** and **Internal Audit**; their task is detecting anomalies, violations of procedures and of regulations, evaluating the working and adequacy of the whole system of internal controls and report potential risks detected in their control activity. Internal Auditing reports to the Board of Directors of the Parent Company; it's the two services carry out their activity, in strict compliance with their respective competencies, in close cooperation with and under the supervision of the Head of Internal Auditing, who in turn assists the **Audit Committee**, acting as its reference-point.

The **Audit Committee**, made up of three independent directors, is the body created by the Board of Directors of the Parent Company to assist the board in the control activities. It started in the second quarter of 2005, and during 2006 it met every two months; its agenda included the following issues:

- Activity plans and periodical reports of Internal Auditing and relevant follow up;
- Review of the draft copy of the Consolidated semi-annual and annual Financial Report and of its drawing up process;
- Situation on litigations for the Group companies and relevant provisions;
- Situation on complaints received from the Group companies.

Moreover, during the year the Committee studied in detail and updated various specific topics.

Internal Auditing plays a management, coordination and control role for the Group companies, typical of the Parent Company. Internal Auditing ensures coordination for the inspection/auditing services in the Group companies, through periodical meeting, information and experience exchanges and through the cooperation in the activity planning, in order to make the control and monitoring of risk areas more effective.

In 2006 it worked to:

- Promote the qualitative and quantitative strengthening of the staff of the two services, Group Auditing Control and Internal Audit, also through qualified training;
- Develop action of coordination of inspection and audit functions existing in the other Group entities, through periodical meetings, the common preventive review of annual plans of the control activities, the systematic review of periodical reports about the controls carried out in the Group.

The Group Auditing Control Department controls the compliance with internal regulations, supervisory regulations and laws (from a formal and substantial point of view), and the equity, financial and income aspect, and the operation-related risks; during its activity, it makes sure that line and risk controls are carried out in an optimal and continuous way.

In 2006 it worked to:

- Consolidate the Parent Company inspection activity in the Group entities;
- Consolidate the Parent Company inspection activity in all the facilities which provide services to the Group;
- Reinforce staff in the structure, introducing highly skilled employees;
- Create at the end of the year the insurance inspection sector, to reinforce control on the Group entities operating in the insurance business.

This is a summary of the inspection interventions carried out by the Service, on site and remotely; these data are provided as a statistical illustration:

GROUP AUDITING CONTROL DEPARTMENT ACTIVITY			
Controls on	**2006**	**2005**	**2004**
- Parent Company central services (the data before 2006 include central services that used to be with Banca Sella)	48	52	39
- Banca Sella peripheral units (in outsourcing contract)	21	24	57
- Other Group companies and/or their Central Services	14	23	17
- Peripheral units of other Group companies	2	-	3

The **Internal Audit Service** performs process analyses, to evaluate risk areas, the effectiveness and efficacy of controls, the working and adequacy of organizational process, their effectiveness and suitability to the type of structure/company.

In 2006 it worked to:

- Define a selected intervention plan based on a macroanalysis of the Group risks;
- Enhance the number of employees, which grew from three to five highly qualified people;
- Fully extend the service, both for the processes centralised in the Parent Company, and for other Group companies, in this regulated by an outsourcing contract.

This is a summary of the inspection interventions carried out by the Service, on site and remotely; these data are provided as a statistical illustration:

INTERNAL AUDIT ACTIVITY	
Controls on	**2006**
- Processes "owned" by the Parent Company	10
- Processes "owned" by other Group companies	6

To provide a thorough picture, the Group reports that, to promote a better operation of the control system, the Control Committee has been activated within the Parent Company, with the participation of all the services in charge of second and third level controls.

d) Growth of people and control culture

Believing that, irrespective of any organizational solution, the skills, the culture and the quality of people determine a lower riskiness of the activity, a training and cultural enhancement project was started for all the Group employees about risks and controls. The numerous activities to implement this approach include, besides a specific training for top and middle management, dedicated sessions of a Workshop on operational risks ended at the beginning of 2007, with the participation of 80% of Group staff.

CHANGE IN THE GROUP STRUCTURE AND IN INTERESTS

The main events which led to a change in consolidation during 2006 include:

- Exit from Gruppo Banca Sella of Selban S.p.A. following the proportional demerger of its parent company Finanziaria Bansel S.p.A.;
- Merger by incorporation of the demerged company Finanziaria Bansel S.p.A. (formerly Parent Company of Gruppo Banca Sella) in its subsidiary Sella Holding Banca S.p.A. (reverse merger), with concurrent acquisition of Parent Company role by the incorporating company;
- Establishment of Selgest S.A., Luxembourg asset management company born to comply to ICITS III provisions.

During the year, the following changes in the Group interest percentages have occured:

CHANGE IN INTEREST PERCENTAGE

Company	From	To	Operation
Sella Gestioni SGR S.p.A.	97,27%	85,55%	Reduction as a consequence of the merger by incorporation of Fiduciaria Sella SIM S.p.A. and the deconsolidation from the Group of Selban S.p.A.
C.B.A. Vita S.p.A.	91,27%	95,00%	Purchases
Sella Consult SIMp.A.	92,48%	89,01%	Reduction as a consequence of the deconsolidation from Group of Selban S.p.A.
Sella Bank AG	78,69%	90,00%	Purchases
B.C. Finanziaria S.p.A.	82,81%	80,03%	Sales
Banca di Palermo S.p.A.	74,56%	75,34%	Purchases

Other events are:

- Merger by incorporation of Fiduciaria Sella SIM S.p.A. by Gestnord Fondi SGR S.p.A., with concurrent redenomination of the incorporating company into Sella Gestioni SGR S.p.A.;
- Acquisition by C.B.A. Vita S.p.A. of Sella Life Ltd, formerly 100% controlled by Sella Holding N.V.;
- Closing of the winding up of Sella Adviser Ireland Ltd and Sella Fund Management Ireland Ltd.

GROUP COMPANIES

In order to give a more complete report regarding the trends of the individual companies included within the integral consolidation and of those evaluated on the principle of net worth, this section includes an brief comment about the activity performed and the operating results achieved during 2006 (applying the accounting principles used for the preparation of individual balance sheets), of the controlled and subsidiary companies, with a description of the management trends and overall results of the same, divided by business sector.

BANKS AND NETWORKS - ITALY

Banca Arditi Galati S.p.A.

At December 31st,2006 the distribution network of the Banca Arditi Galati, with head office in Lecce, was composed of 36 branches following the opening, during the year, of four new offices in Lecce, Andria, Battipaglia and Grottaminarda.

The interest income, amounting to 22,5 million including dividends, shows an increase of 16% due to an increase in both lending (+15%) and in interest rates

Operating revenues rose to euro 29,8 million, an increase of 17% compared with the previous year; within this total amount, net income from services grew by 6.6% compared with 2005. The main contribution to income derives from the orders collection activity and securities trading as well as commission from the granting of loans and mortgages.

The organisation costs, amounting to euro 20,7 million, increase by 10,8% over 2005 and are the result of increases in staff costs (+9,9%) caused by contract modifications and staff increases, and also in other administration costs (+11,9%).

Consequently the cost to income ratio reached 62,18%, a strong decrease compared with last year's figure (66,13%).

The above trends allowed the Bank to achieve pretax profits from current business operations of euro 7,9 million, an increase of 9,5% compared with the previous year; net of taxes, the result was euro 3,8 million, against 4,4 million in 2005, a reduction of 13,1% caused by higher tax burdens, in part due to some charges which were not tax-deductible.

Customers' deposits, equal to 616,9 million, saw an increase of 5,6% compared with 2005, while customer's assets under administration, amounting to 496 million, showed an increase of 6,2%. Growth in insurance savings activity was positive increasing by 11,1% over 2005.

Loans to customers, amounting to 484,8 million, increased by 15,6% while endorsement commitments of euro 12,3 million rose by 3,8%.

There was an improvement in the ratio between net losses and net loans to customers, down from 1,6% in 2005 to 1,4% in 2006.

During the year the organisation chart was modified with the aim of increasing commercial and production capacity, by strengthening the distribution network and centralising part of the controls with the Parent Company.

Banca di Palermo S.p.A.

At December 31st, 2006 the distribution network of Banca di Palermo, with head office in Palermo, was composed of 20 branches spread throughout the provinces of Palermo, Agrigento, Catania, Ragusa, Trapani and Siracusa, the latter having been opened during 2006.

The interest income, equal to euro 12 million including dividends, showed an increase of 24% compared with the previous year; in order to meet the numerous requests from customers, loans development was directed to the divisions dealing with mortgages and to the corporate sector.

Operating revenues, equal to euro 17,3 million, recorded an increase of 18,8% compared with 2005, while the component regarding net income from services, standing at euro 5,4 billion, showed an increase of 8,8%. The main contribution to income derives from the individual savings management activity.

Operating costs, standing at euro 11,5 million, showed a reduction of 3,4% compared with the previous year.

Consequently the cost to income ratio reached 66,7%, improving on the 80,6% in 2005.

The above-indicated trends allowed the Bank to achieve net profits of euro 2,8 million, compared with euro 1,1 million recorded in 2005 (+ 157%). The ROE level now stands at 14,4% compared with 5,9% in 2005.

Customers' deposits, amounting to euro 346,1 million, grew by 19,8% compared with 2005, while customers' assets under administration, standing at euro 258,3 million, increased by 9,5%.

Total loans of euro 273,8 million, showed an increase of 16,4%, primarily in respect of cash loans to customers amounting to euro 267,6 million, up by 16,3%; this financial year enjoyed a continued improvement in the ratio between net non performing loans and loans which falls from 3,9% in 2005 to 3% in 2006.

Banca Sella S.p.A.

The organisation which was called Banca Sella until December 31st, 2005, took on the new name of Sella Holding Bank from January 1st, 2006, while the present Banca Sella is the result of the change in business name of Sella Distribuzione SpA, a company established in September 2005 and non-operational during that financial year. At the same time Sella Holding Banca transferred its Italian distribution arm, together with its asset management and private banking sectors to the present Banca Sella.

At December 31st, 2006 Banca Sella had 201 branches, resulting from the opening of 7 new ones and the transfer on October 1st to Banca Bovio Calderari (at the same time re-named Banca Sella NordEst Bovio Calderari) of 8 branches operating in the region of Veneto.

In view of the above occurrences the figures indicated hereunder cannot be totally compared with those for 2005.

The interest income, equal to euro 159,6 million, was influenced by a positive increase in volumes of both customers' deposits and lending, and also the stable trend in the spread, in relation to which, concurrent with the increase in rates structure, there was a shift of the mark up profitability in favour of the mark down.

Operating revenues amounted to euro 258,1 million.

Net income from banking activities had a positive trend, with a figure of euro 98,5 million, representing 38,2% of operating revenues.

Operating costs, equal to euro 149,7 million, net of the contribution of euro 5,2 million relating to the item "Sundry operating expenses / proceeds", were mainly composed of the items "Sundry administration charges" which, net of "Recovery of stamp duty and other levies", amounted to euro 78,1 million and "Staff costs" (including IRAP tax) equal to euro 74,7 million. The cost to income figure therefore stood at 55,2%.

As a result of the above-indicated occurrences the operating result amounted to euro 108,5 million. Loans to customers amounted to euro 3.620,7 million net of the business which remained under the control of Sella Holding Banca and the transfer of the branches to Banca Sella NordEst Bovio Calderari.

The endorsement commitments recorded a figure of euro 247 million, owing to the settlement of several high-figure transactions which had reached expiry.

Overall deposits reached euro 15,869.9 million; indirect deposits were euro10.381,1 million, (euro 5.087,8 million of which referred to asset management). The asset management trend reflects the general downward trend in volumes above all in respect of money market and bond products. At year end insurance savings business stood at euro 508 million.

The bank closed the year with net profits of euro 35,5 million and a ROE of 11,7%.

Banca Sella NordEst Bovio Calderari S.p.A.

During the course of the year the Bank achieved several important objectives, included in the Strategic Plan 2004-2006, and underwent significant growth in terms of size, income and capital ; of particular note is the acquisition on October 1st, 2006 of 8 branches of Banca Sella operating in the Veneto region, and at the same time the assumption of responsibility for territorial development in North East Italy. On the same date the Bank changed its name from Banca Bovio Calderari to Banca Sella NordEst Bovio Calderari; hence on December 31st, 2006 the distribution network was composed of 39 branches spread throughout the regions of Trentino Alto Adige (16) and Veneto (23).

The interest income, equal to euro 13,8 million, recorded an increase of 15,1% compared with the figure for the previous year.

Net fees from services, standing at euro 8,2 million, showed an increase of 13,6%; operating revenues, equal to euro 23,1 million, increased by 18,6% compared with last year when the figure was euro 19,5 million.

Operating costs of euro 16,9 million showed an overall increase of 9,5% compared with 2005, due to an increase of 16,1% in administration costs.

Customers' deposits equal to euro 377,3 million increased by 3,5% against 2005 while indirect deposits reached euro 724,8 million, with an increase of 7,6%.

Loans to customers, euro 536,9 million, grew by 26,7% compared with 2005, while endorsement commitments, euro 26,6 million, increased by 8,9%.

The ratio between net non performing loans and loans further improved on last year's figure, reducing from 0,77% to 0,49% in 2006.

The above-indicated trend allowed the Bank to achieve net profits of euro 3 million in 2006, compared with euro 1,4 million in the previous year (+115%).

Biella Leasing S.p.A.

The Company, with head office in Biella, operates in the sector of financial leasing of motor vehicles, instrumental goods, property and nautical craft, has 9 branches; and during the year the branches of Rome and Lecce became operational.

During the financial period the Company stipulated 4.908 contracts for an overall amount of 335,8 million the volume of intermediated figures remaining unchanged compared with 2005. However, the number of contracts decreased by 18,4% compared with last year. This was mainly due to the fact that Consel S.p.A., a Group company operating in the field of consumer credit, and which used to procure car leasing contracts for the Company until April 2006, started up its own business activity.

The market share of stipulated contracts within the system is 0,70%, a reduction on last year's percentage (0,76%).

The contribution margin, euro 16,8 million, is basically in line with last year, while operating costs, equal to 4,4 million, show an increase of 4% mainly due to costs sustained for the opening of the new branches and also for the expansion of the departments in charge of control and compliance.

The incidence of non performing loans on loans, which increased from 0,35% in 2005 to 0,74% in 2006, is basically due to a property file relating to a client in extraordinary administration.

The Company therefore closes its financial year with net profits of euro 6,4 million, compared with euro 6,8 million in 2005 (- 5,4%).

Sella Consult SIMp.A.

The Company, with head office in Biella, operates in securities' placement.

At December 31st, 2006 it was performing its business activity through 254 financial promoters located across the country and 30 financial promotion centres.

The Company's overall portfolio at year end was euro 2.312 million, a reduction of 3,7% compared with the previous year; regarding the above total figure, the assets under management, which represents 56%, suffered from negative net deposits collected equal to euro 47,6 million.

Operating revenues, standing at euro 9,8 million, recorded an increase of 20,1% compared with the previous year. Net management fees, with euro 9 million, showed an increase of 20,7% over 2005.

Organisation costs, euro 5,2 million, were up by 7,2% compared with 2005, due to increases in Sundry administration costs (+ 9,1%) mainly deriving from legal and administrative consulting and outsourcing work, as well as from increases in staff costs (+ 4,3%).

The Company achieved net profits of euro 1,4 million, compared with euro 1,2 million in the previous year.

LARGE CUSTOMERS AND ASSET MANAGEMENT

Banca Patrimoni S.p.A

The year 2006 confirmed the Bank's focus on activities connected to asset management, investment adviceand other business aimed at maximising the overall assets of its customers.

During the year the branches of Cuneo and Naples became operational and therefore at the end of 2006 the distribution network of the Bank was composed of 11 branches and 13 financial promotion centres employing 134 financial promoters.

The year 2006 closed with net profits of euro 2 million, a considerable improvement over the previous year when it amounted to euro 0,6 million. Among the main factors which led to this result are: a particularly favourable trend in the interest income, which amounted to euro 5,2 million, increasing by over 40% compared with 2005, the positive trend in net income from fees, and thus of operating revenues which reached euro 26,6 million, and also the limitation of staff costs equal to euro 11,8 million and of other administration expenses amounting to euro 8,4 million.

Operating costs were euro 21,3 million, showing a reduction of 2% in 2006: the reduction in costs was achieved by a careful monitoring of expenses and also a review and re-negotiation of the main contracts in force.

Global deposits for the year (euro 2,1 billion at nominal value, euro 2,5 billion at market value) fell by about 13% compared with the previous financial year, mainly as a result of the termination, in December, of business relations with two credit institutions.

The limited amount of loans granted to customers, corresponding to euro 42,8 million, confirm the specific nature of the Bank which is oriented principally towards investment services.

During the financial year a corporate re-organisation was concluded in line with the business model illustrated in the 3 year Strategic Plan. Procedures concerning the centralisation of the administration services with the Parent Company continued during the year.

Sella Bank AG

The Swiss bank of the Group, carries out its business through the head office in Zurich and its branches in Lugano and Geneva.

2006 was a positive year for the Bank both in terms of its profit and loss figures and its deposit taking which grew by 17,9% thanks to this trend overall deposits reached euro 576,6 million.

The interest income, equal to euro 0,8 million, increased by 30% compared with 2005.

Net income from services, euro 4,5 million, showed an increase of 4% over the previous year, having benefited from both the growth in deposits and the favourable trend in financial markets.

Operating costs, amounting to euro 4,5 million, fell by 4% following the re-organisation of the services and the centralisation of certain sectors in Lugano: thus, the cost to income ratio was 74,5%down by 12,8% compared with 2005.

The above-indicated trends allowed the Bank to achieve net profits of euro 1,1 million, compared with euro 0,7 million in the previous year.

Sella Bank Luxembourg S.A.

During the course of the year the Bank continued with its internal re-organisation, both in terms of resources and improvements in operational methods, by completing the procedures relating to the main company processes, by developing IT applications, especially those connected to the automation of the accounting flow of funds, and by strengthening the Risk Management and Internal Audit functions.

The interest income, equal to euro 1,8 million, showed an increase of 30,4% compared to 2005 thanks to growth in customers' deposits.

Net incomefrom services, equal to euro 7,6 million, represented an increase of 9,2% compared with the previous year; operating revenues, euro 11,2 million, recorded an increase of 19% compared with 2005.

Organisation costs corresponding to euro 15,1 million fell by 1,1% due to a careful expense control policy.

Notwithstanding the improvements indicated above, the Company closes the year with a negative result of euro 4 million compared with the loss of euro 5,9 million in 2005.

Customers' deposits, equal to euro 457,4 million, recorded an increase of 24,5% compared with the previous year, while customers' indirect deposits , amounting to 3.576,7 million, grew by 21,1% mainly due to the activity of the Group's SICAVs (open-end investment companies).

Loans to customers, standing at euro 75,1 million, recorded a reduction of 15,2% compared with 2005 and endorsement commitments a reduction of 83,5% compared with the previous year.

Value adjustments to credits amount to euro 0,6 million.

The bank has been involved in claims and also legal cases – some notified during previous financial years – among which, two "assignations" promoted by the liquidators of two Luxembourg, SICAVs all relating to activities commenced by and facts ascribable to the former corporate operations management, which was replaced following auditing investigations effected in November 2003. This matter was already reported in the previous years' balance sheets. The total amount involved is about euro 105 million.

Together with its parent company Sella Holding Banca, Sella Bank Luxembourg has entrusted the legal and defence proceedings to leading law firms.

Also in respect of the above matter and the possible consequential charges, Sella Holding Banca, the company which directly and indirectly controls Sella Bank Luxembourg, has renewed its commitment to keep the latter company indemnified and to furnish the necessary financial aid in order to comply with minimum capital requirements.

In order to evaluate the potential liabilities connected to this commitment, the Parent Company has obtained specific professional legal advice, and has arranged for controls to be effected by Group resources as well as by an external Audit Companies. It has also arranged meetings with representatives of the opposing parties.

The outcome of the above actions leads to believe in the adequacy of the amount indicated in the balance sheet item "Risk and contingency funds".

Sella Corporate Finance S.p.A.

The Company, with head office in Biella, performs advisory activity in respect of extraordinary finance operations (corporate finance and structured finance), regulatory and corporate advisory activity , as well as that regarding the establishment of companies and the administration of trusts.

The financial year 2006 recorded an income of euro 687 million split among the various business lines, a slight rise compared to the previous year (+ 1,9%).

Organisation costs of euro 489 million increased by 10,3%, mainly due to increases in staff numbers during the year.

The Company closed the year with net profits of euro 102.000 compared with euro 112.000 in the previous year, a reduction of 9,3%.

Selfid S.p.A.

The object of the Company, with registered office in Biella, is the performance of the so-called "static" trust activity (as provided for by Law no. 1966/39). During 2006 the main activity was the registration as trustee of securities' capital, insurance products and also the undertaking of trustee functions regarding the registration of company shares and quotas.

During the year the number of trustee assignments diminished by about 4% and numbered about 718 in total.

Income from fiduciary commissions, equal to euro 594.000, showed a slight reduction compared with the previous year; the amount of costs for services was 11% less than in 2005.

The Company closed the financial year with net profits of euro 132.000 compared to euro 116.000 in the previous year.

Selgest S.A.

Following the authorisation of the local Supervisory Authority (CSSF), this company was established on

May 5th, 2006 under Luxembourg law to perform the function of OICR manager, on the basis of conferment of assignment by Sicav, as provided for by the application of the UCITS III ruling.

The Company will be operative from 2007 and will manage the three Sicav which report to the Group: Sella Sicav Lux, Sella Global Strategy Sicav and Sela Capital Management Sicav.

The 2006 financial year therefore closes with losses of euro 167.000 due to start-up expenses and administration costs.

Sella Capital Management SGR S.p.A.

The Company, with head office in Milan, works in the savings management sector, and offers services and products principally to its key and institutional customer.

During the year the Company primarily carried out collective asset management and, on a proxy basis, administered the Sella Capital Management Sicav divisions, whose assets increased by euro 353 million, reaching an amount of euro 1.682 million.

At December 31st, 2006, also considering the management activity relating to individual portfolio investments on behalf of third parties and consultancy work relating to investments in financial instruments, the overall amount of the assets managed and the advisory activity can be quantified in euro 3.192 million, with no overlaps, an increase of euro 373 million on annual basis.

The Company closed the financial year with net profits of euro 442.000. This result can be considered positive even if it is lower than last year's net profit result of euro 705.000.

Sella Gestioni SGR S.p.A.

The Company, with registered office in Milan, has been operating since 1983 in the sector

of collective asset management; since 1999 it also operates in the areas of individual management and complementary private pension funds. Currently it manages: 24 open funds, 1 fund of funds with 6 sections and 1 pension fund with 5 sections. It also manages, via proxy, 2 Luxembourg Sicav and 2 Monaco funds. For the placement of its own products, the Company uses banks and stock brokerage companies some of which belong to the Group and others which do not.

On April 1st, 2006 there was the merger by incorporation of Fiduciaria Sella SIM SpA, the Group's driving trust company, specialising in individual asset management, into Gestnord Fondi SGR SpA; at the same time the name was changed to Sella Gestioni SGR SpA; this operation brought about an increase in share capital from euro 7 million to euro 9,525 million.

The figures illustrated hereunder relating to comparisons with the previous year, also take into account the figures of the incorporated company, Fiduciaria Sella, at year end 2005.

As far as the collective management is concerned, at year end the funds were composed as follows: 70,5% in bond funds, 9,6% in balanced flexible funds and 19,9% in stock funds.

At December 31st, 2006 total funds under management (net of overlaps) amounted to euro 3,819,2 million, a reduction of 7,7% over 2005; this result was due to the negative trend in deposits which fell by euro 434 million, influenced by a general downturn in fund markets and by the Group's distribution policy regarding the acceptance of third party OICR.

The market share held by the Company in the sphere of collective assets under management was 0,505% at year end, compared with 0,605% at end 2005.

Owing to the reduction in managed funds, operating revenues, equal to euro 10,3 million fell by 3,5% compared with 2005.

Organisation costs, at euro 8,5 million, fell by 5,4% mainly due to savings on staff costs and other administration charges.

The net profits achieved by the Company amounted to euro 1,4 million compared with euro 1,3 million in 2005.

During December 2006, CONSOB (Securities and Investments Board) reported the outcome of its inspection check which was concluded on September 28th, 2006.

The Company is proceeding with the preparation of an intervention programme on various fronts, on the basis of the findings of the Supervisory Authorities.

CONSUMER CREDIT

Consel S.p.A.

The Company, whose head office is in Turin, operates in the area of consumer credit, and supplies customers with a wide range of credit based products, in particular financings for purchases by instalment and credit cards; during the course of 2006 it started to grant financing against the transfer of one fifth of the salary, and also started motor vehicle leasing business. It performs through an operating structure composed of 191 employees, 19 offices and 2.303 accredited sales points which were operational in 2006 nationwide. As far as the consumer credit business is concerned, compared with the previous year, the Company recorded a significant growth in the number of clients and loans, managing 135.577 requests for financing for an overall amount of euro 533,1 million (+ 21,1% over 2005) and finalised 101.740 financing operations for a total of euro 385,5 million, an increase of 21,1% over the previous year. This result was achieved notwithstanding the slight downturn in consumer credit growth in the Italian market, which fell from +15% in 2005 to +11,9 in 2006: Consel's market share was thus 0,83%, against 0,72% in the previous year.

The interest income, corresponding to euro 17,7 million, showed an increase of 0,9% over 2005, while operating revenues, euro 26,7 million, showed an improvement of 10,5% compared with the previous year; this was also due to increases in total income amounting to euro 11,1 million (+ 20,3%)

Organisation costs, euro 15,9 million, increased by 19% over 2005, and this is in line with the Company's growth and development percentages.

Net profits were euro 2,1 million, a downturn compared with euro 3,3 million achieved during the previous year. However in this comparison it should be noted that the 2005 results, the first balance sheet prepared only for comparative purposes with the application of international accounting principles (IAS/IFRS), benefited from miinor value adjustments of euro 1,4 million gross of tax. The 2006 result was likewise affected by the absorption of the increase in borrowing rates, the "actuarialisation" of TFRs (Staff Severance Funds) and by the increased tax charges deriving from the application of the Finance Law.

BANK ASSURANCE

Brosel S.p.A.

The Company, whose head office is in Biella, operates in the field of insurance brokerage and consultancy work.

During 2006, the company intermediated premiums worth euro 23,2 million, an increase of 18% over the previous year. Operating revenues, at euro 2,3 million, recorded an increase of about 6% compared with 2005.

Net commission from insurance brokerage, equal to euro 2,2 million, grew by 4,5%, while net financial income increased from euro 41.000 in 2005 to euro 71.000 in this financial period.

Organisation costs, equal to euro 1,3 million, showed a modest increase of less than 2%, over the figure for 2005.

The Company achieved profits of euro 559.000, an increase of 13% over the previous year.

C.B.A. Vita S.p.A.

The Company, with Head Office in Milan, operates in the sector of life, sickness and personal accident insurance with an overall insurance portfolio, at end 2006, amounting to euro 653,2 million, a growth of 7,5% compared with 2005.

During the year the Company had overall net collections of euro 139,2 million, deriving mainly from traditional life policies (euro 53,1 million) and index linked policies (euro81 million).

The net result of the financial and insurance management was euro 10,6 million compared with euro 5 million in the previous year, thanks to the good trend in the technical management result.

Organisation costs amounted to euro 2,9 million, of which euro 1,8 million relating to staff and euro 1,1 million relating to administration expenses, and showed an increase of 17,9% over the figure for 2005, mainly as a result of increased personnel and audit costs.

The Company closed the year with net profits of euro 4,1 million, compared with euro 2,8 million in 2005. Following the IAS adjustments made to the Group's consolidated accounts, this result was consequently rectified in euro 5,4 million.

Sella Life Ltd

This Company, with head office in Dublin, is specialised in the issue of unit linked policies, distributed mainly by the Group's network in Italy and abroad. In particular the Company offers personalised policies, known in English-speaking countries as personal portfolio bonds, aimed at private customers.

During the year the Company collected premiums worth euro 152 million, achieving an overall insurance portfolio of about euro 380 million.

Operating revenues, at euro 1,3 million, recorded a slight drop compared with the previous year due to a significant reduction in the retail portfolio which had reached maturity. Organisation costs of euro 1,7 million show a downturn of 5,6% compared with the previous year.

2006 saw the completion of a transition process for the Company which began in 2005, leading to the replacement of the external company assigned to supply administration services in outsourcing and a review of the internal organisation structure. The Company closed the year with losses of about euro 315.000, compared with losses of euro 197.000 in the previous period.

BANK SERVICES

Sella Synergy India Ltd

The Company, with head office in Chennai (Madras, India), operates in the field of design and development of IT products for the Group's companies and banks. Operating revenues, equal to euro 2,6 million, recorded an increase of 23% over 2005.

Organisation costs of euro 2 million, rose by 35,1% compared with the previous year mainly due to increased personnel costs of euro 1,6 million for increases in local salaries, while the rise in other administration costs, amounting to euro 0,4 million, was essentially due to costs sustained following expansion of the work space.

The Company closed the 2006 financial period with profits of euro 538.000, against euro 595.000 in the previous period.

Selir S.r.l.

The Company, whose head office is in Galati (Rumania), operates in the field of design and development of IT products and the supply of administration services exclusively for the Group's banks, Easy Nolo and Consel.

Operating revenues, equal to euro 1,8 million, grew by 49,9% compared with 2005, with net income from services rising by 50,8% following the increase in the work performed by the Service Centre (+38%) and invoicing connected to software development (+70%).

Organisation costs, euro 1,5 million, recorded an increase of 27% over 2005 following a 32% increase in personnel costs, equal to euro 0,9 million, due to the hiring of 67 new employees, and an increase of 24,4% in other administration costs.

The Company closed the financial year with net profits of euro 239.000, an increase over last year's profits of euro 2.000.

Easy Nolo S.p.A.

The Company, whose head office is in Biella, operates electronic payment systems and is specialised in the field of payments e-commerce-gateway, POS (points of sale) and Fidelitysolutions . Its work includes the development of software for on-line and off-line payment acceptance systems within national and international circuits, the rental, installation and maintenance of POS equipment for tradesmen and banks, the creation and management of added-value services available via POS (mobile-phone cards, taxes and bill payments, fidelity services, creation of Easy Più, the national fidelity circuit, advisory activity and assistance with the creation of complex projects regarding collection management).

2006 was characterised by the development of new technological opportunities such as electronic Cinema coupons and Gift cards.

Production, amounting to euro 8,4 million, represented an increase of 15,8% compared with the previous year.

Production costs, euro 7,6 million, rose by (+15,6%) compared with the previous year, caused by amortisation and expenses linked to the large volumes of business.

Consequently, the difference between income and production costs euro 771.000 represented an increase of 17,1% compared with the previous year.

The Company closed with net profits of euro 274.000, compared with euro 295.000 in the past period.

COMPANIES IN LIQUIDATION

Sella Capital Markets SIM S.p.A. in liquidation

The Company has been in voluntary liquidation since year-end 2003, and was cancelled from the Register of SIMs on March 3rd, 2004 following the relative Consob resolution.

Liquidation procedures are still underway and the financial year 2006 closed with net profits of euro 51.000.

Sella Austria Financial Services AG

The liquidation procedure of the Company, which commenced in October 2005, is still underway and should be finalised during the first semester of 2007; thus the Company shows losses of about euro 5.000 at December 31st, 2006.

EXPECTED DEVELOPMENTS

OUTLOOK

It is expected that the world economy will remain at the same level as that of 2007 even if lower than in recent times:

- In the USA it is expected there will be a contained backward turn growth, which should be re-absorbed during the second half of the year. It is thought that the weakening in the real estate market may in fact continue to weigh on GDP growth only in the first quarter of 2007; even though weakened by the re-evaluation of property prices which has negative effects on family wealth, consumption should find support from improvements in salaries;
- The recent growth recovery in the Eurozone has been sustained by global economic dynamics, with increases in exports and investments, and the subsequent gradual improvement in consumption which is linked to recovery in the employment market. This aspect should furnish important economic support to the area during 2007, even if, for the beginning of the year, the negative impact of increased VAT in Germany should not be under-estimated. From a long-term viewpoint, improved prospects for European economic growth are linked to the implementation of structural reforms to reduce the level of rigidity of certain markets (services, employment and goods) and favour investments in Research and Development.
- growth prospects for Italy appear positive, with a slight slowing down of the growth rate compared with 2006, but still in recovery compared with the European average. Notwithstanding the accumulated delay, the process of structural reforms and corporate restructuring will proceed at a steady pace.
- In Asia the macro outlook remains positive for Japan, even if the growth rate in 2007 should be lower than the levels recorded in the previous two year, owing to a possible downturn in exports caused by a decline in global demand and continued weakness in private consumption; development prospects for China remain good, and consumption should improve thanks to policies aimed at sustaining the income of the less wealthy classes.
- Short term interest rates should not show any upward boosts in the USA, in its context of declining economic growth, of inflationary pressures which should diminish as a result of a slowing down in the price of raw materials, and of the orientation of a monetary policy which should at last be less focussed on inflationary risks. In the Eurozone, on the contrary, the BCE should continue to raise the official rate, and bring it predictably to 4% by the second quarter of 2007. These interventions should have a limited effect on long-term market rates which should show a slight upswing in the two areas.
- During 2007, energy prices, which are expected to fall in terms of base price in the medium-long term, should anyway remain close to the 2006 average level, and this should contribute to reduce part of the inflationary push. The dynamics of oil prices, which are subject to speculative pressures and geopolitical tensions, will however continue to represent an important risk factor for the economy and the markets.

On the basis of the foregoing, the following development of the Italian credit and finance system could be supposed:

- moderate prospects for income growth considering the Country's economic trend, and the anticipated weaker market trend;
- slight worsening of the credit risk mitigated by a recovery in the Country's economy;
- tighter competition and changed competition environment due to the concentration of banking groups through mergers and the strengthening of foreign competitors; however, these factors should create opportunities for banks that have a strong local franchise;
- a constant increase in compliance costs deriving from the implementation of numerous programmes of Europe-inspired operational innovations (Basle II, Mifid, Sepa) and the necessary control structures resulting from increased organisational complexities;
- Transformation of consulting and asset management

structures, and start-up of pension funds and other similar social security tools;
- With a view to changing the Italian social structure, increased interest in new customer segments: "over 50s" and immigrants;
- Gradual growth in technological innovation, as a determining factor for the banking and finance sector, in terms of both corporate organisation and customer interaction methods;
- Increase in operational risk as a result of increased organisational complexities.

STRATEGY AND PROFITABILITY OF THE GROUP

Considering the overall scenario described above, the Group will continue to take inspiration from the following general Guidelines:

- growth in size and number of customers, and cross-selling in a context of high quality and competitive offers and geographical diversification;
- efficiency by means of continued strengthening and innovation of the organisational model and increasingly effective controls;
- "excellence" understood as the inspiring principle of organisational choices, product offers and selection of resources, with the aim of always being distinguishable to its customers for the high quality of services rendered and the greater control of risks.

The attainment of increased size, considered necessary to face the challenges which market evolution will bring, also has the aim of taking advantage, on a major scale, of the benefits of the structure which the Group enjoys, with the added result of increased efficiency.

In addition to an ordered and controlled development, the structure of the Group must always permit the constant preservation and respect of its distinguishing features:

- Reliability
- Personal relations
- Quality
- Innovation

The Group will avail itself of the present model of universal Bank organised as a polyfunctional Group and care for its evolution during its journey towards contemporaneous strengthening, simplification and rationalisation.

The Guidelines set out above will be achieved through:

- the continuation of the rationalisation of the corporate structure by means of a further reduction in the number of companies;
- a consolidation and improvement in operations and the role of the Parent Company with improvements to management procedures, planning and control, as a further support to the development of the Group companies;
- the simplification and innovation of operating processes;
- a continuation of the automation plan aimed at reducing the use of human resources for performing administration work;
- a high and constant investment in training and growth of human resources;
- a constant updating of the Management and Co-ordination Chart in order to have the best distribution of delegation and responsibility.

During the first part of the financial year 2007 the following important facts occurred:

- having started in the closing months of 2006, the Bank of Italy inspection visit to the Parent Company was concluded in February; indications and suggestions were given which will be of great help in the continuation of the objectives outlined above;
- the Luxembourg management company Selgest SpA became operational on February 13th ;
- on February 28th the insurance company InChiaro Assicurazioni SpA was set up; 49% is held by the Group's company, CBA Vita SpA, and 51% is held by HDI Assicurazioni SpA. On that date application was made to ISVAP for authorisation to carry out insurance indemnity activities;
- on April 13th Moody's Investor Service published the

new rating assigned to the Parent Company (described in the specific article)

Within the scope of the corporate rationalisation of the Group a feasibility study was performed regarding:

- the combination process between Banca Patrimoni and Sella Consult SIM in order to get the most value from the specific skills and offer customers high quality private banking services;
- the merger of the two SGRs of the Group, Sella Gestioni and Sella Capital Management, in order to establish a sole pole for asset management activity, which includes both the collective management buisness (investment fund quotas and shares in Sicav), and also the management on an individual basis of investment portfolios on behalf of third parties which will permit improved synergy as well as a rationalisation of the product range.

Finally, we report an increase in the distribution network of the Group with the opening, in the first months of the year, of 8 new branches of Banca Sella: Olbia in Sardinia, Cavezzo in Emilia Romagna, Ascoli Piceno and San Benedetto del Tronto – the first two branches of the Group in the Marche region-, Siena, Arezzo and Grosseto in Tuscany, Benevento in Campania, and also the opening of the second branch of Banca di Palermo in Catania.

OWN SHARES

Up to June 22nd, 2006, Finanziaria Bansel SpA, the former Parent Company, maintained in the balance sheet no. 378.944 own shares, equal to a nominal value of 189.472; on that date the Company resolved to annul these shares, thereby reducing its share capital.

Neither Sella Holding Banca SpA nor any other company included in the consolidation has, during the course of the financial period, held, purchased or sold shares, of its own quotas or of the Parent Company.

RECONCILIATION STATEMENT BETWEEN NET EQUITY AND INCOME OF THE PARENT COMPANY AND CONSOLIDATED NET EQUITY AND PROFIT

(euro thousand)	Net profit 31/12/2006	Net equity 31/12/2005
Balances as per Parent Company financial statements	**7.908**	**421.530**
Own shares deduction	-	-
Elimination of intragroup dividends collected during the period	-12.852	-12.852
Elimination of inter - company capital gains deriving from intragroup transfers and assignments	-644	-644
Differences between net equity of consolidated investments, and their carrying value minus third party interest	-	-30.154
Net profit of consolidated equity investments, minus third party interest	54.779	54.779
Difference between the group pr-rata share of inet equity and the carrying value of investments	-	19.946
Net profit of the equity investments accounted with the equity method	598	598
Balances as per consolidated financial statements	**49.789**	**453.203**

The difference between equity resulting from the Parent Company's accounts and that of consolidated accounts derives from the application of the criteria and methods described in part A "Accounting policies" of the consolidated explanatory Note. These comply with legislative requirements and represent the situation and the results of the Group as a single business entity.

Biella, April 2nd, 2007

In the name and on behalf of the Board of Directors
The Chairman of the Board of Directors

Maurizio Sella

REPORT OF THE BOARD OF STATUTORY AUDITORS

Consolidated financial statements at December 31st, 2006

REPORT OF THE BOARD OF STATUTORY AUDITORS

On the consolidated financial statements at December 31, 2006

Dear Shareholders,

during the year, the Board of Auditors has followed all important operations, directly and based on information provided as per art. 2381 par. 5 of the Italian Civil Code. These main operations include:

- on January 1st, 2006, transfer of the Italian distribution network and of the asset management activities of Banca Sella S.p.A.'s private banking to a newly formed bank, until then not operational - within the Group (formerly Sella Distribuzione S.p.A.); in conjunction with the acquisition of the activities, this entity was renamed Banca Sella; at the same time, the Group company called Banca Sella S.p.A. until December 31st, 2005, was renamed Sella Holding Banca S.p.A., later becoming the Parent Company after the reverse merger by acquisition of Finanziaria Bansel into Sella Holding Banca, which took place by a deed by Notary Ghirlanda on July 10th, 2006;
- merger by incorporation, starting April 1st, 2006, of Fiduciaria Sella SIM into Gestnord Fondi SGR, with the concurrent renaming of the latter in Sella Gestioni SGR S.p.A.;
- winding up of Selsoft Direct Marketing, after the transfer of originators business branch to Sella Holding Banca;
- incorporation, on May 5th, 2006, of a UCITS III Compliant Management Company based in Luxembourg, called Selgest SA, to take on management responsibilities of Sicavs to maintain the so called "European passport";
- closing of the winding up of the two Irish companies Sella Advisor Ireland and Sella Fund Management Ireland;
- transfer, starting October 1st, 2006, of eight branches in the Veneto region by Banca Sella to Banca Bovio Calderari; the latter was concurrently renamed Banca Sella Nord Est Bovio Calderari.

* * *

The consolidated financial statements at December 31st, 2006, which is presented to your review, is made up of the consolidated balance sheet, the consolidated income statement, the statement of changes in equity, the cash flow statement and the explanatory note (supplementary note). It is integrated by the report on accounts and it closes with a comprehensive net profit amounting to Euro 56,787 thousand, of which net profit for the Group Euro 49,789 thousand, and net profit attributable to minority interest Euro 6,998 thousand. The total net capital amount to Euro 549,123 thousand, of Euro 95,920 thousand attributable to minority interest.

The income statement and balance sheet tables, the attachments of the Explanatory Note ad the cash flow statement have been prepared in compliance with the International Accounting Standards and with the instructions contained in circular letter dated December 22nd, 2005, n. 262 issued by the Bank of Italy (Banca d' Italia).

The results and the statements sent by the subsidiaries have been prepared by the relevant administrative bodies.

They have been reviewed by the auditing company during the procedures followed for the auditing of the consolidated financial statements and, in relation to accounting results, by the bodies and/or people responsible for the control of each company, according to the relevant regulations.

The board of statutory auditors have not extended its auditing to these results and information, and therefore to the consolidated financial statements, except what here illustrated, as per art. 41 of legislative decree 127/1991.

Based on direct information and the elements gathered, we acknowledge the following:

- The companies that belong to the "Banca Sella" group all close their financial year on December 31st every year, except Brosel S.p.A., which closes on November 30th and Sella Synergy India Ltd, on March 31st. For the latter, at the end of consolidation, a dedicated situation has been presented at December 31st.

- The consolidated financial statements of the Group (of which 32 subsidiaries and 4 associated companies) have been prepared through the line – by - line consolidation of all the subsidiaries; the four associated companies have been consolidated under the equity method;
- the consolidation area, evaluation criteria and principles adopted are fully illustrated by the Directors in the Supplementary Note;

- the explanatory note and the report on accounts contain all the information required by the Law and are consistent with the financial statement data;

- the auditing company Reconta Ernst & Young S.p.A. – entrusted with the auditing as per art. 2409 bis of the Italian Civil Code – in today's meeting on mutual activities for 2006 has informed us that, based on the outcome of the work carried out until today, it will express its positive opinion, without remarks, on the consolidated financial statements.

We acknowledge that all information about the consolidated financial statements at December 31st, 2006 is presented to the shareholders together with the information on the financial statements at that date.

Biella, April 10 th, 2007

The Auditors

Alessandro Rayneri   Paolo Piccatti   Alberto Rizzo

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31st 2006

CONSOLIDATED FINANCIAL STATEMENTS

ASSETS *(in thousand of euro)*	31/12/2006	31/12/2005	Difference %
10. Cash and available liquidity	100.372	91.554	9,63%
20. Financial assets held for trading	2.025.640	1.918.462	5,59%
40. Financial assets available for sale	299.610	248.683	20,48%
50. Financial assets held to maturity	82.655	82.907	-0,30%
60. Due from banks	1.510.120	1.498.625	0,77%
70. Customers loans	6.596.710	5.856.944	12,63%
80. Hedge derivatives	7.621	3.395	124,48%
100. Shareholdings	6.977	5.799	20,31%
110. Technical provisions to be paid by re-insurers	3.466	2.179	59,06%
120. Tangible assets	157.402	215.640	-27,01%
130. Intangible assets	65.892	59.416	10,90%
of which:			
- goodwill	44.559	41.039	8,58%
140. Tax assets	145.760	96.564	50,95%
a) current	87.189	37.510	132,44%
b) prepaid	58.571	59.054	-0,82%
150. Non-current assets and groups of assets from discontinued operations	-	-	-
160. Other assets	360.756	347.455	3,83%
Total Assets	**11.362.981**	**10.427.623**	**8,97%**

LIABILITIES AND NET ASSETS *(in thousand of euro)*	31/12/2006	31/12/2005	Difference %
10. Due to banks	497.017	474.991	4,64%
20. Due to customers	6.974.506	6.709.354	3,95%
30. Securities in issue	1.667.618	1.347.856	23,72%
40. Financial liabilities held for trading	45.705	41.321	10,61%
60. Hedge derivatives	1.786	11.995	-85,11%
80. Tax liabilities	70.532	66.805	5,58%
a) current	55.648	56.580	-1,65%
b) deferred	14.884	10.225	45,56%
100. Other liabilities	585.633	582.999	0,45%
110. Employee severance payment fund	47.718	45.946	3,86%
120. Provisions for risks and charges:	82.847	33.923	144,22%
a) pension fund	-	-	-
b) other provisions	82.847	33.923	144,22%
130. Technical reserves	840.496	671.786	25,11%
140. Valuation reserves	85.179	35.178	142,14%
170. Reserves	188.821	275.731	-31,52%
180. Share premium	49.414	-	-
190. Share Capital	80.000	20.000	300,00%
200. Own shares (-)	-	(979)	-100,00%
210. Minority interest profit for the period (+/-)	95.920	79.779	20,23%
220. Profit for the year	49.789	30.938	60,93%
Total liabilities	**11.362.981**	**10.427.623**	**8,97%**

CONSOLIDATED INCOME STATEMENT

ITEMS *(in thousand of euro)*	**2006**	**2005**	**Difference %**
10. Interest payable and similar expenses	471.754	367.123	28,50%
20. Interest payable and similar expenses	(208.944)	(134.412)	55,45%
30. Net interest income	**262.810**	**232.711**	**12,93%**
40. Commission income	301.844	296.112	1,94%
50. Commission expenses	(96.944)	(101.324)	-4,32%
60. Net commissions	**204.900**	**194.788**	**5,19%**
70. Dividends and similar income	6.286	6.490	-3,14%
80. Net income from trading	37.271	34.273	8,75%
90. Net income from hedging	(872)	(284)	207,04%
100. Income from sale or repurchase of:	49.535	9.586	416,74%
a) loans	-	-	-
b) financial assets available for sale	49.472	9.417	425,35%
c) financial assets held to maturity	-	-	-
d) financial liabilities	63	169	-62,72%
120. Operating revenues	**559.930**	**477.564**	**17,25%**
130. Net adjustments for impairment of:	(52.226)	(41.256)	26,59%
a) loans	(52.709)	(41.101)	28,24%
b) financial assets available for sale	-	(155)	-
c) financial assets held to maturity	-	-	-
d) other financial transactions	483	-	-
140. Net income for banking activity	**507.704**	**436.308**	**16,36%**
150. Net premiums	139.247	57.897	140,51%
160. Balance of other income and expenses from insurance operations	(144.818)	(81.878)	76,87%
170. Net income for financial and insurance operations	**502.133**	**412.327**	**21,78%**
180. Administrative expenses	(349.114)	(329.716)	5,88%
a) staff expenses	(207.559)	(195.547)	6,14%
b) other administrative expenses	(141.555)	(134.169)	5,50%
190. Net allocations to provisions for risks and charges	(55.605)	(21.040)	164,28%
200. Net adjustments to tangible assets	(16.448)	(15.245)	7,89%
210. Net adjustments to intangible assets	(9.047)	(10.567)	-14,38%
220. Other operating expenses/income	44.944	38.955	15,37%
230. Operating costs	**(385.270)**	**(337.613)**	**14,12%**
240. Income/losses of equity investments	172	(121)	-242,15%
260. Adjustments to goodwill	(102)	(1.628)	-93,73%
270. Profits (losses) from sale of investments	(312)	151	-306,62%
280. Pre-tax income (losses) from current operations	**116.621**	**73.116**	**59,50%**
290. Income taxes for the year on current operations	(59.834)	(35.707)	67,57%
300. After tax income for the yera on current operations	**56.787**	**37.409**	**51,80%**
310. After tax income of groups of assets in course of divestment	-	-	-
320. Profit (loss) for the year	**56.787**	**37.409**	**51,80%**
330. Profit (loss) of minority interests for the year	6.998	6.471	8,14%
340. Parent company profits (losses) for the period	**49.789**	**30.938**	**60,93%**

CONSOLIDATED CASH-FLOW STATEMENT
Direct method

A) OPERATING ACTIVITY *(in thousands of euro)*	31/12/2006	31/12/2005
1. Operations	**99.766**	**89.313**
Interest income collected (+)	464.587	367.123
Interest expenses paid (-)	(208.181)	(134.412)
Dividends and similar income	1.815	6.490
Net commissions (+/-)	204.900	194.788
Staff expenses	(201.195)	(189.774)
Net premiums collected (+)	139.247	57.897
Other insurance income/expenses (+/-)	(144.818)	(81.878)
Other costs (-)	(141.555)	(134.169)
Other revenues (+	44.800	38.955
Taxes (-)	(59.834)	(35.707)
2. Liquidity generated (absorbed) by financial assets	**(784.850)**	**(849.688)**
Financial assets held for trading	(69.955)	(118.312)
Financial assets available for sale	64.351	13.724
Customers loans	(742.541)	(717.092)
Due from banks	(11.495)	(13.025)
Other assets	(25.210)	(14.983)
3. Liquidity generated (absorbed) by financial liabilities	**716.816**	**780.101**
Due to banks	27.512	(158.815)
Due to customers	265.152	959.814
Securities on issue	319.762	(74.101)
Financial liabilities held for trading	4.958	3.624
Other liabilities	99.432	49.579
Net liquidity generated (absorbed) by operating activity	**31.732**	**19.726**

B. INVESTMENT ACTIVITIES *(in thousands of euro)*	31/12/2006	31/12/2005
1. Liquidity generated by:	**18.060**	**9.560**
Sale of shareholdings	854	-
Dividends collected on shareholdings	4.471	-
Sales/redemptions of financial assets held to maturity	-	-
Sales of tangible assets	13.351	5.762
Sales of intangible assets	(616)	297
sales of subsidiaries and company branches	-	3.501
2. Liquidity (absorbed) by:	**(36.425)**	**(42.031)**
Purchases of shareholdings	-	(1.357)
Purchases of financial assets held to maturity	247	(228)
Purchases of tangible assets	(21.663)	(28.144)
Purchases of intangible assets	(15.009)	(12.302)
Purchases of subsidiaries and company branches	-	-
Net liquidity generated (absorbed) by investment activity	**(18.365)**	**(32.471)**

C. FINANCING ACTIVITIES *(in thousand of euro)*	31/12/2006	31/12/2005
Issue/purchase of own shares	-	-
Issue/purchase of capital instruments	-	-
Distribution of dividends and other destinations	(4.549)	(1.963)
Net liquidity generated (absorbed) by financing activities	**(4.549)**	**(1.963)**

NET LIQUIDITY GENERATED (ABSORBED) IN THE PERIOD	**8.818**	**(14.708)**

RECONCILIATION *(in thousand of euro)*	31/12/2006	31/12/2005
Cash and available liquidity at the start of the period	**91.554**	**106.262**
Total net liquidity generated (absorbed) for the period	8.818	(14.708)
Cash and available liquidity at the end of the period	**100.372**	**91.554**

CHANGES TO CONSOLIDATED SHAREHOLDERS' EQUITY

CHANGES TO CONSOLIDATED SHAREHOLDERS' EQUITY *(in thousands of euro)*

	Balance on inventories at 31/12/2005 of Group	Third-party opening 31/12/2005	Change in inventories at balance	Group inventories at 01/01/2006	Third-party provisions 01/01/2006	Allocation of income previous period			Changes for the period	
						Group provisions	Third-party and other	Dividends group appropriations	Changes in di riserve provisions	Changes in third-party provisions
Share Capital:										
a) ordinary shares	20.000	44.450	60.000	80.000	44.450	-	-	-	-	862
b) other shares	-	-	-	-	-	-	-	-	-	-
Issue premiums	**-**	**15.316**	**49.414**	**49.414**	**15.316**	**-**	**-**	**-**	**-**	**898**
Reserves:										
a) profits	275.731	9.129	-110.393	165.338	9.129	28.025	6.471	-	-4.542	-5.053
b) other	-	-	-	-	-	-	-	-	-	-
Valuation reserves:										
a) held for sale	4.922	68	-	4.922	68	-	-	-	49.998	6.612
b) cash flow hedge	-	-	-	-	-	-	-	-	-	-
c) special revaluation laws	30.256	4.345	-	30.256	4.345	-	-	-	3	-1.000
d) other	-	-	-	-	-	-	-	-	-	-
Capital instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**(979)**	**-**	**979**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (losses) for the year	**30.938**	**6.471**	**-**	**30.938**	**6.471**	**(28.025)**	**(6.471)**	**(2.913)**	**-**	**-**
Net equity	**360.868**	**79.779**	**-**	**360.868**	**79.779**	**-**	**-**	**(2.913)**	**45.459**	**2.319**

Follow

	Changes for the period										Patrimonio netto al 31/12/2006 del Gruppo	Patrimonio netto al 31/12/2006 di terzi
	Net shareholders' equity operations								Utile di esercizio 31/12/2006 del Gruppo	Utile di esercizio 31/12/2006 di terzi		
	Issue of new Group shares	Issue of new third-party shares	Purchase of Group own shares	Purchase of third-party own shares	Extra ordinary dividend payout	Change in capital instruments	Derivates on own shares	Stock options				
Share Capital:												
a) ordinary shares	-	2.264	-	-	-	-	-	-	-	-	80.000	47.576
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Issue premiums	**-**	**4.560**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49.414**	**20.774**
Reserves:												
a) profits	-	-	-	-	-	-	-	-	-	-	188.821	10.547
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:												
a) held for sale	-	-	-	-	-	-	-	-	-	-	54.920	6.680
b) cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
c) special revaluation laws	-	-	-	-	-	-	-	-	-	-	30.259	3.345
d) other	-	-	-	-	-	-	-	-	-	-	-	-
Capital instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (losses) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49.789**	**6.998**	**49.789**	**6.998**
Net equity	**-**	**6.824**	**-**	**-**	**-**	**-**	**-**	**-**	**49.789**	**6.998**	**453.203**	**95.920**

CONSOLIDATED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 GENERAL SECTION

SECTION 1 DECLARATION OF CONFORMITY TO INTERNATIONAL ACCOUNTING PRINCIPLES

These consolidated financial statements are drafted according to the international IAS/IFRS principles validated by the European Union and in force at the time of their approval.

The financial statements reflect, on a consolidated basis, the equity, financial and economic standing of the companies belonging to Gruppo Banca Sella. The financial statements used for drafting the Consolidated Financial Statements were those set for by the companies of the Group with reference to the 2006 accounting period and rectified, wherever necessary, to adjust them to the IAS/IFRS.

The IAS/IFRS principles in force on the date of drafting of the financial statements and the relevant interpretations, adopted within these financial statements with regard to the events established by these principles, are listed hereunder.

ACCOUNTING PRINCIPLES IAS/IFRS

Accounting Principles	Title
IAS 1	Presentation of the financial statements
IAS 2	Remainders
IAS 7	Financial statements
IAS 8	Accounting principles, changes in estimates and mistakes
IAS 10	Events that occurred after the date of reference of the financial year
IAS 11	Long-term orders
IAS 12	Income taxes
IAS 14	Sector report
IAS 16	Real estate, equipment and machinery
IAS 17	Leasing
IAS 18	Revenues/Income
IAS 19	Staff benefits
IAS 20	Accounting of public contributions
IAS 21	Effect of exchange variations of foreign currencies
IAS 23	Financial expenses
IAS 24	Financial report on the related parties
IAS 26	National insurance fund
IAS 27	Consolidated and separate financial statements
IAS 28	Equity investments in associated companies
IAS 29	Accounting information in hyper-inflated economies
IAS 30	Requested information for balance of banks and financial institutions
IAS 31	Equity investments in joint ventures
IAS 32	Financial instruments: balance recognition and supplementary information
IAS 33	Stock benefits
IAS 34	Intermediate financial statements
IAS 36	Durable value reduction of assets
IAS 37	Earmarking, potential liabilities and assets
IAS 38	Intangible assets
IAS 39	Financial instruments: accounting and valuation
IAS 40	Real-estate investment
IAS 41	Agriculture
IFRS 1	Initial adoption of international accounting principles
IFRS 2	Payments based on stocks
IFRS 3	Company aggregations
IFRS 4	Insurance contracts
IFRS 5	Non current assets owned for sale and ceased operative assets
IFRS 6	Exploration and evaluation of mineral resources

Interpretations	
IFRIC 1	Changes in liabilities recognised for dismantling, restoration and similar liabilities
IFRIC 2	Members' shares in cooperative entities and similar instruments
IFRIC 4	Determining if an agreement requires leasing
IFRIC 5	Rights arising from interests in funds dismantling, restoration and reclamation of land
SIC 7	Introduction of euro
SIC 10	Public assistance – no specific relation to operative assets
SIC 12	Consolidation – Specific allocation companies (special purpose vehicle companies)

SECTION 2
GENERAL DRAFTING PRINCIPLES

The financial year 2006 was characterized by the merger by incorporation of Finanziaria Bansel S.p.A. by the Sella Holding Banca S.p.A., formerly Banca Sella S.p.A..

Finanziaria Bansel S.p.A., in compliance with article 24 of Legislative Decree no. 87/92, and as a Parent company of the Banca Sella banking group, was required to draft the consolidated statements. After the merger, Sella Holding Banca has become the Parent company of the banking Group and, consequently, it has also become the subject required to draft the consolidated statements.

Banca Sella (now Sella Holding Banca), although holding controlled equity investments, in the past did not draft the consolidated financial statements, because, as envisaged by the legislative decree itself, they were drafted by the Parent company. That is why the consolidated financial statements at 31st December 2006 are the first consolidated financial statements to have been drafted by Sella Holding Banca.

Moreover it is necessary to consider that they depict the equity and income and financial situation of the Group for the financial year 2006 in total continuity with the financial statements at 31st December 2005 (same consolidation perimeter, IFRS accounting principles applied in compliance with the continuity principle...), even if drafted up to the date of the merger by another juridical subject. Consequently, the consolidated financial statements of the Group at 31st December 2005 were produced for comparison, as drafted by Finanziaria Bansel S.p.A. These statements contained, in the Explanatory Note, a section named "Adoption of International Accounting Standards / International Financial Reporting Standards", explaining the choices for the first-time implementation of IAS/IFRS by Gruppo Banca Sella and the consequent equity and income effects.

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of changes in equity, the Cash flow statement and by the present Explanatory notes and it includes the Board of Directors' report on accounts and on the global situation of the companies included in the consolidation.

The consolidated financial statements are drawn up in thousands of euros.

The consolidated financial statements have been drawn up clearly and give a true and fair view of equity and financial situation and thenet profit .

If the information requested by the international accounting principles and by the provisions contained in Banca d'Italia's memorandum no. 262 of December 22nd, 2005 is not sufficient to give a true and fair representation, additional information for this purpose is supplied in the Explanatory notes.

If, in exceptional circumstances, the application of a provision foreseen by the international accounting principles is incompatible with the true and fair representation of the equity and financial situation and of net profit , it will not be applied. In the Explanatory notes reasons are given for any derogation and its influence on the representation of the equity and financial and of the result of operations.

SECTION 3
CONSOLIDATION AREA AND METHODS

The consolidated financial statements include the equity and economic accounting results of the Parent company and its directly and indirectly controlled companies.

Full consolidation consists in the acquisition "line by line" of the Balance Sheet and Income Statement aggregates of the controlled companies. After attribution to third parties, in a specific item, of their equity and income, the value of the equity investment is derecognised to counterbalance the derecognition of the residual value of the controlled company's net equity. The resulting differences of this operation, if positive, are posted – after the charge, if any, to items of assets or liabilities of the controlled company – as goodwill under the item "Intangible fixed assets" on the date of the first consolidation.

The assets, liabilities, profits and charges among the consolidated companies are completely derecognised.

The results of operations of a controlled company bought during the period are included in the consolidated financial statements starting from the date of its purchase. On the other hand, the results of operations of a sold controlled company are included in the consolidated financial statements up to the date when controlling ceased. The difference between the consideration for sale and the accounting value at the time of divestment (including any exchange difference recognised each time in the net equity upon consolidation), is charged to the Income Statement. Wherever necessary the financial statements of the consolidated companies, that could have been drafted on the basis of different accounting criteria, are rendered consistent with the principles of the Group.

Equity investments on which the Group exercises considerable influence ("associated companies"), i.e. on which it exercises the right to participate in determining the financial and management policies without however having control or joint-control over them, are evaluated using the equity method.

According to this method, the initial registration of investment at cost and its subsequent adjustment on the basis of its interest in the company's net equity. The differences between the value of investment and the net equity share of the subsidiary are treated the same way as the differences of line by line consolidation as mentioned above. When evaluating the pro-quota equity interest, potential voting rights, if applicable, are not considered. The pro-quota net income of the subsidiary is accounted for in a specific entry of the consolidated Income Statements.

The equity – financial situation and the results of operations of the consolidated companies whose accounting currency is different from the Euro is converted on the basis of the following rules:

- assets and liabilities are converted at the closing exchange rate at end of the financial year;
- profits and charges of the Income Statement are converted at average exchange rates of the financial year;
- all the currency translation differences from the conversion are accounted for in a specific and separate reserve constituting part of the equity. The above-mentioned reserve is eliminated through concurrent debit / credit of the Income Statement at the time of any transfer of the equity investment.

1. Equity investments in exclusively and jointly controlled companies (proportionately consolidated)

Name of company	Head Office	Type of relationship	Ownership Owner	Ownership %	Voting rights %
A. Companies					
A.1 Line by line consolidation					
1. SELLA HOLDING BANCA S.p.A.	Biella				
2. BANCA SELLA S.p.A.	Biella	1	A.1 1	100,0000%	100,0000%
3. BANCA SELLA NORD EST-BOVIO CALDERARI S.p.A.	Trento	1	A.1 24	71,0000%	71,0000%
4. BANCA ARDITI GALATI S.p.A.	Lecce	1	A.1 25	51,2500%	51,2500%
5. BANCA DI PALERMO S.p.A.	Palermo	1	A.1 25	75,3409%	75,3409%
			A.1 19	5,0000%	5,0000%
6. BANCA PATRIMONI S.p.A.	Torino	1	A.1 1	56,1144%	56,1144%
			A.1 14	7,2189%	7,2189%
7. SELLA BANK AG	Switzerland	1	A.1 26	90,0000%	90,0000%
8. SELLA BANK LUXEMBOURG S.A.	Luxembourg	1	A.1 26	76,3447%	76,3447%
			A.1 1	23.6553%	23.6553%
9. BIELLA LEASING S.p.A.	Biella	1	A.1 1	76,8409%	76,8409%
10. CONSEL S.p.A.	Turin	1	A.1 1	76,8416%	76,8416%
11. SELLA GESTIONI SGR S.p.A.	Milan	1	A.1 1	74,6524%	74,6524%
			A.1 3	10,0000%	10,0000%
			A.1 14	0,8983%	0,8983%
12. SELLA CAPITAL MANAGEMENT SGR S.p.A.	Milano	1	A.1 1	85,9261%	85,9261%
			A.1 3	10,0000%	10,0000%
			A.1 6	2,5000%	2,5000%
13. SELGEST S.A.	Luxembourg	1	A.1 1	1,0000%	1,0000%
			A.1 8	99,0000%	99,0000%
14. SELLA CONSULT SIM p.A.	Biella	1	A.1 1	79,0081%	79,0081%
			A.1 3	10,0000%	10,0000%
15. EASY NOLO S.p.A.	Biella	1	A.1 1	84,4444%	84,4444%
16. SELLA CORPORATE FINANCE S.p.A.	Biella	1	A.1 1	99,5000%	99,5000%
			A.1 9	0,5000%	0,5000%
17. SELFID S.p.A.	Biella	1	A.1 1	88,0000%	88,0000%
18. SECURSEL S.r.l.	Milan	1	A.1 1	80,0000%	80,0000%
19. C.B.A. VITA S.p.A.	Milan	1	A.1 1	82,0000%	82,0000%
			A.1 11	8,0000%	8,0000%
			A.1 3	5,0000%	5,0000%
20. SELLA LIFE Ltd.	Ireland	1	A.1 19	100,0000%	100,0000%
21. BROSEL S.p.A.	Biella	1	A.1 1	60,5000%	60,5000%
			A.1 3	10,0000%	10,0000%
22. SELIR S.r.l.	Rumenia	1	A.1 26	99,9017%	99,9017%
23. SELLA SYNERGY INDIA Ltd	India	1	A.1 26	99,9999%	99,9999%
24. B.C. FINANZIARIA S.p.A.	Biella	1	A.1 1	80,0284%	80,0284%
25. SELLA SOUTH HOLDING S.p.A.	Biella	1	A.1 1	100,0000%	100,0000%

Name of company	Head Office	Type of relationship	Ownership Owner	%	Voting rights %
26. SELLA HOLDING N.V.	The Netherlands	1	A.1 1	100,0000%	100,0000%
27. INTERNATIONAL CAPITAL HOLDING S.A.	France	1	A.1 26	94,0766%	94,0766%
28. IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 1	100,0000%	100,0000%
29. IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 1	100,0000%	100,0000%
30. SELSOFT DIRECT MARKETING S.p.A. *in liquidation*	Biella	1	A.1 1	100,0000%	100,0000%
31. SELLA CAPITAL MARKETS S.p.A. *in liquidation*	Milan	1	A.1 1	80,0060%	80,0060%
			A.1 11	10,0000%	10,0000%
			A.1 3	4,9418%	4,9418%
			A.1 4	3,9914%	3,9914%
32. SELLA AUSTRIA FINANCIAL SERVICES AG *in liquidation*	Austria	1	A.1 26	93,9130%	93,9130%

Key to symbols
Type of relationship:
1 = majority of vting rights in Shareholders' ordinary meetings

SECTION 4
SIGNIFICANT EVENTS OCCURRED AFTER THE CLOSING DATE OF THE FINANCIAL YEAR

There are no remarkable events to be disclosed.

SECTION 5
OTHER ISSUES

There are no other remarkable issues to be disclosed.

A.2 PART REFERRING TO THE MAIN ITEMS OF THE FINANCIAL STATEMENT

1 – FINANCIAL ASSETS HELD FOR TRADING

Only debt and equity securities are classified in this category, as well as the positive value of the derivative contracts held for trading. Derivative contracts include those incorporated in complex financial instruments that were subject to separate recognition due to the fact that:

- their economic characteristics and the risks are not closely related to the characteristics of the underlying contract;
- the incorporated instruments, even if separate, meet the definition of derivative;
- the hybrid instruments that they belong to are not accounted for at fair value with the relevant variations charged to the Income Statement.

The initial recognition of the financial assets takes place upon the settlement date, for debt and equity securities and at the time of subscription for the derivative contracts.

Upon initial recognition the financial assets held for trading are carried at cost, considered as fair value of the instrument. Any embedded derivative present in complex contracts not necessarily related to these and having the characteristics to meet the definition of derivative is separated from the primary contract and evaluated at fair value, whereas its specific accounting criterion is applied to the primary contract.

Subsequent to the initial recognition, the financial assets held for trading are recognised at fair value.

To determine the fair value of the financial instruments listed in an active market, market listings (bid prices) are used. In absence of an active market, estimate methods and evaluation models are used that take into account all of the risk factors connected to the instruments and that are based on data available on the market such as: methods based on the evaluation of listed instruments with analogous characteristics, calculations of discounted cash flows, models of determining the price of options, values recorded in recent comparable dealings.

Equity securities and the related derivative instruments whose fair value cannot be determined in a reliable way according to the above-mentioned guidelines, remain at cost.

The financial assets are derecognised when the contractual rights on the financial flows deriving from the assets themselves expire, or when the financial assets are assigned transferring substantially all of the risks/benefits related to them.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

This category includes non-derivative financial assets that are not otherwise classified as “credits”, “assets held for trading” or “assets held to maturity”.

In particular, this entry includes the equity investments not held for trading and not classifiable as controlled, associated and joint controlled.

The initial recognition of the financial asset takes place on the settlement date for debt or equity securities and upon the date of issue in case of other financial assets not classified as credits.

Upon initial recognition, the assets are carried at cost, intended as fair value of the instrument, including costs or profits from trading directly attributable to the instrument itself. If the recognition takes place after re - classification of the “assets held to maturity”, the carrying value is represented by fair value at the time of transfer.

After initial recognition, assets available for sale continue to be carried at fair value, with accounting in the Income Statement of the corresponding value at depreciated cost, while the gains or the losses deriving from a variation of fair value are assigned to a specific “Reserve of equity” until the financial asset is derecognised or impaired. At the time of divestment, the gains or losses are charged to the Income Statement.

With reference to equity investments not classifiable as controlled, associated and joint controlled companies, since these equity instruments do not have a listed market price in an active market and therefore it is impossible to determine fair value determined in a reliable manner, they are carried at cost and depreciated in the case of lasting impairment.

Tests for lasting impairment are carried out at each financial statement closing or semi - annual closing. If the reasons for lasting impairment cease to apply due to an event after recognition, write-ups are carried out and charged to the Income Statement. The amount of the write-up cannot in any case exceed the depreciated cost that the instrument would have had in absence of previous adjustments.

Financial assets are derecognised when the contractual rights on the financial flows that derive from the operations themselves expire or when the financial assets are assigned by transferring substantially all of the risks/benefits related to them.

3 – FINANCIAL ASSETS HELD TO MATURITY

This category includes debt securities with fixed or fixable payments and fixed maturity date, which one intends and has the ability to hold to maturity. If after a change of opinion or ability it is not deemed appropriate to carry an investment as held to maturity, it is reclassified among assets available for sale.

The initial recognition of financial assets takes place at the settlement date. At the time of initial recognition the financial assets presenting this category are carried at cost including any costs and profits directly attributable. If the recognition in this category takes place following the reclassification from “assets available for sale”, the fair value of the asset at the time of reclassification is carried as a new depreciated cost of the asset itself.

After the initial entering, the financial assets held to maturity are valued at the depreciated cost, applying the effective interest method. Profits or losses referred to the variations of fair value of the assets held to maturity are charged to the Income Statement when the operations are derecognised. Upon closing of the financial statements and interim periods, a test for impairment is carried. If evidence supports the existence of impairments, the loss amount is measured as the difference between the carrying value of the operation and the current value of estimated future financial flows, discounted at the original actual interest rate. The amount of the loss is charged to the Income Statement. If the reasons for impairment cease to apply due to an event after recognition, write-ups are carried out with charge to income.

The financial assets are derecognised when the contractual rights on the financial flows deriving from the assets themselves expire, or when the financial assets are assigned transferring substantially all of the risks/benefits related to them.

4 – CREDITS

Credits include loans to customers and to banks, both granted directly and acquired from third parties, that foresee fixed payments or anyway determinable, that are not listed in an active market and that have not classified at the beginning among financial assets available for sale. This item also includes commercial credits, repurchase agreement operations, credits originating from financial leasing operations and securities bought in subscription or private placement, with fixed or fixable payments, not listed on active markets.

The initial recognition of a loan takes place upon the date of disbursement or, in the case of a debt security, on that of settlement, on the basis of fair value of the financial instrument, generally equal to the amount disbursed, or the price of subscription, including costs/profits directly traceable to the single loan and determinable already from the origin of the operation, even if settled in a subsequent period. Costs that are excluded are those that even though they have the above-mentioned characteristics, are repaid by the debtor or that can be considered as ordinary internal administrative expense. For loans granted on different conditions from those of the market, fair value is determined using specific evaluation techniques; the difference from the amount granted or the subscription price is charged directly to income. Contango agreements and repurchase agreements with forward repurchase or resale obligation, are recorded in the financial statements as operations of deposit or loan. In particular, the operations of spot sale and forward repurchase are recorded in the financial statements as debts for the spot amount received, while the operations of spot purchase and forward resale are shown as credits for the spot amount given.

Loans are carried at the depreciated cost, amounting to the value of initial recognition minus/plus the principal reimbursements, the write-downs/write-ups and the amortisation – calculated with the effective interest rate method– of the difference between the amount disbursed and that reimbursable on expiration, generally related to costs/profits allocated directly to the single loan. The effective interest rate is the rate that equates the current value of future credit flows, for principal and interest, with the amount disbursed inclusive of costs/profits connected to the credit. This accounting method, using a financial logic, allows the distribution of the economic effect of the costs/profits along the expected residual life of the loan. The method of the depreciated cost is not used for loans whose brief duration renders the effect of the application of the discounting logic negligible. These loans are carried at historical cost and the costs/profits related to these are charged to the Income Statement. The same accounting criterion is adopted for credit without definite or revocable maturity.

At each financial statement or interim period closing loans are tested for impairment which might have occurred after their initial recognition. Impaired loans include those that have been classified as non-performing, (watchlist) or restructured, according to Banca d'Italia's current regulations, consistent with IAS rules.

These impaired loans are subject to an analytical evaluation procedure and the amount of the write-down for each loan is equal to the difference between the carrying value of the same at the time of evaluation (depreciated cost) and the current value of the expected future cash flows, calculated applying the effective original interest rate. The expected cash flows take into consideration the expected recovery time, the hypothetical realization value of any guarantee and the costs expected to be incurred to recover exposure. The cash flows related to loans whose recovery is expected within a brief time are not discounted. The effective original rate of each loan remains unchanged in time even if a restructuring took place whereby a variation in the contractual rate occurred and also when the relation substantially ceases to bear contractual interests.

The write-down is entered in the Income Statement. The original value of the loans is restored in the following financial years if the reasons that determined the write-down cease to exist, as long as this evaluation can be objectively connected to an event that took place after the write-down itself. Write-ups are entered in the Income Statement and cannot in any case exceed the depreciated cost that the loan would have had without previous write-downs.

The loans for which no single objective loss evidence has been pointed out, i.e. usually performing loans, including those granted to counterparts that are residents of risky countries, are subject to joint evaluation. Such evaluation takes place by homogenous loan categories in terms of credit risk and the relevant loss percentages are estimated taking into account PD (Probability of Default) and LGD (Loss Given Default) determined on the basis of Basel II Agreement. The estimate of potential losses is therefore calculated in each credit category.

The write-downs determined jointly are charged to the Income Statement. At the time of each financial statement closing and interim closing any additional write-down or write-up is recalculated in a differential way with reference to the entire performing loans portfolio at the same date.

Transferred loans are derecognised from the financial statements only if the transfer entailed substantial transfer of all risks and benefits connected to these credits. On the other hand, if the risks and benefits related to the transferred credit have been kept, these continue to be registered among assets, even if legally the loan title has been indeed transferred. Whenever it is impossible to ascertain the substantial transfer of risks and benefits, the loan is derecognised from the financial statements if no type of control was kept on it; otherwise, the maintaining, even partial, of such control entails keeping the loan in the financial statements in the amount equal to its residual involvement, measured by the exposure to value changes of the transferred loans and their financial flows changes. Lastly, transferred loans are derecognised when contractual rights are kept to receive the corresponding cash flows, with the concurrent acceptance of an obligation to pay such flows, and only those, to third parties.

5 – FINANCIAL ASSETS CARRIED AT FAIR VALUE

For the 2006 Financial Statements Gruppo Banca Sella did not adopt the so-called fair value option, i.e. it did not make use of the possibility to carry items at fair value, with the posting of the result of the evaluation in the Income Statement, of financial assets that are different from those for which the IAS 39 requires application of the fair value criteria by virtue of the specific functional destination. Therefore, only financial assets classified in the trading portfolio, those hedged at fair value and hedging derivative contracts are carried at fair value with charging to income of the evaluation result.

6 – HEDGING OPERATIONS

Assets and liabilities include hedging derivatives which at the date of closing of the financial statements present a positive and negative fair value, respectively.

Risk hedging operations are designed to counterbalance potential losses on a specific financial instrument or on a group of financial instruments, attributable to a specific risk, through the profits recognisable on a different financial instrument or group of financial instruments in case that particular risk should actually occur.

IAS 39 describes the following types of hedging:

- fair value hedging: a hedge of the exposure to changes in fair value of an item attributable to a particular risk;
- cash flow hedge: a hedge of the exposure to variability in cash flows attributable to particular risks associated with financial statements items;
- hedge of an investment in a foreign currency, associated with the hedge of risks of an investment in a foreign company expressed in a foreign currency

Specifically, Gruppo Banca Sella has carried out exclusively fair value hedge type coverage.

In the consolidated financial statements, only the instruments with a counterpart external to the Group can be considered hedging instruments. Any outcome attributable to internal transactions carried out between different entities of the Group is eliminated.

The derivative instrument is considered as a hedge if there are formal records of the relationship between the hedged instrument and the hedging instrument and if it is effective when hedging begins and, prospectively, over the entire useful life of the same. The effectiveness of the hedging depends on to what degree the changes in fair value of the hedged instrument or of the relevant expected financial flows are counterbalanced by those of the hedging instrument. Therefore the effectiveness is appraised by the comparison of the above-mentioned variations, bearing in mind the objective pursued by the company when hedging was undertaken.

The hedge if effective (within the 80-125% range) when the changes in fair value (or cash flows) of the financial hedging instrument offset almost completely the changes in the hedged instrument, for the hedged risk element. The assessment of effectiveness is carried out every six months using:

- prospective tests, that justify the application of hedging accounting, as they show the expected effectiveness;
- retrospective tests, that show the level of effectiveness of the hedge that has been reached in the reference period. In other words, they measure how much the effective results diverged from the perfect hedging.

If the tests do not confirm the effectiveness of the hedging, the accounting of the hedging operations, according to the above-mentioned, is ceased and the hedging derivative contract is reclassified under trading instruments.

The hedging derivatives are carried at fair value, therefore, in case of fair value hedging, the changes in fair value of the hedged element are offset with the changes in fair value of the hedging instrument. This offset is recognised by charging to income the changes in value, in relation to both the hedged element (as for the changes produced by the underlying risk factor) and the hedging instrument. The difference, is any, that represents the partial ineffectiveness of the hedging, is therefore the net economic effect.

7 – EQUITY INVESTMENTS

This item includes the interest held in associated companies, that are accounted for by the equity method. Companies in which the Group has significant influence but not control are referred to as associated companies. The company is assumed to have a significant influence when it holds a 20% or higher share of the voting rights and, irrespective of the share held, whenever it has the right to participate in management and financial decisions of the equity investments.

The initial entering of financial assets takes place at the settlement date. Upon initial recognition the financial assets classified in this category are carried at cost.

If there is evidence that an equity investment could have undergone a depreciation, an estimate of the recoverable value of the equity investment itself is carried out, bearing in mind the current value of the future financial flows that the equity investment will be able to generate, including the value of the final divestment of the investment. If the recovery value proves to be lower than the carrying value, the relevant difference is charged to the Income Statement. If the reasons for the loss of value are no longer in place following an event that occurred after the accounting of the reduction in value, write-ups are carried out with charge to income.

Financial assets are derecognised when the contractual rights on the financial flows deriving from the operations themselves expire or when the financial asset is assigned, transferring substantially all of the risks and benefits connected to it.

8 – TANGIBLE FIXED ASSETS

Tangible fixed assets include land, owner-occupied property, investment property, plants and equipment, fixtures and fittings, and all kinds of equipment. These are tangible fixed assets held to be used in the production or supply of goods and services, to be rented to third parties, or for administrative purposes, and that are expected to be used for long periods. Lastly, the entry includes improvements and the accretion expenses incurred on third party goods that cannot be recorded under “other assets”.

Tangible fixed assets are initially entered at cost that includes, besides the purchase price, all the other additional charges directly connected to the purchase and to putting the good in operation. The expenses for extraordinary maintenance that entail an increase of future economic benefits, are allocated as increase in value of the fixed assets, while the other ordinary maintenance costs are charged to the Income Statement.

Tangible fixed assets, including non owner-occupied property, are carried at cost, deducting any depreciation and impairment. Tangible fixed assets are systematically depreciated over their useful life, with the straight-line method, except for land, whether it was purchased as a single unit or incorporated in the value of the buildings, as they have an undefined useful life. In case their value is incorporated in the value of the building, in virtue of application of the per-item approach, they are considered separable from the building; the subdivision between the value of the land and the value of the building is based on the surveys of independent experts only for properties held from ground to roof.

At each financial year closing, if there is any indication that an operation may have been impaired, a comparison is carried out between the charging value of the asset and its recovery value, equal to the lower between fair value less any cost to sell, and the relevant use value of the good, intended as the current value of future flows originating from the fixed asset. Any write-downs are charged to the Income Statement. If the reasons that brought about the accounting of the loss cease to exist, a write-up takes place, that cannot exceed the value the asset would have had, net of depreciation calculated, in absence of previous losses of value.

A tangible fixed asset is eliminated from the Balance Sheet upon divestment or when the asset is retired and no future economic benefits are expected from its divestment.

9 – INTAGIBLE FIXED ASSETS

Intangible assets include goodwill and the software applications for long-term use. Goodwill represents the positive difference between the purchase cost and the fair value of the acquired assets and liabilities. The other intangible assets are entered as such if they can be identifiable and originate from legal or contractual rights.

An intangible asset can be registered as goodwill when the positive difference between the fair value of the purchased equity items and the purchase cost of the investment (including additional charges) represents the future profit capabilities of the investment (goodwill). If such a difference is negative (badwill) or if goodwill is not justified by the future profit capabilities of the equity investment, the difference is charged to the Income Statement.

The other intangible assets are recorded at cost including any additional charges only if it is likely that the future economic benefits attributable to the assetwill actually occur and if the cost of the asset itself can be reliably determined, otherwise the cost of the intangible asset is charged to the Income Statement in the financial year in which it was incurred.

As concerns goodwill, each time there is proof of impairment and in any case at least once a year after the preparation of the three-year plan, they are tested for lasting impairment. To this purpose the item that generates financial flows to which goodwill is attributed is identified. The amount of any impairment is determined on the basis of the difference between the entry value of goodwill and its recovery value, if inferior. This recovery value is equal to the higher amount between the fair value of the item generating financial flows, net of eventual sales costs, and the relevant value in use. The value of use is the current value of expected future financial flows of the generating items to which goodwill has been attributed. The consequent write-downs are charged to the Income Statement.

The cost of intangible fixed assets is depreciated with the straight-line method over their useful life. If the useful life is indefinite, depreciation does not take place, but only periodical testing of the adequacy of the carrying value of the intangible fixed assets. At each financial statements closing, in the presence of evident impairment, an estimate of the recovery value of the asset is undertaken. The amount of the loss, charged to the Income Statement, is equal to the difference between the carrying value of the asset and the recoverable value.

An intangible fixed asset is derecognised from the Balance Sheet when divestment takes place or when future economic benefits are not expected.

10 – NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

This item includes non-current assets/liabilities and groups of assets/liabilities held for sale. In particular, these assets/liabilities are recognised at the lower of the carrying amount and the fair value less transfer costs. The relevant profits and charges are charged to the Income Statement in a separate item net of taxation.

11 – CURRENT AND DEFERRED TAXATION

The entries include current and pre-paid tax assets and the current and deferred tax liabilities, respectively.

Income taxes are charged to the Income Statement except those related to entries charged or credited directly to equity. Funding for income taxes is determined on the basis of a prudent forecast of the current, prepaid and deferred tax charges.

Prepaid and deferred taxes are calculated on the temporary differences, without any temporal limit, between the accounting value and the tax value of the single assets or liabilities.

Assets for prepaid taxes are recognised in the Balance Sheet if their recovery is probable. Liabilities for deferred taxes are recognised in the Balance Sheet, with the only exception of assets entered in the Balance Sheet for an amount that exceeds the recognized tax value and of the tax suspension reserves, for which it is reasonable to believe that no operations that entail taxation will be carried out on initiative. Assets and liabilities registered for prepaid and deferred taxes are systematically evaluated to take into consideration any change that may have taken place in the rules or in the tax rates.

12 – PROVISIONS FOR RISKS AND CHARGES

The other provisions for risks and charges refer to provisions for current obligations deriving from a past event, where the compliance with said obligation will probably require the outlay of economic resources, provided that an accurate estimate of the amount of said obligations can be made.

The sub-item “Other provisions” contains provisions for risks and charges set up in compliance with international accounting standards, with the exception of the write-downs due to depreciation of the guarantees given entered under “Other Liabilities”.

A provision under the provision for risks and charges is made solely when:

- there is a current obligation (statutory or implied) resulting from a past event;
- it is likely that economic resources will have to be used to produce economic benefits to settle the obligation;
- an accurate estimate of the amount of the obligation can be made.

In cases where time is relevant, provisions are discounted using current market rates. The effect of said discounting is charged to the Income Statement.

13 – OUTSTANDING DEBTS AND SECURITIES

The entries "due to banks", "due to customers" and "outstanding securities" include the various forms of interbank funding and with customers and the deposits carried out through outstanding deposit certificates and bond securities, net, therefore, of any bought – back amount.

The initial recognition of these financial liabilities takes place upon the receipt of the collected sums or the issue of the debt securities. The initial recognition is carried out on the basis of fair value of the liabilities, normally equal to the amount collected or the price of issue, plus any additional costs/profits directly attributable to the single funding or issue operation and not reimbursed by the creditor. Internal administrative costs are excluded.

After initial recognition, financial liabilities are carried at cost depreciated with the method of the effective interest rate. An exception to this are the short-term liabilities where the temporal factor is irrelevant, that remain recorded for the collected value and whose recorded costs (if any) are charged to the Income Statement. Furthermore, effectively hedged instruments are valued on the basis of the rules related to hedging operations.

For structured instruments, if the requirements envisaged by IAS 39 are complied with, the incorporated derivative is separated from the host contract and accounted for at fair value as a liability held for trading. In this case the host contract is carried at the depreciated cost.

Financial liabilities are derecognised from the balance sheet when they have expired or have been settled. The derecognition takes place even in the presence of repurchase of securities previously issued. The difference between the accounting value of the liability and the amount paid to repurchase is charged to the Income Statement. The replacing on the market of own securities after their repurchase is considered as a new issue with entry at the new price of placement, without any charge to income.

14 – FINANCIAL LIABILITIES HELD FOR TRADING

The item includes the negative value of trading derivative contracts carried at fair value and embedded derivatives that according to IAS 39 were separated from the host compound financial instruments.

Profits and losses deriving from the variation of fair value and/or the transfer of the trading instruments are charged to the Income Statement.

Financial liabilities are derecognised from the financial statements they have expired or have been settled.

15 – FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

For the 2006 Financial Statements Gruppo Banca Sella did not adopt the so-called fair value option, i.e. it did not make use of the possibility to carry items at fair value, with the posting of the result of the evaluation in the Income Statement, for financial assets that are different from those for which the IAS 39 requires application of the fair value criteria by virtue of the specific functional destination. Therefore, only financial assets classified in the trading portfolio, those hedged at fair value and hedging derivative contracts are carried at fair value with charging to income of the evaluation result.

16 – FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are registered, at the time of initial recognition, in the accounting currency, applying to the foreign currency amount the current exchange rate at the time of the operation.

At each financial year closing, the financial statements items in foreign currency are evaluated as follows:

- the monetary items are converted at the exchange rate of the closing date;
- the non-monetary items carried at historical cost are converted at the exchange rate in force at the time of the operation; to translate the items of revenues and costs an exchange rate that approximates the exchange rates at the date of operations is often used, for example an average exchange rate for the period;
- the non-monetary items carried at fair value are translated using the exchange rates existing at the time of closing.

Exchange differences deriving from the settlement of monetary items or from translation of monetary elements at rates different from the initial ones or from those of translation of the previous financial statements, are charged to the Income Statement of the period in which they arise.

When a profit or a loss related to a non-monetary item is taken to equity, the exchange difference related to this item is also taken to equity, while when a profit or a loss is taken to income, the relevant exchange difference is also taken to income.

17 – INSURANCE ASSETS AND LIABILITIES

IFRS 4 defines an insurance contract as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The insurance risk is defined as a risk, different from the financial risk, that is transferred from the insured to the issuer of the insurance contract.

The financial risk is in turn defined as the risk of a possible future variation of one or more of the following variables: specific interest rates, prices of financial instruments, prices of goods, exchange rates, price or rate indexes, credit ratings and any other variable, provided that, if it is a non-financial variable, it is not specific to one of the contractual counterparts.

An insurance risk is significant if, and only if, the insured event can entail the payment by insurer of additional significant compensation upon the occurrence of any circumstance having economic substance (i.e. excluding events that do not have any identifiable effect related to the economic aspects of the operation).

On the basis of the analysis carried out on the policies in the portfolio, all contracts of the non-life and life business that have significant components of insurance risk, fall within the scope of IFRS 4 (insurance contracts).

As per the definition of insurance contract supplied by IFRS 4, the contracts that present a non-significant insurance risk therefore fall within the scope of IAS 39 (Financial instruments: accounting and evaluation) and IAS 18 (Revenues).

Technical reserves – Non-life business

The premium reserve for damages was calculated following the principles ISVAP no. 360/D memorandum dated January 21st, 1999 and specifically calculating analytically the share with the pro-rata temporis method of accounted gross premiums of future financial year charges, deducting from these the relevant purchasing commissions. The same method was also applied to determine the premium reserves charged to the reinsurers.

For the ageing reserve the 10% minimum rate was applied to premiums for the financial year as per the provision of art. 25 par. 5 of Legislative Decree 175/95.

The claims reserve is determined analytically through the evaluation of all the outstanding claims at the end of the financial year and on the basis of technically prudent estimates that allow the reserved amount to be sufficient to pay the compensations required. This reserve also includes provision for late claims.

The share of the claims reserve charged to the reinsures reflects the recovery on the amounts reserved, as envisaged by the outstanding agreements.

Technical reserves – Life business

The mathematical reserves on life insurance, determined according to actuarial criteria, are in line with articles 24 and 25 of Legislative Decree no. 174 dated March 17th, 1995. They prove to be adequate for coverage of the commitments undertaken with the interested parties, as per the technical report prepared and undersigned by the actuary entrusted by the Company. In particular special attention was given to the provisions regarding adjustments of the technical bases for annuity related services and also to provision ISVAP 1801 G of 21.02.2001 regarding the constitution of additional reserves to meet foreseeable returns of the funds managed separately.

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To verify the suitability of the technical reserves a Company will be carrying out a "Liability Adequacy Test", based on the current values of future cash flows. If from this evaluation it appears that the carrying value of the insurance liabilities, net of the relevant capitalized purchasing costs and intangible assets, is insufficient, the difference must be charged to the Income Statement.

Shadow accounting

Contracts with appreciation of performance connected to returns of a segregated management are classified as insurance or investment contracts, with Discretionary Participation Features (DPF). The DPF component derives from the existence of unrealised capital gains and losses arising from evaluation. IFRS 4 (par. 30) allows the modification of accounting principles so that profits or losses recognised but not realised on an asset affect the measuring of the insurance liabilities, the related deferred purchasing costs and the related intangible assets as if they were a realised component.

The adjustment that follows is taken to equity only if the same treatment is adopted for the realised profits or losses.

On the other hand, latent capital profits or losses on assets taken directly to income (including impairment for lasting losses) entail a corresponding write-downs of the insurance liabilities taken directly to income.

Other liabilities

This item includes, among others, the managing charges of the C.B.A. Vita contracts classified as investments that are recognized as revenue, in accordance with IAS 18, when the service is rendered.

This implies that the service component is deferred and charged to the Income Statement in a straight line over the duration of the contract in order to compensate the costs of service rendering incurred by the Company. The estimate of the policy duration takes into consideration the insured's propensity for settlement, for the tested products on which the Group has matured experience, the expectations evaluated during the study phase, for new products. The recurring components, such as commissions receivable, commissions payable and asset management costs are charged to the income statement of the accounting period in which they are generated.

Aspects of the Income Statement related to insurance management

As regards insurance contracts, in accordance with IFRS 4, the following are to be charged to the Income Statement: premiums, that include the amounts for the year deriving from the contracts issue, net of cancellations; the variation of technical reserves, which represents the variation of future commitments towards policy holders deriving from insurance contracts; fees for the accounting period payable to the intermediaries and the cost of losses, redemptions and due dates for the accounting period.

18 – OTHER INFORMATION

Securitizations

In the financial year 2001 the Group perfected two securitizations with which Sella Holding Banca (formerly Banca Sella S.p.A.) and Biella Leasing S.p.A. transferred respectively, a performing credit portfolio and the flows deriving from a portfolio of leasing contracts to the special purpose vehicle company Secursel S.r.l., respectively. For both of the above-mentioned securitization operations the optional exemption foreseen by the IFRS 1 was used, that allows for financial assets/liabilities transferred or cancelled before January 1st, 2004 to not be re-entered.

During 2005 Sella Holding Banca (formerly Banca Sella S.p.A.) perfected another transfer of a performing credit portfolio to the special purpose vehicle company Mars 2600 S.r.l.

The credits of the latest securitization operation were re-entered in the consolidated financial statements as it was impossible to carry out their derecognition as established by IAS 39.

Benefits for Employees

Staff severance pays are recorded based on their actuarial value. For discounting purposes, the method of unitary credit projection is used, that foresees the projection of future disbursements on the basis of statistical historical analyses and the demographic curve and the financial discounting of these flows based on a market interest rate.

Dividends and revenue recognition

Revenues are recognised when received or in any case when it is likely that future benefits will be received and such benefits can be quantified in a reliable manner. Specifically, dividends are accounted for in the Income Statement when their distribution is decided.

Own shares

Any own share held is deducted from net equity.

Similarly, the initial cost of these and the profits or the losses deriving from their subsequent sale are accounted for as net equity movements.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1
CASH AND LIQUIDITIES - ITEM 10

1.1 Breakdown of item 10 “Cash and available liquidity”

	Banking Group	Insurance companies	Other Companies	Total 31/12/2006	Total 31/12/2005
a) Cash	90.359	1	-	90.360	81.770
b) Deposits at Central Banks	10.012	-	-	10.012	9.784
Total	**100.371**	**1**	**-**	**100.372**	**91.554**

SECTION 2
FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: breakdown by category

Items/Values	Banking Group		Insurance companies		Other Companies		Total 31/12/2006	Total 31/12/2005
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted		
A. Cash assets								
1. Debt securities	560.606	11.708	379.427	-	-	-	**951.741**	**1.160.171**
1.1 Structured securities	-	-	139.006	-	-	-	**139.006**	**165.535**
1.2 Other debt securities	560.606	11.708	240.421	-	-	-	**812.735**	**994.636**
2. Equities	1.083	113	405	-	-	-	**1.601**	**4.643**
3. Units in O.I.C.R:	38.814	291	431.829	-	-	-	**470.934**	**387.822**
4. Loans	-	-	-	-	-	-	-	-
4.1. Repurchase agreements	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
5. Impaired assets	387	-	-	-	-	-	-	-
6. Assets sold but not eliminated	530.312	-	-	-	-	-	**530.312**	**315.307**
Total A	**1.130.815**	**12.112**	**811.661**	**-**	**-**	**-**	**1.954.588**	**1.867.943**
B. Derivative instruments								
1. Financial derivatives:	632	40.878	-	29.542	-	-	**71.052**	**50.519**
1.1 trading	632	38.706	-	-	-	-	**39.338**	**34.637**
1.2 connected to *fair value option*	-	-	-	-	-	-	-	-
1.3 other	-	2.172	-	29.542	-	-	**31.714**	**15.882**
2. Credit derivatives:	-	-	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-	-	-
2.2 connected to *fair value option*	-	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-	-
Total B	**632**	**40.878**	**-**	**29.542**	**-**	**-**	**71.052**	**50.519**
Total A+B	**1.131.447**	**52.990**	**811.661**	**29.542**	**-**	**-**	**2.025.640**	**1.918.462**

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

Items/Values	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
A. CASH ASSETS					
1. Debt securities	**572.314**	**379.427**	**-**	**951.741**	**1.160.171**
a) Governments and Central Banks	256.745	29.692	-	286.437	790.239
b) Other public-sector bodies	63.700	-	-	63.700	799
c) Banks	165.685	96.030	-	261.715	200.087
d) Other issuers	86.184	253.705	-	339.889	169.046
2. Equities	**1.196**	**405**	**-**	**1.601**	**4.643**
a) Banks	-	-	-	-	-
b) Other issuers	1.196	405	-	1.601	4.643
- insurance companies	591	211	-	802	89
- financial companies	120	-	-	120	1.805
- non-financial companies	485	-	-	485	2.501
- other	-	194	-	194	248
3. Units in O.I.C.R:	**39.105**	**431.829**	**-**	**470.934**	**387.822**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
5. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
6. Assets sold but not eliminated	**530.312**	**-**	**-**	**530.312**	**315.307**
a) Governments and Central Banks	530.312	-	-	530.312	315.307
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other issuers	-	-	-	-	-
Total A	**1.142.927**	**811.661**	**-**	**1.954.588**	**1.867.943**
B. DERIVATIVE INSTRUMENTS					
a) Banks	11.535	29.542	-	41.077	31.367
b) Customers	29.975	-	-	29.975	19.152
Total B	**41.510**	**29.542**	**-**	**71.052**	**50.519**
Total (A + B)	**1.184.437**	**841.203**	**-**	**2.025.640**	**1.918.462**

2.3 Financial assets held for trading: Derivative trading instruments

2.3.1 attributable to the banking group

Derivative type/ Underlying assets	Interest rate	Currency and gold	Equities	Loans	Other	Total 31/12/2006	Total 31/12/2005
A) Listed derivatives							
1. Financial derivatives:	**-**	**-**	**632**	**-**	**-**	**632**	**1.372**
• with exchange of capital							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	95
• without exchange of capital							
- options purchased	-	-	632	-	-	632	1.277
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of capital	-	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-	-
Total A	**-**	**-**	**632**	**-**	**-**	**632**	**1.372**
B) Unlisted derivatives							
1. Financial derivatives:	**17.033**	**22.124**	**1.721**	**-**	**-**	**40.878**	**40.431**
• with exchange of capital							
- options purchased	-	3.233	-	-	-	3.233	4.272
- other derivatives	-	18.617	-	-	-	18.617	19.880
• without exchange of capital							
- options purchased	3.995	-	1.721	-	-	5.716	6.364
- other derivatives	13.038	274	-	-	-	13.312	9.915
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of capital	-	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-	-
Total B	**17.033**	**22.124**	**1.721**	**-**	**-**	**40.878**	**40.431**
Total A + B	**17.033**	**22.124**	**2.353**	**-**	**-**	**41.510**	**41.803**

2.3.2 attributable to insurance companies

Derivative type/ Underlying assets	Interest rate	Currency and gold	Equities	Loans	Other	Total 31/12/2006	Total 31/12/2005
A) Listed derivatives							
1. Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of capital							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• without exchange of capital							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of capital	-	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives							
1. Financial derivatives:	**-**	**-**	**29.542**	**-**	**-**	**29.542**	**8.716**
• with exchange of capital							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• without exchange of capital							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	29.542	-	-	29.542	8.716
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of capital	-	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-	-
Total B	**-**	**-**	**29.542**	**-**	**-**	**29.542**	**8.716**
Total A + B	**-**	**-**	**29.542**	**-**	**-**	**29.542**	**8.716**

2.4 Financial assets held for trading (other than those sold but not eliminated and impaired assets): annual changes

2.4.1 attributable to the banking group

Variations/Underlying assets	Debt securities	Equities	Units in O.I.C.R.	Loans	Total 31/12/2006
A. Initial balance	**809.784**	**4.205**	**65.022**	**-**	**879.011**
B. Additions	**69.578.147**	**9.682.699**	**40.763**	**-**	**79.301.609**
B.1 Purchases	69.438.408	9.677.100	37.047	-	79.152.555
B.2 Increases in *fair value*	233	4	881	-	1.118
B.3 Other changes	139.506	5.595	2.835	-	147.936
C. Reductions	**69.815.617**	**9.685.708**	**66.680**	**-**	**79.568.005**
C.1 Disposals	69.302.501	9.683.639	37.808	-	79.023.948
C.2 Repayments	348.456	-	25.767	-	374.223
C.3 Reductions in *fair value*	37	2	-	-	39
C.4 Other changes	164.623	2.067	3.105	-	169.795
D. Final balance	**572.314**	**1.196**	**39.105**	**-**	**612.615**

2.4.2 attributable to insurance companies

Variations/Underlying assets	Debt securities	Equities	Units in O.I.C.R.	Loans	Total 31/12/2006
A. Initial balance	**350.387**	**438**	**322.800**	**-**	**673.625**
B. Additions	**72.887**	**137**	**877.108**	**-**	**950.132**
B.1 Purchases	64.918	97	875.551	-	940.566
B.2 Increases in *fair value*	1.320	40	47	-	1.407
B.3 Other changes	6.649	-	1.510	-	8.159
C. Reductions	**43.847**	**170**	**768.079**	**-**	**812.096**
C.1 Disposals	36.082	161	768.042	-	804.285
C.2 Repayments	-	-	-	-	-
C.3 Reductions in *fair value*	7.748	9	37	-	7.794
C.4 Other changes	17	-	-	-	17
D. Final balance	**379.427**	**405**	**431.829**	**-**	**811.661**

SECTION 4
FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Financial assets available for sale: product breakdown

Items/Values	Banking Group		Insurance companies		Other companies		Total 31/12/2006		Total 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	833	10.451	195.271	-	-	-	196.104	10.451	182.505	9.743
1.1 Structured securities	-	-	31.897	-	-	-	31.897	-	8.817	-
1.2 Other debt securities	833	10.451	163.374	-	-	-	164.207	10.451	173.688	9.743
2. Equities	-	92.851	-	-	-	-	-	92.851	8	56.278
2.1 measured at *fair value*	-	73.909	-	-	-	-	-	73.909	-	19.073
2.2 valued at cost	-	18.942	-	-	-	-	-	18.942	8	37.205
3. Units in O.I.C.R.	204	-	-	-	-	-	204	-	149	-
4. Loans	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-
6. Assets sold but not eliminated	-	-	-	-	-	-	-	-	-	-
Total	**1.037**	**103.302**	**195.271**	**-**	**-**	**-**	**196.308**	**103.302**	**182.662**	**66.021**

4.2 Financial assets held for sale: breakdown by debtors/issuers

Items/Values	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Debt securities	**11.284**	**195.271**	**-**	**206.555**	**192.248**
a) Governments and Central Banks	833	159.319	-	160.152	157.210
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	16.687	-	16.687	1.980
d) Other issuers	10.451	19.265	-	29.716	33.058
2. Equities	**92.851**	**-**	**-**	**92.851**	**56.286**
a) Banks	110	-	-	110	11.919
b) Other issuers	92.741	-	-	92.741	44.367
- insurance companies	-	-	-	-	-
- Financial companies	92.741	-	-	92.741	15.689
- Non-financial companies	-	-	-	-	27.837
- Others	-	-	-	-	841
3. Units in O.I.C.R.	**204**	**-**	**-**	**204**	**149**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
5. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
6. Assets sold but not eliminated	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other issuers	-	-	-	-	-
Total	**104.339**	**195.271**	**-**	**299.610**	**248.683**

4.3 Financial assets available for sale: hedged assets

4.3.2 Attributable to the insurance companies

Asset/Type of hedging	Hedged assets			
	Total 31/12/2006		Total 31/12/2005	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	195.271	-	182.505	-
2. Equities	-	-	-	-
3. Units in O.I.C.R.	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
Total	**195.271**	**-**	**182.505**	**-**

4.4 Financial assets available for sale: assets subject to micro-hedging

Assets/Value	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Financial assets with fair value micro-hedging					
a) interest rate risk	-	-	-		
b) price risk	-	-	-	-	-
c) exchange rate risk	-	-	-	-	-
d) credit risk	-	-		-	-
e) multiple risks	-	195.271	-	195.271	182.505
2. Financial assets with cash flow micro-hedging					
a) interest rate risk	-	-	-	-	-
b) exchange rate risk	-	-	-	-	-
c) other	-	-	-	-	-
Total	**-**	**195.271**	**-**	**195.271**	**182.505**

4.5 Financial assets held for sale (other than those sold but not eliminated and impaired assets): annual changes

4.5.1 attributable to the banking group

	Debt securities	Equities	Units in O.I.C.R.	Loans	Total 31/12/2006
A. Initial balance	**9.743**	**56.286**	**149**	**-**	**66.178**
B. Additions	**11.284**	**74.659**	**55**	**-**	**85.998**
B.1 Purchases	833	7.770	-	-	8.603
B.2 Increases in *fair value*	-	52.591	55	-	52.646
B.3 Write-backs	-	12.628	-	-	12.628
- attributable to profit and loss account	-	-	-	-	-
- attributable to shareholders' equity	-	12.628	-	-	12.628
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	10.451	1.670	-	-	12.121
C. Reductions	**9.743**	**38.094**	**-**	**-**	**47.837**
C.1 Disposals	-	32.737	-	-	32.737
C.2 Repayments	-	-	-	-	-
C.3 Reductions in *fair value*	-	-	-	-	-
C.4 Impairment write-downs	-	-	-	-	-
- attributable to profit and loss account	-	-	-	-	-
- attributable to shareholders' equity	-	-	-	-	-
C.5 Transfers from other portfolios	-	-	-	-	-
C.6 Other changes	9.743	5.357	-	-	15.100
D. Final balance	**11.284**	**92.851**	**204**	**-**	**104.339**

4.5.2 attributable to insurance companies

	Debt securities	Equities	Units in O.I.C.R.	Loans	Total 31/12/2006
A. Initial balance	**182.505**	**-**	**-**	**-**	**182.505**
B. Additions	**66.523**	**-**	**-**	**-**	**66.523**
B.1 Purchases	66.014	-	-	-	66.014
B.2 Increases in *fair value*	141	-	-	-	141
B.3 Write-backs	-	-	-	-	-
- attributable to profit and loss account	-	-	-	-	-
- attributable to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	368	-	-	-	368
C. Reductions	**53.757**	**-**	**-**	**-**	**53.757**
C.1 Disposals	50.201	-	-	-	50.201
C.2 Repayments	-	-	-	-	-
C.3 Reductions in *fair value*	3.041	-	-	-	3.041
C.4 Impairment write-downs	-	-	-	-	-
- attributable to profit and loss account	-	-	-	-	-
- attributable to net worth	-	-	-	-	-
C.5 Transfers from other portfolios	-	-	-	-	-
C.6 Other changes	515	-	-	-	515
D. Final balance	**195.271**	**-**	**-**	**-**	**195.271**

SECTION 5
FINANCIAL ASSETS HELD UNTIL MATURITY - ITEM 50

5.1 Financial assets held until maturity: product breakdown

Type of operation/ Group components	Banking Group		Insurance companies		Other companies		Total 31/12/2006		Total 31/12/2005	
	Book value	Fair Value	Book value	Fair Value	Book value	Fair Value	Book value	Fair Value	Book value	Fair Value
1. Debt securities	66.554	67.689	-	-	-	-	66.554	67.689	82.907	87.111
1.1 Structured	-	-	-	-	-	-	-	-	-	-
1.2 Other debt securities	66.554	67.689	-	-	-	-	66.554	67.689	82.907	87.111
2. Loans	-	-	-	-	-	-	-	-	-	-
3. Impaired assets	-	-	-	-	-	-	-	-	-	-
4. Assets sold but not eliminated	16.101	16.101	-	-	-	-	16.101	16.101	-	-
Total	**82.655**	**83.790**	**-**	**-**	**-**	**-**	**82.655**	**83.790**	**82.907**	**87.111**

5.2 Financial assets held until maturity: debtors/issuers

Type of operation/Values	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Debt securities	**66.554**	**-**	**-**	**66.554**	**82.907**
a) Governments and Central Banks	63.868	-	-	63.868	79.787
b) Other public-sector bodies	-	-	-	-	335
c) Banks	1.939	-	-	1.939	2.013
d) Other issuers	747	-	-	747	772
2. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
3. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
4. Assets sold but not eliminated	**16.101**	**-**	**-**	**16.101**	**-**
a) Governments and Central Banks	16.101	-	-	16.101	-
b) Other public-sector bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
Total	**82.655**	**-**	**-**	**82.655**	**82.907**

5.4 Financial assets held until maturity (different from those sold but not eliminated and impaired assets): annual change

	Debt securities	Loans	Total
A. Initial balance	**82.907**	**-**	**82.907**
B. Additions	**2.176**	**-**	**2.176**
B.1 Purchases	1.910	-	1.910
B2 Write-backs	-	-	-
B3 Transfers from other portfolios	-	-	-
B.4 Other changes	266	-	266
C. Reductions	**18.529**	**-**	**18.529**
C.1 Disposals	-	-	-
C2 Repayments	2.178	-	2.178
C3 Value adjustments	-	-	-
C4 Transfers to other portfolios	-	-	-
C.5 Other changes	16.351	-	16.351
D. Final balance	**66.554**	**-**	**66.554**

SECTION 6
DUE FROM BANKS – ITEM 60

6.1 Due from banks: product breakdown

6.1.1 attributable to the banking group

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
A) Due from central banks	**131.988**	**229.034**
1. Term deposits	-	-
2. Required reserves	131.818	223.366
3. Repurchase agreements	-	-
4. Other	170	5.668
B) Due from banks	**1.370.820**	**1.266.821**
1. Current accounts and demand deposits	203.549	345.082
2. Term deposits	452.929	398.267
3. Other loans	707.545	523.472
3.1. Repurchase agreements	678.465	520.981
3.2. Financial leasing	2.153	2.491
3.3 other	26.927	-
4. Debt securities	6.589	-
4.1 Structured	-	-
4.2 Other debt securities	6.589	-
5. Impaired assets	208	-
6. Assets sold but not eliminated	-	-
Total (book value)	**1.502.808**	**1.495.855**
Total (*fair value*)	**1.502.808**	**1.495.855**

6.1.2 attributable to insurance companies

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
A) Due from central banks	**1.538**	**1.495**
1. Term deposits	1.538	1.495
2. Required reserves	-	-
3. Repurchase agreements	-	-
4. Other	-	-
B) Due from banks	**5.774**	**1.275**
1. Current accounts and demand deposits	5.774	1.275
2. Term deposits	-	-
3. Other loans	-	-
3.1. Repurchase agreements	-	-
3.2. Financial leasing	-	-
3.3 other	-	-
4. Debt securities	-	-
4.1 Structured	-	-
4.2 other	-	-
5. Impaired assets	-	-
6. Assets sold but not eliminated	-	-
Total (book value)	**7.312**	**2.770**
Total (*fair value*)	**7.312**	**2.770**

6.2 Receivables due from banks: assets subject to micro-hedging

6.2.1 attributable to the banking group

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
1. Receivables subject to *fair value* micro-hedging		
a) interest rate risk	-	50.000
b) exchange rate risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Receivables subject to cash flow micro-hedging		
a) Interest rates	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**-**	**50.000**

SECTION 7
DUE FROM CUSTOMERS – ITEM 70

7.1 Due from customers: product breakdown

7.1.1 attributable to the banking group

Type of operation/Value	Total 31/12/2006	Total 31/12/2005
1. Current accounts	1.129.372	708.601
2. Repurchase agreements	-	-
3. Mortgages	2.281.255	1.898.306
4. Credit cards, personal loans and loans guaranteed by salary	925.355	673.870
5. Financial leasing	878.437	717.713
6. Factoring	-	-
7. Other transactions	1.009.403	1.458.112
8. Debt securities	12.887	-
8.1 Structured	-	-
8.2 Other	12.887	-
9. Impaired assets	130.747	142.047
10. Assets sold but not eliminated	228.494	258.295
Total (book value)	**6.595.950**	**5.856.944**
Total (*fair value*)	**6.596.475**	**5.856.944**

7.1.2 attributable to insurance companies

Type of operation/Value	Total 31/12/2006	Total 31/12/2005
1. Current accounts	-	-
2. Repurchase agreements	-	-
3. Mortgages	-	-
4. Credit cards, personal loans and loans guaranteed by salary	-	-
5. Financial leasing	-	-
6. Factoring	-	-
7. Other transactions	760	-
8. Debt securities	-	-
8.1 Structured	-	-
8.2 Other	-	-
9. Impaired assets	-	-
10. Assets sold but not eliminated	-	-
Total (book value)	**760**	**-**
Total (*fair value*)	**760**	**-**

7.2 Due from customers: breakdown by debtors/issuers

7.2.1 attributable to the banking group

Type of operation/Value	Total 31/12/2006	Total 31/12/2005
1. Debt securities issued by:	**12.887**	**-**
a) Governments	-	-
b) Other public-sector bodies	12.887	-
c) Other issuers	-	-
- Non-financial companies	-	-
- Financial companies	-	-
- Insurance companies	-	-
-Other	-	-
2. Loans to:	**6.223.822**	**5.456.602**
a) Governments	987	13.122
b) Other public-sector bodies	14.889	16.581
c) Other	6.207.946	5.426.899
- Non-financial companies	3.280.026	2.769.871
- Financial companies	171.415	383.049
- Insurance companies	477	-
- Other	2.756.028	2.273.979
3. Impaired assets:	**130.747**	**142.047**
a) Governments	-	-
b) Other public-sector bodies	-	-
c) Other	130.747	142.047
- Non-financial companies	84.057	82.735
- Financial companies	466	397
- Insurance companies	-	-
- Other	46.224	58.915
4. Assets sold but not eliminated:	**228.494**	**258.295**
a) Governments	-	-
b) Other public-sector bodies	-	-
c) Other	228.494	258.295
- Non-financial companies	-	-
- Financial companies:	-	-
- Insurance companies	-	-
- Other	228.494	258.295
Total	**6.595.950**	**5.856.944**

7.2.2 attributable to insurance companies

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
1. Debt securities issued by:	**-**	**-**
a) Governments	-	-
b) Other public-sector bodies	-	-
c) Other issuers	-	-
- Non-financial companies	-	-
- Financial companies	-	-
- Insurance companies	-	-
- Other	-	-
2. Loans to:	**760**	**-**
a) Governments	-	-
b) Other public-sector bodies	-	-
c) Other	760	-
- Non-financial companies	-	-
- Financial companies	-	-
- Insurance companies	-	-
- Other	760	-
3. Impaired assets:	**-**	**-**
a) Governments	-	-
b) Other public-sector bodies	-	-
c) Other	-	-
- Non-financial companies	-	-
- Financial companies	-	-
- Insurance companies	-	-
- Other	-	-
4. Assets sold but not eliminated:	**-**	**-**
a) Governments	-	-
b) Other public-sector bodies	-	-
c) Other	-	-
- Non-financial companies	-	-
- Financial companies	-	-
- Insurance companies	-	-
- Other	-	-
Total	**760**	**-**

7.3 Receivables due from customers: assets subject to micro-hedging

7.3.1 attributable to the banking group

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
1. Receivables subject to fair value micro-hedging	**724.828**	**549.531**
a) interest rate risk	724.828	549.531
b) exchange rate risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Receivables subject to cash flow micro-hedging	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**724.828**	**549.531**

SECTION 8
HEDGING DERIVATIVES – ITEM 80

8.1 Hedging derivatives: breakdown by contract type and underlying assets

8.1.1 attributable to the banking group

Derivative type/ Underlying assets	Interest rates	Currency and gold	Equities	Loans	Other	Total
A. Listed						
1. *Financial derivatives*	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal						
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• with no exchange of principal						
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2. *Credit derivatives*	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted						
1. *Financial derivatives*	**7.621**	**-**	**-**	**-**	**-**	**7.621**
• with exchange of principal						
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• with no exchange of principal						
- purchased options	-	-	-	-	-	-
- other derivatives	7.621	-	-	-	-	7.621
2. *Credit derivatives*	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-
Total (B)	**7.621**	**-**	**-**	**-**	**-**	**7.621**
Total (A+B) 31/12/2006	**7.621**	**-**	**-**	**-**	**-**	**7.621**
Total (A+B) 31/12/2005	**3.395**	**-**	**-**	**-**	**-**	**3.395**

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedging (book value)

8.2.1 attributable to the banking group

Transaction/Type of hedging	*Fair Value*						Cash flow	
	Micro					Macro		
	Interest rate risk	exchange rate risk	credit risk	price risk	multiple risk		Micro	Macro
1. Financial assets available for sale	-	-	-	-	-	X	-	X
2. Loans	5.905	-	-	X	-	X	-	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
Total assets	**5.905**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	1.716	-	-	X	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**1.716**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 10
EQUITY INVESTMENTS – ITEM 100

10.1 Shareholdings in controlled companies (valued at equity) either jointly owned or subject to significant influence: information on shareholdings relationships

Company name	Registere Office	Type of relationship	Shareholding relationship: Investor company	Shareholding relationship: Stake %	Voting rights %
B . Company					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Princ. Monaco	associated	Sella Holding N.V.	45,0000%	45,0000%
SELCRE S.p.A. in liquidation	Biella	associated	Brosel S.p.A.	39,0000%	39,0000%
SELCRE S.p.A. in liquidation	Biella	associated	Sella Holding Banca S.p.A.	10,0000%	10,0000%
INTERNATIONAL CAPITAL GESTION S.A.	France	associated	Intern.Capital Holding S.A.	33,4950%	33,4950%
S.C.P. VDP1	Princ. Monaco	associated	Sella Holding Banca S.p.A.	29,0000%	29,0000%

10.2 Shareholdings in controlled companies, either jointly owned or subject to significant influence: accounting data

Company name	Total assets	Total revenues	Profit (losses)	Net worth	Consolidated book value
A. Equity method					
A.2 subject to significant influence					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	86.798	7.031	1.245	11.993	5.397
SELCRE S.p.A. in liquidation	4	4	(17)	4	2
INTERNATIONAL CAPITAL GESTION S.A.	3.916	3.518	162	3.003	1.006
S.C.P. VDP1	5.935	65.757	(26)	1.974	572
Total					**6.977**

10.3 Shareholdings: annual changes

	Banking Group	Insurance companies	Other companies	Total 31/12/2006
A. Initial balance	**5.799**	**-**	**-**	**5.779**
B. Additions	**1.178**	**-**	**-**	**1.178**
B.1 Purchases	580	-	-	580
B.2 Write-backs	-	-	-	-
B.3 Revaluations	-	-	-	-
B.4 Other changes	598	-	-	598
C. Reductions	**-**	**-**	**-**	**-**
C.1 Disposals	-	-	-	-
C.2 Value adjustments	-	-	-	-
C.4 Other changes	-	-	-	-
D. Final balance	**6.977**	**-**	**-**	**6.977**
E. Total revaluations	**-**	**-**	**-**	**-**
F. Total adjustments	**-**	**-**	**-**	**-**

SECTION 11
TECHNICAL RESERVES CHARGED TO INSURERS - ITEM 110

11.1 Technical reserves charged to reinsurers: breakdown

	Total 31/12/2006	Total 31/12/2005
A. Non-life	**474**	**379**
A1 premium reserve	416	310
A2. claims reserve	58	69
A3. other reserves	-	-
B . Life	**2.992**	**1.800**
B1. actuarial reserves	2.822	1.758
B2. outstanding claims reserve	61	-
B3. other reserves	109	42
C. Technical reserves where the investment risk is borne by the policyholders	**-**	**-**
C1: Reserves relating to investment fund and index-linked contracts	-	-
C2: reserves deriving from the administration of pension funds	-	-
D. Technical reserves charged to reinsurers	**3.466**	**2.179**

11.2 Changes to item 110 “Technical reserves charged to reinsurers”

	2006
Initial balance	**2.179**
A. Non-life	**95**
A1 premium reserve	106
A2. claims reserve	-11
A3. other reserves	-
B . Life	**1.192**
B1. actuarial reserves	1.064
B2. outstanding claims reserve	61
B3. other reserves	67
C. Technical reserves where the investment risk is borne by the policyholders	**-**
C1: Reserves relating to investment fund and index-linked contracts	-
C2: reserves deriving from the administration of pension funds	-
D. Technical reserves charged to reinsurers	**3.466**

SECTION 12
TANGIBLE FIXED ASSETS – ITEM 120

12.1 Tangible fixed assets: breakdown of assets valued at cost

Assets/Value	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
A. Assets for operational use					
1.1 owned	**148.884**	**637**	**-**	**149.521**	**208.280**
a) land	33.401	-	-	33.401	33.253
b) buildings *	90.889	-	-	90.889	141.500
c) furniture	3.544	21	-	3.565	4.640
d) electronic equipment	14.229	534	-	14.763	14.294
e) other	6.821	82	-	6.903	14.593
1.2 acquired through financial *leasing*	**4.497**	**-**	**-**	**4.497**	**3.096**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
c) furniture	-	-	-	-	-
d) electronic equipment	4.497	-	-	4.497	3.096
e) other	-	-	-	-	-
Total A	**153.381**	**637**	**-**	**154.018**	**211.376**
B. Assets held for investment purposes					
2.1 owned	**3.384**	**-**	**-**	**3.384**	**4.264**
a) land	1.036	-	-	1.036	1.034
b) buildings	2.348	-	-	2.348	3.230
c) other	-	-	-	-	-
2.2 acquired through financial *leasing*	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
c) other	-	-	-	-	-
Total B	**3.384**	**-**	**-**	**3.384**	**4.264**
Total (A + B)	**156.765**	**637**	**-**	**157.402**	**215.640**

** The item "buildings" does not include purchase costs for property under financial lease and whose contracts are not yet effective. Hence, interest income matured on the financial disbursement made (pre-financing fee).*
These costs are taken as a partial utilization of the overdraft facility granted to customers for contracts that are yet to become effective. Hence, the sub-item has been reclassified from the previous year's "Tangible fixed assets" to this year's "loans" of euro 44.966m

12.3 Tangible fixed assets for operational use: annual changes

12.3.1 attributable to the banking group

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross Initial balance	**33.253**	**155.108**	**17.176**	**128.507**	**15.787**	**349.831**
A.1 Total net reductions	-	13.608	12.547	111.144	1.237	138.536
A.2 Initial balance	**33.253**	**141.500**	**4.629**	**17.363**	**14.550**	**211.295**
B. Additions	**594**	**4.145**	**2.855**	**16.816**	**8.338**	**32.748**
B.1 Purchases	-	2.623	1.138	13.425	3.809	20.995
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value attributable to:	-	-	-	-	-	-
a) net worth	-	-	-	-	-	-
b) profit and loss account	-	-	-	-	-	-
B.5 Increases due to exchange rate differences	-	24	-	-	-	24
B.6 Transfers from properties held for investment purposes	13	1.004	-	-	-	1.017
B.7 Other changes	581	494	1.717	3.391	4.529	10.712
C. Reductions	**446**	**54.756**	**3.940**	**15.453**	**16.067**	**90.662**
C.1 Disposals	-	-	170	198	232	600
C.2 Depreciation	-	3.325	1.167	9.565	2.117	16.174
C.3 Value adjustments for impairment attributable to:	-	-	-	-	-	-
a) net worth	-	-	-	-	-	-
b) profit and loss account	-	-	-	-	-	-
C.4 Increases in fair value attributable to:	-	-	-	-	-	-
a) net worth	-	-	-	-	-	-
b) profit and loss account	-	-	-	-	-	-
C.5 Reductions due to exchange rate differences	232	363	6	9	3	613
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets due for sale	-	-	-	-	-	-
C.7 Other changes	214	51.068	2.597	5.681	13.715	73.275
D. Net Final balance	**33.401**	**90.889**	**3.544**	**18.726**	**6.821**	**153.381**
D.1 Total net reductions	-	16.933	13.714	120.709	3.354	154.710
D.2 Gross Final balance	**33.401**	**107.822**	**17.258**	**139.435**	**10.175**	**308.091**
E. Valuation at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3.2 attributable to insurance companies

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross Initial balance	**-**	**-**	**80**	**656**	**293**	**1.029**
A.1 Total net reductions	-	-	69	629	250	948
A.2 Initial balance	**-**	**-**	**11**	**27**	**43**	**81**
B. Additions	**-**	**-**	**22**	**634**	**81**	**737**
B.1 Purchases	-	-	22	634	81	737
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value attributable to:	-	-	-	-	-	-
a) net worth		-	-	-	-	-
b) profit and loss account	-	-	-	-	-	-
B.5 Increases due to exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Reductions	**-**	**-**	**12**	**127**	**42**	**181**
C.1 Disposals	-	-	-	-	-	-
C.2 Depreciation	-	-	12	124	37	173
C.3 Value adjustments for impairment attributable to:	-	-	-	-	-	-
a) net worth	-	-	-	-	-	-
b) profit and loss account	-	-	-	-	-	-
C.4 Increases in fair value attributable to:	-	-	-	-	-	-
a) net worth	-	-	-	-	-	-
b) profit and loss account	-	-	-	-	-	-
C.5 Reductions due to exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets due for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	3	5	8
D. Net final balance	**-**	**-**	**21**	**534**	**82**	**637**
D.1 Total net reductions	-	-	81	753	287	1.121
D.2 Gross Final balance	**-**	**-**	**102**	**1.287**	**369**	**1.758**
E. Valuation at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.4 Tangible fixed assets held for investment purposes: annual changes

	Banking Group		Insurance companies		Other companies		Total	
	Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings
A. Initial balance	**1.034**	**3.230**	**-**	**-**	**-**	**-**	**1.034**	**3.230**
B. Additions	**28**	**226**	**-**	**-**	**-**	**-**	**28**	**226**
B.1 Purchases	-	4	-	-	-	-	-	4
B.2 Capitalised improvement expenses	-	-	-	-	-	-	-	-
B.3 Increases in fair value	-	-	-	-	-	-	-	-
B.4 Write-backs	-	-	-	-	-	-	-	-
B.5 Increases due to exchange rate differences	-	-	-	-	-	-	-	-
B.6 Transfers from properties held for operational use	-	-	-	-	-	-	-	-
B.7 Other changes	28	222	-	-	-	-	28	222
C. Reductions	**26**	**1.108**	**-**	**-**	**-**	**-**	**26**	**1.108**
C.1 Disposals	-	-	-	-	-	-	-	-
C.2 Depreciation	-	104	-	-	-	-	-	104
C.3 Reductions in fair value	-	-	-	-	-	-	-	-
C.4 Value adjustments for impairment	-	-	-	-	-	-	-	-
C.5 Reductions due to exchange rate differences	-	-	-	-	-	-	-	-
C.6 Transfers from other asset portfolios	13	1.004	-	-	-	-	13	1.004
a) properties for operational use	13	1.004	-	-	-	-	13	1.004
b) non-current assets due for sale	-	-	-	-	-	-	-	-
C.7 Other changes	13	-	-	-	-	-	13	-
D. Final balance	**1.036**	**2.348**	**-**	**-**	**-**	**-**	**1.036**	**2.348**
E. Valuation at *fair value*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 13
INTANGIBLE FIXED ASSETS – ITEM 130

13.1 Intangible fixed assets: breakdown by asset type

Assets/Values	Banking Group		Insurance companies		Other companies		Total 31/12/2006		Total 31/12/2005	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill:	**X**	**44.369**	**X**	**190**	**X**	**-**	**X**	**44.559**	**X**	**41.039**
A.1.1 attributable to the group	X	39.807	X	174	X	-	X	39.981	X	41.039
A.1.2 attributable to minorities	X	4.562	X	16	X	-	X	4.578	X	-
A.2 Other intangible fixed assets:	**20.310**	**921**	**102**	**-**	**-**	**-**	**20.412**	**921**	**18.377**	**-**
A.2.1 Assets valued at cost	20.310	921	102	-	-	-	20.412	921	18.377	-
a) Intangible assets generated internally	-	-	-	-	-	-	-	-	-	-
b) Other assets	20.310	921	102	-	-	-	20.412	921	18.377	-
A.2.2 Assets valued at fair value:	-	-	-	-	-	-	-	-	-	-
a) Intangible fixed assets generated internally	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**20.310**	**45.290**	**102**	**190**	**-**	**-**	**20.412**	**45.480**	**18.377**	**41.039**

13.2 Intangible fixed assets: annual changes

13.2.1 attributable to the banking group

	Goodwill	Other intangible fixed assets: generated internally		Other intangible fixed assets: other		Total
		Lim.	unlim.	Lim.	unlim.	
A. Gross Initial balance	**40.849**	**-**	**-**	**91.639**	**-**	**132.488**
A.1 Total net reductions	-	-	-	73.683	-	73.683
A.2 Net Initial balance	**40.849**	**-**	**-**	**17.956**	**-**	**58.805**
B. Additions	**10.154**	**-**	**-**	**13.750**	**-**	**23.904**
B.1 Purchases	2.177	-	-	12.832	-	15.009
B.2 Increases in internal intangible fixed assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- to net worth	X	-	-	-	-	-
- to profit and loss account	X	-	-	-	-	-
B.5 Increases due to exchange rate differences	-	-	-	1	-	1
B.6 Other changes	7.977	-	-	917	-	8.894
C. Reductions	**6.634**	**-**	**-**	**10.475**	**-**	**17.109**
C.1 Disposals	6.139	-	-	51	-	6.190
C.2 Value adjustments	102	-	-	8.718	-	8.820
- amortization	X	-	-	8.718	-	8.718
- writedowns	102	-	-	-	-	102
- net worth	X	-	-	-	-	-
- profit and loss account	102	-	-	-	-	102
C.3 Reductions in fair value	-	-	-	-	-	-
- to net worth	X	-	-	-	-	-
- to profit and loss account	X	-	-	-	-	-
C.4 Transfers to non-current assets due for sale	-	-	-	-	-	-
C.5 Reductions due to exchange rate differences	-	-	-	28	-	28
C.6 Other changes	393	-	-	1.678	-	2.071
D. Net Final balance	**44.369**	**-**	**-**	**21.231**	**-**	**65.600**
D.1 Total net value adjustments	-	-	-	82.401	-	82.401
E. Gross Final balance	**44.369**	**-**	**-**	**103.632**	**-**	**148.103**
F. Valuation at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2.2 attributable to insurance companies

	Goodwill	Other intangible asstes: generated internally		Other intangible fixed assets: other		Total
		LIM.	UNLIM.	LIM.	UNLIM.	
A. Gross Initial balance	**190**	**-**	**-**	**3.643**	**-**	**3.833**
A.1 Total net reductions	-	-	-	3.222	-	3.222
A.2 Net Initial balance	**190**	**-**	**-**	**421**	**-**	**611**
B. Additions	**-**	**-**	**-**	**13**	**-**	**13**
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- to net worth	X	-	-	-	-	-
- to profit and loss account	X	-	-	-	-	-
B.5 Increases due to exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	13	-	13
C. Reductions	**-**	**-**	**-**	**332**	**-**	**332**
C.1 Disposals	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	329	-	329
- amortization	X	-	-	329	-	329
- writedowns	-	-	-	-	-	-
- net worth	X	-	-	-	-	-
- profit and loss account	-	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-	-
- to net worth	X	-	-	-	-	-
- to profit and loss account	X	-	-	-	-	-
C.4 Transfers to non-current assets due for sale	-	-	-	-	-	-
C.5 Reductions due to exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	3	-	3
D. Net Final balance	**190**	**-**	**-**	**102**	**-**	**292**
D.1 Total net value adjustments	-	-	-	3.551	-	3.551
E. Gross Final balance	**190**	**-**	**-**	**3.653**	**-**	**3.843**
F. Valuation at cost	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 14
TAX ASSETS AND LIABILITIES - ITEM 140 (ASSETS) AND ITEM 80 (LIABILITIES)

14.1 Prepaid tax assets: breakdown

14.1.1 attributable to the banking group

	Setting off the profit and loss account			Setting off net worth	Total 31/12/2006	Total 31/12/2005
	Tax losses	Writedowns	Others			
- IRES (Corporation tax)	-	27.406	24.077	3.277	54.760	52.749
- IRAP (Regional trade tax)	-	231	1.108	426	1.765	2.827
- OTHER	-	-	-	151	151	-
Total	**-**	**27.637**	**25.185**	**3.854**	**56.676**	**55.576**

14.1.2 attributable to insurance companies

	Setting off the profit and loss account			Setting off net worth	Total 31/12/2006	Total 31/12/2005
	Tax losse	Writedowns	Others			
- IRES (Corporation tax)	371	-	70	1.453	1.894	3.296
- IRAP (Regional trade tax)	-	-	1	-	1	182
- OTHER	-	-	-	-	-	-
Total	**371**	**-**	**71**	**1.453**	**1.895**	**3.478**

14.2 Deferred tax assets: breakdown

14.2.1 attributable to the banking group

	Setting off profit and loss	Setting off net worth	Total 31/12/2006	Total 31/12/2005
- IRES (Corporation tax)	10.334	3.447	13.781	9.096
- IRAP (Regional trade tax)	723	-	723	1.102
- Others	9	371	380	-
Total	**11.066**	**3.818**	**14.884**	**10.198**

14.2.2 attributable to insurance companies

	Setting off profit and loss	Setting off net worth	Total 31/12/2006	Total 31/12/2005
- IRES (Corporation tax)	-	-	-	25
- IRAP (Regional trade tax)	-	-	-	2
- Others	-	-	-	-
Total	**-**	**-**	**-**	**27**

14.3 Changes in prepaid taxes (setting off profit and loss account)

	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Initial balance	**52.184**	**2.779**	**-**	**54.963**	**19.512**
2. Additions	**46.070**	**119**	**-**	**46.189**	**45.953**
2.1 Prepaid taxes paid during the year	16.203	70	-	16.273	45.953
a) relating to previous years	-	-	-	-	-
b) due to changes in accounting policies	12	-	-	12	24.751
c) write-backs	-	-	-	-	-
d) other	16.191	70	-	16.261	21.202
2.2 New taxes cancelled during the year	113	-	-	113	-
2.3 Other additions	29.754	49	-	29.803	-
3. Reductions	**45.432**	**2.456**	**-**	**47.888**	**10.502**
3.1 Prepaid taxes cancelled during the year	20.625	2.405	-	23.030	10.502
a) transfers	20.625	2.405	-	23.030	10.502
b) writedowns for unrehedgingable items	-	-	-	-	-
c) changes in accounting policies	-	-	-	-	-
3.2 Reductions in tax rates	-	-	-	-	-
3.3 Other reductions	24.807	51	-	24.858	-
4. Final balance	**52.822**	**442**	**-**	**53.264**	**54.963**

14.4 Changes to deferred taxes (setting off profit and loss account)

	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Initial balance	**9.602**	**27**	**-**	**9.629**	**11.298**
2. Additions	**13.161**	**-**	**-**	**13.161**	**5.665**
2.1 Deferred taxes paid during the year	3.238	-	-	3.238	5.665
a) relating to previous years	-	-	-	-	-
b) due to changes in accounting policies	-	-	-	-	1.258
c) other	3.238	-	-	3.238	4.407
2.2 New taxes or increases in tax rates	624	-	-	624	-
2.3 Other additions	9.299	-	-	9.299	-
3. Reductions	**11.697**	**27**	**-**	**11.724**	**7.334**
3.1 Deferred taxes cancelled during the year	11.105	-	-	11.105	7.334
a) transfers	8.282	-	-	8.282	7.334
b) due to changes in accounting policies	11	-	-	11	-
c) other	2.812	-	-	2.812	-
3.2 Reductions in tax rates	107	-	-	107	-
3.3 Other reductions	485	27	-	512	-
4. Final balance	**11.066**	**-**	**-**	**11.066**	**9.629**

14.5 Changes to prepaid taxes (setting off net worth)

	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Initial balance	**3.387**	**704**	**-**	**4.091**	**-**
2. Additions	**1.259**	**758**	**-**	**2.017**	**4.091**
2.1 Prepaid taxes paid during the year	-	586	-	586	4.091
a) relating to previous years	-	-	-	-	-
b) due to changes in accounting policies	-	-	-	-	-
c) other	-	586	-	586	4.091
2.2 New taxes or increases in tax rates	5	-	-	5	-
2.3 Other additions	1.254	172	-	1.426	-
3. Reductions	**792**	**9**	**-**	**801**	**-**
3.1 Prepaid taxes cancelled during the year	3	-	-	3	-
a) transfers	3	-	-	3	-
b) writedowns for unrehedgingable items	-	-	-	-	-
c) due to changes in accounting policies	-	-	-	-	-
3.2 Reductions in tax rates	-	-	-	-	-
3.3 Other reductions	789	9	-	798	-
4. Final balance	**3.854**	**1.453**	**-**	**5.307**	**4.091**

14.6 Changes to deferred taxes (setting off net worth)

	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Initial balance	**596**	**-**	**-**	**596**	**7.932**
2. Additions	**3.991**	**-**	**-**	**3.991**	**591**
2.1 Deferred taxes paid during the year	2.793	-	-	2.793	591
a) relating to previous years	-	-	-	-	-
b) due to changes in accounting policies	-	-	-	-	-
c) other	2.793	-	-	2.793	591
2.2 New taxes or increases in tax rates	649	-	-	649	-
2.3 Other additions	549	-	-	549	-
3. Reductions	**769**	**-**	**-**	**769**	**7.927**
3.1 Deferred taxes cancelled during the year	-	-	-	-	7.927
a) transfers	-	-	-	-	7.927
b) due to changes in accounting policies	-	-	-	-	-
c) other	-	-	-	-	-
3.2 Reductions in tax rates	-	-	-	-	-
3.3 Other reductions	769	-	-	769	-
4. Final balance	**3.818**	**-**	**-**	**3.818**	**596**

SECTION 16
OTHER ASSETS – ITEM 160

16.1 Other assets - breakdown

	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
Items in transit	4.831	-	-	4.831	2.125
Items being processed	45.579	-	-	45.579	32.448
Inventory forms	382	-	-	382	471
Miscellaneous payment orders in the process of collection	72.424	-	-	72.424	62.727
Daily margins on derivative contracts traded on regulated markets in the process of payment	54.560	-	-	54.560	23.998
Current account cheques drawn against third parties	49.077	-	-	49.077	57.581
Current account cheques drawn against the bank	32.567	44	-	32.611	17.481
Advances made by tax authorities for third parties	-	-	-	-	5.205
Guarantee deposits on own behalf	298	1	-	299	-
Commission and fees in the process of collection	40.396	121	-	40.517	41.079
Pensions recognised and pending payment by INPS (Social Security Service)	-	-	-	-	50.468
Expenses for improvements to third-party property	4.412	-	-	4.412	3.334
Portfolio adjustments	21.133	-	-	21.133	-
Consolidation adjustments	2.844	-	-	2.844	630
Advances and loans to suppliers	7.001	5	-	7.006	8.944
Others	21.136	3.945	-	25.081	40.964
Total	**356.640**	**4.116**	**-**	**360.756**	**347.455**

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

LIABILITIES

SECTION 1
DUE TO BANKS – ITEM 10

1.1 Due to banks: product breakdown

Type of operation/ Group components	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Due to central banks	**9.997**	**-**	**-**	**9.997**	**-**
2. Due to banks	**487.020**	**-**	**-**	**487.020**	**474.991**
2.1 Bank accounts and demand deposits	144.675	-	-	144.675	39.299
2.2 Term deposits (including term accounts)	154.769	-	-	154.769	269.864
2.3. Loans	165.549	-	-	165.549	122.319
2.3.1 Financial leasing	-	-	-	-	-
2.3.2 other	165.549	-	-	165.549	122.319
2.4 Debt servicing on loans	-	-	-	-	-
2.5. Liabilities on assets sold but not removed from balance sheet	110	-	-	110	43.509
2.5.1 repurchase agreements	110	-	-	110	43.509
2.5.2 other	-	-	-	-	-
2.6 Other payables	21.917	-	-	21.917	-
2.6.1 Other payables - REPOs	1.624	-	-	1.624	-
2.6.2 Other payables - Other	20.293	-	-	20.293	-
Total	**497.017**	**-**	**-**	**497.017**	**474.991**
Fair value	**497.017**	**-**	**-**	**497.017**	**474.991**

SECTION 2
DUE TO CUSTOMERS – ITEM 20

2.1 Due to customers: product breakdown

Type of operation/ Group components	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Bank accounts and demand deposits	5.466.799	-	-	5.466.799	5.321.615
2 Term deposits and term accounts	272.677	-	-	272.677	219.199
3. Managed third-party funds	13.856	-	-	13.856	15.690
4. Loans	478	-	-	478	380
4.1. Financial leasing	-	-	-	-	-
4.2 other	478	-	-	478	380
5. Debt servicing loans	-	-	-	-	-
6. Liabilities on assets sold but not removed from balance sheet	768.527	-	-	768.527	765.906
6.1. Repurchase agreements	515.766	-	-	515.766	504.828
6.2 other	252.761	-	-	252.761	261.078
7. Other payables	451.762	407	-	452.169	386.564
7.1 Repurchase Agreements PCT	356.809	-	-	356.809	-
7.2 Other	94.953	407	-	95.360	-
Total	**6.974.099**	**407**	**-**	**6.974.506**	**6.709.354**
Fair value	**6.974.099**	**407**	**-**	**6.974.506**	**6.709.354**

SECTION 3
OUTSTANDING SECURITIES - ITEM 30

3.1 Outstanding securities: product breakdown

Security Type/ Group components	Banking Group		Insurance companies		Other companies		Total 31/12/2006		Total 31/12/2005	
	BV	FV	BV	FV	BV	FV	BV	FV	BV	FV
A. Listed securities	**854.770**	**853.836**	**-**	**-**	**-**	**-**	**854.770**	**853.836**	**501.688**	**501.688**
1. Bonds	854.770	853.836	-	-	-	-	854.770	853.836	501.688	501.688
1.1 structured	-	-	-	-	-	-	-	-	-	-
1.2 other	854.770	853.836	-	-	-	-	854.770	853.836	501.688	501.688
2. Other securities	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-	-	-
B. Unlisted securities	**812.848**	**812.883**	**-**	**-**	**-**	**-**	**812.848**	**812.883**	**846.168**	**846.168**
1. Bonds	708.169	708.204	-	-	-	-	708.169	708.204	705.583	705.583
1.1 structured	14.883	14.939	-	-	-	-	14.883	14.939	24.906	24.906
1.2 other	693.286	693.265	-	-	-	-	693.286	693.265	680.677	680.677
2. Other securities	104.679	104.679	-	-	-	-	104.679	104.679	140.585	140.585
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 other	104.679	104.679	-	-	-	-	104.679	104.679	140.585	140.585
Total	**1.667.618**	**1.666.719**	**-**	**-**	**-**	**-**	**1.667.618**	**1.666.719**	**1.347.856**	**1.347.856**

Key: BV = book value - FV = fair value

3.2 Details of item 30 “Outstanding securities”: subordinated securities

	Total 31/12/2006	Total 31/12/2005
- Subordinated securities	404.633	248.368
Total	**404.633**	**248.368**

3.3 Details of item 30 “Outstanding securities”: securities subject to micro-hedging

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
1. Securities subject to fair value micro-hedging	88.171	88.430
a) interest rate risk	88.171	88.430
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Securities subject to cash flow micro-hedging	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**88.171**	**88.430**

SECTION 4
TRADING FINANCIAL LIABILITIES - ITEM 40

4.1 Trading financial liabilities: product breakdown

Security type/ Group components	Banking Group				Insurance companies				Other companies			
	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*
		L	UL			L	UL			L	UL	
A. Cash liabilities	-	-	-	-	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3.1. Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments												
1. Financial derivatives	-	2.203	35.350	-	-	-	8.152	-	-	-	-	-
1.1 trading	-	1.802	34.982	-	-	-	-	-	-	-	-	-
1.2 connected to fair value option	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	401	368	-	-	-	8.152	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-	-	-	-	-	-	-
2.2 connected to fair value option	-	-	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**2.203**	**35.350**	**-**	**-**	**-**	**8.152**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**-**	**2.203**	**35.350**	**-**	**-**	**-**	**8.152**	**-**	**-**	**-**	**-**	**-**

follow

Security type/ Group components	Total 31/12/2006				Total 31/12/2005			
	NV	FV		FV*	NV	FV		FV*
		L	UL			L	UL	
A. Cash liabilities	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1. Bonds	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments								
1. Financial derivatives	-	2.203	43.502	-	-	-	41.321	-
1.1 trading	-	1.802	34.982	-	-	-	41.321	-
1.2 connected to fair value option	-	-	-	-	-	-	-	-
1.3 Other	-	401	8.520	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-	-	-
2.2 connected to fair value option	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-
Total B	**-**	**2.203**	**43.502**	**-**	**-**	**-**	**41.321**	**-**
Total (A+B)	**-**	**2.203**	**43.502**	**-**	**-**	**-**	**41.321**	**-**

4.4. Trading financial liabilities: derivatives

4.4.1 attributable to the banking group

Derivative type/Underlying assets	Interest rates	Currency and gold	Equities	Loans	Other	Total 31/12/2006	Total 31/12/2005
A) Listed derivatives							
1. Financial derivatives:	**-**	**-**	**2.203**	**-**	**-**	**2.203**	**8.346**
• with exchange of principal	-	-	-	-	-	-	6.620
- option issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	6.620
• with no exchange of principal	-	-	2.203	-	-	2.203	1.726
- option issued	-	-	2.203	-	-	2.203	1.702
- other derivatives	-	-	-	-	-	-	24
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-	-
Total A	**-**	**-**	**2.203**	**-**	**-**	**2.203**	**8.346**
B) Unlisted derivatives							
1. Financial derivatives:	**15.580**	**16.779**	**2.991**	**-**	**-**	**35.350**	**32.975**
• with exchange of principal	2	16.388	1.270	-	-	17.660	14.057
- option issued	2	3.161	1.270	-	-	4.433	4.272
- other derivatives	-	13.227	-	-	-	13.227	9.785
• with no exchange of principal	15.578	391	1.721	-	-	17.690	18.918
- option issued	3.694	2	1.721	-	-	5.417	6.618
- other derivatives	11.884	389	-	-	-	12.273	12.300
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-	-
Total B	**15.580**	**16.779**	**2.991**	**-**	**-**	**35.350**	**32.975**
Total A+B	**15.580**	**16.779**	**5.194**	**-**	**-**	**37.553**	**41.321**

4.4.2 attributable to insurance companies

Derivative type/Underlying assets	Interest rate	Currency and gold	Equities	Loans	Other	Total 31/12/2006	Total 31/12/2005
A) Listed derivatives							
1. Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-	-
- option issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-	-
- option issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives							
1. Financial derivatives:	**8.152**	**-**	**-**	**-**	**-**	**8.152**	**-**
• with exchange of principal	-	-	-	-	-	-	-
- option issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• with no exchange of principal	8.152	-	-	-	-	8.152	-
- option issued	-	-	-	-	-	-	-
- other derivatives	8.152	-	-	-	-	8.152	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-	-
Total B	**8.152**	**-**	**-**	**-**	**-**	**8.152**	**-**
Total (A+B)	**8.152**	**-**	**-**	**-**	**-**	**8.152**	**-**

SECTION 6
HEDGING DERIVATIVES – ITEM 60

6.1 Hedging derivatives: breakdown by contract type and underlying assets

6.1.1 attributable to the banking group

Derivative type/Underlying assets	Interes rate	Currency and gold	Equities	Loans	Other	Total
A) Listed						
1. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-
- option issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-
- option issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted						
1. Financial derivatives	**1.786**	**-**	**-**	**-**	**-**	**1.786**
• with exchange of principal	-	-	-	-	-	-
- option issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• with no exchange of principal	1.786	-	-	-	-	1.786
- option issued	-	-	-	-	-	-
- other derivatives	1.786	-	-	-	-	1.786
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with exchange of principal	-	-	-	-	-	-
• with no exchange of principal	-	-	-	-	-	-
Total B	**1.786**	**-**	**-**	**-**	**-**	**1.786**
Total (A+B) 2006	**1.786**	**-**	**-**	**-**	**-**	**1.786**
Total (A+B) 2005	**11.995**	**-**	**-**	**-**	**-**	**11.995**

6.2 Hedging derivatives: breakdown by hedged portfolio and type of hedging

6.2.1 attributable to the banking group

Transaction/Type of hedging	*Fair value* hedge						Cash flow hedge	
	Micro					Macro	Micro	Macro
	Interest rate risk	exchange rate risk	Credit risk	Price risk	Multiple risk			
1. Financial assets available for sale	-	-	-	-	-	-	-	-
2. Loans	496	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
Total assets	**496**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	1.290	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	**1.290**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 10
OTHER LIABILITIES – ITEM 100

10.1 Other liabilities: breakdown

	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
Items in transit	3.001	-	-	3.001	1.357
Third-party guarantee deposits	1.813	-	-	1.813	249
Advances to tax authorities for third parties	25.940	-	-	25.940	12.472
Adjustments for non-liquid portfolio items	40.312	-	-	40.312	83.061
Liquid funds available to customers	40.550	-	-	40.550	37.400
Bank transfers and other due payments	155.526	-	-	155.526	87.488
Trade payables and fees to miscellaneous	59.599	1.021	-	60.620	66.262
Personnel expenses	26.436	427	-	26.863	27.697
Matured costs due for payment	2.877	581	-	3.458	-
Guarantees and commitments	2.428	-	-	2.428	2.838
Items being processed	6.216	-	-	6.216	10.614
Insurance payables	-	188.950	-	188.950	195.585
Other liabilities	29.956	-	-	29.956	57.976
Total	**394.654**	**190.979**	**-**	**585.633**	**582.999**

SECTION 11
STAFF SEVERANCE - ITEM 110

11.1 Staff severance: annual changes

	Banking Group	Insurance companies	Other companies	Total 31/12/2006
A. Initial balance	**45.523**	**423**	**-**	**45.946**
B. Additions	**6.633**	**87**	**-**	**6.720**
B.1 Provisions	6.633	34	-	6.667
B.2 Other increases	-	53	-	53
C. Reductions	**4.901**	**47**	**-**	**4.948**
C.1 Severance pay-outs	2.558	-	-	2.558
C.2 Other reductions	2.343	47	-	2.390
D. Final balance	**47.255**	**463**	**-**	**47.718**

SECTION 12
PROVISIONS FOR RISKS AND CHARGES - ITEM 120

12.1 Provisions for risks and charges: breakdown

Items/Values	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Superannuation	-	-	-	-	-
2. Other provisions for risks and charges:					
2.1. Legal disputes and customer complaints	24.066	-	-	24.066	15.498
2.2. Operating risk	54.861	-	-	54.861	14.799
2.3. Personnel expenses	454	-	-	454	1.184
2.4 Supplementary customer allowance and goodwill compensation for termination of agency relationship	1.091	-	-	1.091	1.066
2.5 Other	2.375	-	-	2.375	1.376
Total	**82.847**	**-**	**-**	**82.847**	**33.923**

Sella Bank Luxembourg has been subject to complaints and action, – some of which during previous financial years – including two "assignations" brought by two Luxembourg open-end investment companies, all regarding actual activities traceable to the former management of the company, which was replaced following inspections begun in November 2003 and already referred to in previous financial statements. The amount involved totals c. euro 105m.
Together with its parent company, Sella Holding Banca, Sella Bank Luxembourg has appointed outstanding legal firms to deal with the audits and defence for these cases.
Again with regard to the above and the related charges, Sella Holding Banca, the company that has direct and indirect control over Sella Bank Luxembourg, has renewed its commitment to hold the latter harmless by providing the necessary financial support to ensure observance of the minimum balance sheet limits.
For the purpose of evaluating the potential liabilities relating to this commitment, the parent company has obtained specific legal opinions from experts in the sector, has made checks carried out by Group personnel and employees of the auditing company and has called meetings with representatives of the opposing parties.
The outcome of the above activities corroborates the amount entered under "Provisions for risks and charges".

12.2 Provisions for risks and charges: annual changes

12.2.1 attributable to the banking group

Items/Components	Superannuation	Legal disputes	Operating risk	Personnel expenses	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Other
A. Initial balance	**-**	**15.498**	**14.799**	**1.184**	**1.066**	**1.268**
B. Additions	**-**	**31.350**	**51.681**	**4.643**	**924**	**22.185**
B.1 Allocated for the year	-	11.933	42.276	-188	298	1.285
B.2 Changes due to time	-	149	-	51	-	5
B.3 Changes due to discount rate variations	-	-	-	-	-	1
B.4 Other changes	-	19.268	9.405	4.780	626	20.894
- business combination transactions (+)	-	-	-	-	-	-
- calculated exchange difference (+)	-	-	-	-	-	-4
- other changes (+)	-	19.268	9.405	4.780	626	20.898
C. Reductions	**-**	**22.782**	**11.619**	**5.373**	**899**	**21.078**
C.1 Funds used during period	-	4.577	1.128	716	47	330
C.2 Changes due to discount rate variations	-	97	58	49	-	-
C.3 Other changes	-	18.108	10.433	4.608	852	20.748
- business combination transactions (-)	-	-	-	-	-	-
- calculated exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	18.108	10.433	4.608	852	20.748
D. Final balance	**-**	**24.066**	**54.861**	**454**	**1.091**	**2.375**

12.2.2 attributable to insurance companies

Items/Components	Superannuation	Legal disputes	Operating risk	Personnel expenses	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Other
A. Initial balance	**-**	**-**	**-**	**-**	**-**	**108**
B. Additions	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Allocated for the year	-	-	-	-	-	-
B.2 Changes due to time	-	-	-	-	-	-
B.3 Changes due to discount rate variations	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-
- business combination transactions (+)	-	-	-	-	-	-
- calculated exchange difference (+)	-	-	-	-	-	-
- other changes (+)	-	-	-	-	-	-
C. Reductions	**-**	**-**	**-**	**-**	**-**	**108**
C.1 Funds used during period	-	-	-	-	-	-
C.2 Changes due to discount rate variations	-	-	-	-	-	-
C.3 Other changes	-	-	-	-	-	108
- business combination transactions (-)	-	-	-	-	-	-
- calculated exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	-	-	-	-	108
D. Final balance	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 13
TECHNICAL RESERVES - ITEM 130

13.1 Technical reserves: breakdown

	Direct business	Indirect business	Total 31/12/2006	Total 31/12/2005
A. Non-life	**1.475**	**-**	**1.475**	**1.054**
A1 premium reserve	912	-	912	681
A2. claims reserve	223	-	223	249
A3. other reserves	340	-	340	124
B. Life	**619.898**	**-**	**619.898**	**313.775**
B1. actuarial reserves	233.117	-	233.117	305.469
B2. Outstanding claims reserve	382.026	-	382.026	2.244
B3. Other reserves	4.755	-	4.755	6.062
C. Technical reserves where the investment risk is borne by the policyholders	**219.123**	**-**	**219.123**	**356.957**
C1. reserves relating to investment fund and index-linked contracts	219.123	-	219.123	356.957
C2. reserves deriving from the administration of pension funds	-	-	-	-
D. Other technical reserves	**840.496**	**-**	**840.496**	**671.786**

13.2 Technical reserves: annual changes

	Total 31/12/2005	Change	Total 31/12/2006
A. Non-life	**1.054**	**421**	**1.475**
A1. premium reserve	681	231	912
Premium portion reserve	681	231	912
Current risk reserve	-	-	-
A2. claims reserve	249	-26	223
Compensation and direct expenses	179	-26	153
Settlement costs reserve	-	-	-
Unreported damages reserve	70	-	70
A3. Other reserves	124	216	340
B . Life	**313.775**	**306.123**	**619.898**
B1. Actuarial reserves	305.469	-72.352	233.117
B2. Outstanding claims reserve	2.244	379.782	382.026
B3. Other reserves	6.062	-1.307	4.755
C. Technical reserves where the investment risk is borne by the insurers	**356.957**	**-137.834**	**219.123**
C1. reserves relating to investment fund and index-linked contracts	356.957	-137.834	219.123
C2. reserves deriving from the administration of pension funds	-	-	-
D. Other technical reserves	**671.786**	**168.710**	**840.496**

SECTION 15
CONSOLIDATED CAPITAL - ITEMS 140, 160, 170, 180, 190, 200 AND 220

15.1 Group equity: breakdown

Items/Values	Balance 31/12/2006	Balance 31/12/2005
1. Share Capital	80.000	20.000
2. Share premium	49.414	-
3. Reserves	188.821	275.731
4. (Own shares)	-	-979
5. Valuation reserves	85.179	35.178
6. Capital instruments	-	-
7. Group profit (loss) for the year	49.789	30.938
Total	**453.203**	**360.868**

15.2 "Share Capital" and "Own shares": breakdown

	Issued shares	Shares subscribed but not yet paid up	Total 31/12/2006	Total 31/12/2005
A. Share Capital				
A.1 Common shares	80.000	-	80.000	20.000
A.2 Preference shares	-	-	-	-
A.3 Other shares	-	-	-	-
Total	**80.000**	**-**	**80.000**	**20.000**
B. Own shares				
B.1 Common shares	-	-	-	-979
B.2 Preference shares	-	-	-	-
B.3 Other shares	-	-	-	-
Total	**-**	**-**	**-**	**-979**

15.3 Share capital - Number of parent company shares: annual changes

Items/Type	Common	Others	Total
A. Total shares at start of period	**40.000.000**	**-**	**40.000.000**
- fully paid up	40.000.000	-	40.000.000
- not fully paid up	-	-	-
A.1 Own shares (-)	(378.944)	-	(378.944)
A.2 Outstanding shares: Initial balance	**39.621.056**	**-**	**39.621.056**
B. Additions	**160.000.000**	**-**	**160.000.000**
B.1 New issues	-	-	-
- for payment	-	-	-
- business combination transactions	-	-	-
- bond conversion	-	-	-
- warrant options	-	-	-
- other	-	-	-
- free of charge	-	-	-
- to employees	-	-	-
- to directors	-	-	-
- other	-	-	-
B.2 Sale of own shares	-	-	-
B.3 Other changes	160.000.000	-	160.000.000
C. Reductions	**39.621.056**	**-**	**39.621.056**
C.1 Cancellation	(378.944)	-	(378.944)
C.2 Purchase of own shares	-	-	-
C.3 Business transfer transactions	40.000.000	-	40.000.000
C.4 Other changes	-	-	-
D.2 Outstanding shares: final balance	**160.000.000**	**-**	**160.000.000**
D.1 Own shares (+)	-	-	-
D.2 Total shares at end of period	160.000.000	-	160.000.000
- fully paid up	160.000.000	-	160.000.000
- not fully paid up	-	-	-

15.6 Valuation reserves: breakdown

Items/Components	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Financial assets available for sale	55.150	-568	-	54.582	4.922
2. Tangible assets	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedge	-	-	-	-	-
5. Cash flow hedge	-	-	-	-	-
6. Exchange rate differences	-	-	-	-	-
7. Non-current assets due for sale	-	-	-	-	-
8. Special revaluation laws	30.597	-	-	30.597	30.256
Total	**85.747**	**-568**	**-**	**85.179**	**35.178**

15.7 Valuation reserves: annual changes

15.7.1 attributable to the banking group

	Financial assets held for sale	Tangible assets	Intangible assets	Foreign investment hedge	Cash flow hedge	Exchange rate difference	Non-current assets due for sale	Special ravaluation laws
A. Initial balance	**3.947**	**-**	**-**	**-**	**-**	**-**	**-**	**30.256**
B. Additions	**55.945**	**-**	**-**	**-**	**-**	**-**	**-**	**5.483**
B.1 Increases in fair value	54.628	-	-	-	-	-	-	-
B.2 Other changes	1.317	-	-	-	-	-	-	5.483
C. Reductions	**4.742**	**-**	**-**	**-**	**-**	**-**	**-**	**5.142**
C.1 Reductions in fair value	-	-	-	-	-	-	-	-
C.2 Other changes	4.742	-	-	-	-	-	-	5.142
D. Final balance	**55.150**	**-**	**-**	**-**	**-**	**-**	**-**	**30.597**

15.7.2 attributable to insurance companies

	Financial assets held for sale	Tangible assets	Intangible assets	Foreign investment hedge	Cash flow hedge	Exchange rate difference	Non-current assets due for sale	Special ravaluation laws
A. Initial balance	**975**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Additions	**851**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Increases in fair value	-	-	-	-	-	-	-	-
B.2 Other changes	851	-	-	-	-	-	-	-
C. Reductions	**2.394**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Reductions in fair value	1.714	-	-	-	-	-	-	-
C.2 Other changes	680	-	-	-	-	-	-	-
D. Final balance	**-568**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

15.8 Valuation reserves for financial assets available for sale: breakdown

Assets/Values	Banking Group		Insurance companies		Other companies		Total 31/12/2006		Total 31/12/2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	568	-	-	-	568	975	-
2. Equities	55.145	20	-	-	-	-	55.145	20	3.972	20
3. Investment fund units	25	-	-	-	-	-	25	-	-	5
4. Loans	-	-	-	-	-	-	-	-	-	-
Total	**55.170**	**20**	**-**	**568**	**-**	**-**	**55.170**	**588**	**4.947**	**25**

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

15.9.1 attributable to the banking group

	Debt securities	Equities	Investment fund units	Loans
1. Initial balance	**-**	**3.952**	**-5**	**-**
2. Positive changes	**-**	**61.459**	**36**	**-**
2.1 Fair value increases	-	61.459	36	-
2.2 Allocation of negative reserves to profit and loss account	-	-	-	-
- from depreciation	-	-	-	-
- from sale	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**-**	**10.286**	**6**	**-**
3.1 Fair value reductions	-	-	-	-
3.2 Depreciation reductions	-	-	-	-
3.3 Allocation of positive reserves to profit and loss account: from sale	-	-	-	-
3.4 Other changes	-	10.286	6	-
4. Final balance	**-**	**55.125**	**25**	**-**

15.9.2 attributable to insurance companies

	Debt securities	Equities	Investment fund units	Loans
1. Initial balance	**975**	**-**	**-**	**-**
2. Positive changes	**995**	**-**	**-**	**-**
2.1 Fair value increases	-	-	-	-
2.2 Allocation of negative reserves to profit and loss account	-	-	-	-
- from depreciation	-	-	-	-
- from sale	-	-	-	-
2.3 Other changes	995	-	-	-
3. Negative changes	**2.538**	**-**	**-**	**-**
3.1 Fair value reductions	1.877	-	-	-
3.2 Depreciation reductions	-	-	-	-
3.3 Allocation of positive reserves to profit and loss account: from sale	-	-	-	-
3.4 Other changes	661	-	-	-
4. Final balance	**-568**	**-**	**-**	**-**

SECTION 16
THIRD-PARTY EQUITY - ITEM 210

16.1 Third-party equity: breakdown

Items/Values	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Share Capital	45.537	2.039	-	47.576	44.450
2. Share premium	20.774	-	-	20.774	15.316
3. Reserves	9.077	354	-	9.431	9.129
4. (Own shares)	-	-	-	-	-
5. Valuation reserves	11.195	(54)	-	11.141	4.413
6. Capital instruments	-	-	-	-	-
7. Third-party profit (loss) for the year	6.476	522	-	6.998	6.471
Total	**93.059**	**2.861**	**-**	**95.920**	**79.779**

16.2 Valuation reserves: breakdown

Items/Values	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Financial assets available for sale	6.734	-54	-	6.680	68
2. Tangible assets	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedge	-	-	-	-	-
5. Cash flow hedge	-	-	-	-	-
6. Exchange rate differences	-	-	-	-	-
7. Non-current assets due for sale	-	-	-	-	-
8. Special revaluation laws	3.345	-	-	3.345	4.345
Total	**10.079**	**-54**	**-**	**10.025**	**4.413**

16.4 Valuation reserves for financial assets available for sale: breakdown

Assets/Values	Banking Group		Insurance companies		Other companies		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-54	-	-	-	-54
2. Equities	6.735	-6	-	-	-	-	6.735	-6
3. Investment fund units	5	-	-	-	-	-	5	-
4. Loans	-	-	-	-	-	-	-	-
Total	**6.740**	**-6**	**-**	**-54**	**-**	**-**	**6.740**	**-60**

16.5 Third-party valuation reserves: annual changes

16.5.1 attributable to the banking group

	Financial assets held for sale	Tangible assets	Intangible assets	Foreign investment hedge	Cash flow hedge	Exchange rate differences	Non-current assets due for sale	Special revaluation laws	Total
A. Initial balance	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**4.345**	**4.350**
B. Additions	**6.740**	**-**	**-**	**-**	**-**	**-**	**-**	**104**	**6.844**
B.1 Fair value increases	6.606	-	-	-	-	-	-	-	6.606
B.2 Other changes	134	-	-	-	-	-	-	104	238
C. Reductions	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**1.104**	**1.115**
C.1 Fair value reductions	-	-	-	-	-	-	-	-	-
C.2 Other changes	11	-	-	-	-	-	-	1.104	1.115
D. Final balance	**6.734**	**-**	**-**	**-**	**-**	**-**	**-**	**3.345**	**10.079**

16.5.2 attributable to insurance companies

	Financial assets held for sale	Tangible assets	Intangible assets	Foreign investment hedge	Cash flow hedge	Exchange rate differences	Non-current assets due for sale	Special revaluation laws	Total
A. Initial balance	**63**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63**
B. Additions	**139**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**139**
B.1 Fair value increases	-	-	-	-	-	-	-	-	-
B.2 Other changes	139	-	-	-	-	-	-	-	139
C. Reductions	**256**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**256**
C.1 Fair value reductions	163	-	-	-	-	-	-	-	163
C.2 Other changes	93	-	-	-	-	-	-	-	93
D. Final balance	**-54**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-54**

OTHER INFORMATION

1. Guarantees and commitments

Transactions	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1) Financial guarantees	**46.355**	**-**	**-**	**46.355**	**49.671**
a) Banks	8	-	-	8	1.875
b) Customers	46.347	-	-	46.347	47.796
2) Trade guarantees	**238.722**	**-**	**-**	**238.722**	**337.872**
a) Banks	144	-	-	144	43.577
b) Customers	238.578	-	-	238.578	294.295
3) Irrevocable commitments to disburse funds	**494.310**	**-**	**-**	**494.310**	**197.938**
a) Banks	199.698	-	-	199.698	48.675
i) for definite use	198.465	-	-	198.465	48.292
ii) a utilizzo incerto	1.233	-	-	1.233	383
b) Customers	294.612	-	-	294.612	149.263
i) for definite use	140.750	-	-	140.750	109.009
ii) for non-definite use	153.862	-	-	153.862	42.100
4) Commitments underlying credit derivatives: protection sales	**-**	**-**	**-**	**-**	**-**
5) Asset-backed third-party bonds	**87.420**	**-**	**-**	**87.420**	**82.804**
6) Other commitments *	**139.605**	**-**	**-**	**139.605**	**67.237**
Total	**1.006.412**	**-**	**-**	**1.006.412**	**735.522**

2005 data have been reclassified for comparison with 2006.

** In addition to commitments towards subsidiaries for operating risks, this item also represents commitments in agreements entered into with minority shareholders of subsidiary companies, aimed at placing their share packages with third-party buyers. Some of these agreements reached their natural expiry during 2006. Those remaining at 31 December 2006 ceased to be effective in the first few months of 2007, by choice of the parties.*

2. Assets pledged against liabilities and commitments

Portfolios	Total 31/12/2006	Total 31/12/2005
Financial assets held for trading	508.199	547.286
Financial assets valued at fair value	-	-
Financial assets held for sale	-	-
Financial assets held to maturity	57.905	34.689
Receivables due from banks	-	-
Receivable from customers	-	-
Tangible assets	-	-

4. Breakdown of investments relating to unit-linked and index-linked policies

	Total 31/12/2006	Total 31/12/2005
I Land and buildings	-	-
II Investments in group companies and subsidiary companies:	-	-
1. Shares and holdings	-	-
2. Bonds	-	-
3. Loans	-	-
III Stakes in investment funds	-	-
IV Other financial investments:	400.079	620.371
1. Shares and holdings	-	-
2. Bonds and other fixed-income securities	370.696	610.086
3. Deposits with credit institution	-	-
4. Miscellaneous financial investments	29.383	10.285
V Other assets	-	-
VI Liquid funds	-	-
Total	**400.079**	**620.371**

5. Brokerage and third-party management

Type of service	Balance 31/12/2006	Balance 31/12/2005
1. Trading of third-party financial instruments	**167.052.763**	**129.308.509**
a) Purchases	82.434.296	64.168.103
1. regulated	82.127.203	63.879.783
2. non-regulated	307.093	288.320
b) Sales	84.618.467	65.140.406
1. regulated	84.268.080	64.830.791
2. non-regulated	350.387	309.615
2. Asset management	**6.212.734**	**6.348.024**
a) Individual	5.925.920	6.007.428
b) Collective	286.814	340.596
3. Custody and management of securities	**32.528.301**	**31.645.704**
a) Third-party securities on deposit: related to custodian services (excluding asset management)	5.417.271	5.581.839
1. securities issued by companies included within consolidation	-	-
2. other securities	5.417.271	5.581.839
b) other third-party securities on deposit (excluding asset management): other	8.956.189	8.336.862
1. securities issued by companies included within consolidation	558.152	495.312
2. other securities	8.398.037	7.841.550
c) third-party securities deposited with third-parties	16.531.539	16.597.486
d) own securities deposited with third-parties	1.623.302	1.129.517
4. Other transactions	**-**	**-**
Total	**205.793.798**	**167.302.237**

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1
INTEREST – ITEMS 10 AND 20

1.1 Interest payable and similar expenses: breakdown

1.1.1 Relative to the Banking Group

Technical forms/Items	Financial assets in bonis: Debt securities	Financial assets in bonis: Financing	Deteriorated financial assets	Other assets	Total 31/12/2006	Total 31/12/2005
1. Financial assets held for trading	26.086	2.135	-	19.241	47.462	28.674
2. Financial assets evaluated at fair value	-	-	-	-	-	-
3. Financial assets available for sale	5.582	-	-	-	5.582	66
4. Financial assets held until expiry	3.163	-	-	-	3.163	3.305
5. Receivables from banks	-	60.337	-	199	60.536	37.071
6. Trade receivables	-	317.233	780	13.281	331.294	273.535
7. hedging derivatives	X	X	X	763	763	-
8. Financial assets assigned and not cancelled	8.327	7.222	-	-	15.549	3.322
9. Other assets	X	X	X	917	917	1.226
Total	**43.158**	**386.927**	**780**	**34.401**	**465.266**	**347.199**

1.1.2 Relative to insurance companies

Technical forms/Items	Financial assets in bonis: Debt securities	Financial assets in bonis: Financing	Deteriorated financial assets	Other assets	Total 31/12/2006	Total 31/12/2005
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets evaluated at fair value	-	-	-	-	-	-
3. Financial assets available for sale	6.404	-	-	-	6.404	19.315
4. Financial assets held until expiry	-	-	-	-	-	-
5. Receivables from banks	-	84	-	-	84	609
6. Trade receivables	-	-	-	-	-	-
7. Hedging derivatves	X	X	X	-	-	-
8. Financial assets assigned and not cancelled	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
Total	**6.404**	**84**	**-**	**-**	**6.488**	**19.924**

1.3 Interest payable and similar revenue: other information

1.3.1 Interest receivable on financial assets in currency

	Total 31/12/2006	Total 31/12/2005
on assets in currency	52.187	19.710

1.3.2 Interest receivable on financial leasing operations

	Total 31/12/2006	Total 31/12/2005
on financial leasing operations	38.217	33.810

1.3.3 Interest receivable on receivables with third party reserves under administration

	Total 31/12/2006	Total 31/12/2005
on receivables with third party reserves under administration	-	1

1.4 Interest payable and similar expenses: breakdown

1.4.1 Relative to the Banking Group

Technical forms/Items	Payables	Securities	Other liabilities	Total 31/12/2006	Total 31/12/2005
1. Bank borrowings	31.075	X	-	31.075	24.200
2. Trade payables	82.466	X	26	82.492	61.265
3. Securities in circulation	X	46.504	951	47.455	29.145
4. Financial trading liabilities	-	-	16.438	16.438	3.727
5. Financial liabilities evaluated at fair value	-	-	-	-	-
6. Financial liabilities relative to assets assigned not cancelled	22.512	-	-	22.512	9.009
7. Other liabilities and reserves	X	X	4	4	125
8. Hedging derivatives	X	X	8.911	8.911	6.748
Total	**136.053**	**46.504**	**26.330**	**208.887**	**134.219**

1.4.2 Relative to insurance companies

Technical forms/Items	Payables	Securities	Other liabilities	Total 31/12/2006	Total 31/12/2005
1. Bank borrowings	-	X	44	44	45
2. Trade payables	-	X	-	-	-
3. Securities in circulation	X	-	-	-	-
4. Financial trading liabilities	-	-	-	-	-
5. Financial liabilities evaluated at fair value	-	-	-	-	148
6. Financial liabilities relative to assets assigned not cancelled	-	-	-	-	-
7. Other liabilities and reserves	X	X	13	13	-
8. Hedging derivatives	X	X	-	-	-
Total	**-**	**-**	**57**	**57**	**193**

1.5 Interest and similar expenses: hedging differentials

Items/Sectors	Banking Group	Insurance companies	Other companies	Total 31/12/2006
A. Positive differentials relative to operations such as:				
A.1 Specific hedging of fair value of assets	13	-	-	13
A.2 Specific hedging of fair value of liabilities	750	-	-	750
A.3 Generic hedging of interest rate risk	-	-	-	-
A.4 Specific hedging of assets financial flows	-	-	-	-
A.5 Specific hedging of liabilities financial flows	-	-	-	-
A.6 Generic hedging of financial flows	-	-	-	-
Total positive differentials (A)	**763**	**-**	**-**	**763**
B. Negative differentials relative to operations such as:				
B.1 Specific hedging of fair value of assets	171	-	-	171
B.2 Specific hedging of fair value of liabilities	8.740	-	-	8.740
B.3 Generic hedging of interest rate risk	-	-	-	-
B.4 Specific hedging of assets financial flows	-	-	-	-
B.5 Specific hedging of liabilities financial flows	-	-	-	-
B.6 Generic hedging of financial flows	-	-	-	-
Total negative differentials (B)	**8.911**	**-**	**-**	**8.911**
C. Balance (A-B)	**8.148**	**-**	**-**	**8.148**

1.6 Interest payable and similar expenses: other information

1.6.1 Interest payable on financial liabilities in currency

	Total 31/12/2006	Total 31/12/2005
- on liabilities in currency	35.186	9.612

1.6.3 Interest payable on receivables with third party reserves under administration

	Total 31/12/2006	Total 31/12/2005
- on third party reserves under administration	1	2

SECTION 2
COMMISSIONS – ITEMS 40 AND 50

2.1 Commissions receivable: breakdown

2.1.1 Relative to the Banking Group

Type of services/Sectors	Total 31/12/2006	Total 31/12/2005
a) Guarantees issued	**2.813**	**2.547**
b) Derivatives on receivables	**-**	**-**
c) Management, brokerage and consultancy services:	**160.604**	**153.336**
1. Financial instruments trading	17.264	33.132
2. Currency trading	1.709	1.760
3. Patrimonial management	67.505	67.487
3.1. Individual	29.134	33.450
3.2. Collective	38.371	34.037
4. Securities custody and administration	2.341	1.979
5. Deposit bank	7.893	7.655
6. Placement of securities	10.564	10.225
7. Orders collection	44.432	22.220
8. Consultancy assets	1.451	1.058
9. Distribution of third party services	7.445	7.820
9.1. Patrimonial management	330	85
9.1.1. Individual	308	85
9.1.2. Collective	22	-
9.2. Insurance products	6.499	5.053
9.3. Other products	616	2.682
d) Collection and payment services	**91.997**	**93.954**
e) Servicing services for securitisation operations	**701**	**760**
f) Services for factoring operations	**-**	**-**
g) Inland revenue	**-**	**-**
h) Other services	**44.985**	**44.409**
Total	**301.100**	**295.006**

2.1.2 Relative to insurance companies

Type of services/Sectors	Total 31/12/2006	Total 31/12/2005
a) Guarantees issued	**-**	**-**
b) Derivatives on receivables	**-**	**-**
c) Management, brokerage and consultancy services:	**743**	**1.106**
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Patrimonial management	-	-
3.1. Individual	-	-
3.2. Collective	-	-
4. Securities custody and administration	-	-
5. Deposit bank	-	-
6. Placement of securities	743	1.106
7. Orders collection	-	-
8. Consultancy assets	-	-
9. Distribution of third party services	-	-
9.1. Patrimonial management	-	-
9.1.1. Individual	-	-
9.1.2. Collective	-	-
9.2. Insurance products	-	-
9.3. Other products	-	-
d) Collection and payment services	**-**	**-**
e) Servicing services for securitisation operations	**-**	**-**
f) Services for factoring operations	**-**	**-**
g) Inland revenue	**-**	**-**
h) Other services	**1**	**-**
Total	**744**	**1.106**

2.2 Commissions receivable: distribution channels of products and services: banking group

Channels/Sectors	Total 31/12/2006	Total 31/12/2005
a) Through own offices:	**64.815**	**60.364**
1. Patrimonial management	58.618	53.333
2. Placing of securities	4.846	3.455
3. Third party products and services	1.351	3.576
b) Offsite offer:	**14.277**	**20.826**
1. Patrimonial management	8.882	14.151
2. Placing of securities	4.754	4.708
3. Third party products and services	641	1.967
c) Other distribution channels:	**6.422**	**5.448**
1. Patrimonial management	5	3
2. Placing of securities	964	1.669
3. Third party products and services	5.453	3.776

2.3 Commissions expenses: breakdown

2.3.1 relative to the bank group

Type of services/Sectors	Total 31/12/2006	Total 31/12/2005
a) Guarantees received	**4**	**101**
b) Derivatives on receivables	**-**	**-**
c) Management, brokerage and consultancy services:	**44.508**	**45.790**
1. Financial instruments trading	12.644	9.765
2. Currency trading	7	66
3. Patrimonial management	2.695	2.541
3.1. Own portfolio	2.604	2.460
3.2. Third party portfolio	91	81
4. Custody and administration of securities	3.144	3.202
5. Placement of financial instruments	4.205	5.846
6. Offer off-site of instruments, products and services	21.813	24.370
d) Collection and payment services	**48.295**	**49.377**
e) Other services	**3.866**	**6.015**
Total	**96.673**	**101.283**

2.3.2 relative to insurance companies

Type of services/Sectors	Total 31/12/2006	Total 31/12/2005
a) Guarantees received	**-**	**-**
b) Derivatives on receivables	**-**	**-**
c) Management, brokerage and consultancy services:	**271**	**41**
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Patrimonial management	271	41
3.1. Own portfolio	271	41
3.2. Third party portfolio	-	-
4. Custody and administration of securities	-	-
5. Placement of financial instruments	-	-
6. Offer off-site of instruments, products and services	-	-
d) Collection and payment services	**-**	**-**
e) Other services	**-**	**-**
Total	**271**	**41**

SECTION 3
DIVIDENDS AND SIMILAR INCOME

3.1 Dividends and similar income: breakdown

Items/Revenues	Banking Group		Insurance companies		Other companies		Total 31/12/2006		Total 31/12/2005	
	Dividends	O.I.C.R. quota revenues	Dividends	O.I.C.R. quota revenues	Dividends	O.I.C.R. quota revenues	Dividends	O.I.C.R. quota revenues	Dividends	O.I.C.R. quota revenues
A. Financial assets held for trading	1.799	-	10	-	-	-	1.809	-	3.529	-
B. Financial assets available for sales – other	3.918	-	-	-	-	-	3.918	-	2.961	-
C. Financial assets evaluated at fair value – other	-	-	-	-	-	-	-	-	-	-
D. Shareholdings	559	X	-	X	-	X	559	X	-	X
Total	**6.276**	**-**	**10**	**-**	**-**	**-**	**6.286**	**-**	**6.490**	**-**

SECTION 4
RESULT OF TRADING ACTIVITY – ITEM 80

4.1 Net income from trading: breakdown

4.1.1 Relative to the banking group

Operations/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result (A+B)-(C+D)
1. Financial trading activity	**2.415**	**22.666**	**5.155**	**4.099**	**15.827**
1.1 Payable securities	1.689	16.537	5.128	3.602	9.496
1.2 Capital securities	166	5.085	27	422	4.802
1.3 O.I.C.R. Quotas	465	329	-	-	794
1.4 Financing	-	-	-	-	-
1.5 Other	95	715	-	75	735
2. Financial trading liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Payable securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**4.236**
4. Derivative instruments	**14.649**	**41.618**	**13.394**	**40.723**	**2.150**
4.1 Financial derivatives:	14.649	41.618	13.394	40.723	2.150
- On payable securities and rates of interest	12.327	12.369	10.576	13.173	947
- On capital securities and share indexes	1.857	29.249	2.422	27.550	1.134
- On currency and gold	X	X	X	X	(375)
- Other	465	-	396	-	69
4.2 Derivatives on receivables	-	-	-	-	-
Total	**17.064**	**64.284**	**18.549**	**44.822**	**21.838**

4.1.2 Relative to insurance companies

Operations/Income components	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading losses (D)	Net result (A+B)-(C+D)
1. Financial trading activity	**17.297**	**3.575**	**7.818**	**767**	**12.287**
1.1 Payable securities	15.700	200	7.772	209	7.919
1.2 Capital securities	41	4	9	6	30
1.3 O.I.C.R. Quotas	1.556	3.371	37	552	4.338
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial trading liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Payable securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**9.884**	**166**	**6.492**	**412**	**3.146**
4.1 Financial derivatives:	9.884	166	6.492	412	3.146
- On payable securities and rates of interest	1.797	74	2.995	31	(1.155)
- On capital securities and share indexes	8.087	92	3.497	381	4.301
- On currency and gold	X	X	X	X	-
- Other	-	-	-	-	-
4.2 Derivatives on receivables	-	-	-	-	-
Total	**27.181**	**3.741**	**14.310**	**1.179**	**15.433**

SECTION 5
RESULT OF HEDGING ACTIVITY – ITEM 90

5.1 Net income from hedging: breakdown

Operations/Income components	Bank Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
A. Revenues relative to					
A.1 Fair value hedging derivatives	13.917	-	-	13.917	2.895
A.2 Financial hedging assets (fair value)	-	-	-	-	8.027
A3 Financial hedging liabilities (fair value)	1.758	-	-	1.758	8
A.4 Financial hedging derivatives of financial flows	-	-	-	-	-
A.5 Assets or liabilities in currency	22	-	-	22	-
Total income from hedging activity (A)	**15.697**	**-**	**-**	**15.697**	**10.930**
B. Charges relative to:					
B.1.Fair value hedging derivatives	1.866	-	-	1.866	8.370
B.2 Financial hedging assets (fair value)	14.442	-	-	14.442	2.196
B.3 Financial hedging liabilities (fair value)	261	-	-	261	648
B.4 Financial hedging derivatives of financial flows	-	-	-	-	-
B.5 Assets or liabilities in currency	-	-	-	-	-
Total charges of hedging activity (B)	**16.569**	**-**	**-**	**16.569**	**11.214**
C. Net income from hedging (A-B)	**(872)**	**-**	**-**	**(872)**	**(284)**

SECTION 6
PROFITS (LOSSES) FROM DISMISSAL/BUY-BACK – ITEM 100

6.1 Profits (Losses) from dismissal/buy-back: breakdown

Items/Income components	Bank Group			Insurance companies			Total 31/12/2006			Total 31/12/2005		
	Profits	Losses	Net result	Profits	Losses	Net result	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets												
1. Bank receivables	-	-	-	-	-	-	-	-	-	-	-	-
2. Trade receivables	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets available for sale	49.420	8	49.412	311	251	60	49.731	259	49.472	9.628	211	9.417
3.1 Debt securities	-	-	-	311	251	60	311	251	60	-	-	-
3.2 Capital securities	49.420	8	49.412	-	-	-	49.420	8	49.412	9.628	211	9.417
3.3 O.I.C.R. Quotas	-	-	-	-	-	-	-	-	-	-	-	-
3.4 Financing	-	-	-	-	-	-	-	-	-	-	-	-
4. Financial assets held until due date	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	**49.420**	**8**	**49.412**	**311**	**251**	**60**	**49.731**	**259**	**49.472**	**9.628**	**211**	**9.417**
Financial liabilities												
1. Bank borrowings	-	-	-	-	-	-	-	-	-	-	-	-
2. Trade payables	-	-	-	-	-	-	-	-	-	-	-	-
3. Securities in circulation	465	402	63	-	-	-	465	402	63	370	201	169
Total liabilities	**465**	**402**	**63**	**-**	**-**	**-**	**465**	**402**	**63**	**370**	**201**	**169**

SECTION 8
NET WRITE-DOWNS/WRITE-UPS FOR DEBT WRITE-OFF ITEM 130

8.1. Net write-downs due to receivables deteriotation: breakdown

8.1.1 Relative to the banking group

Revenues components/ Operations	Value rectification (1)			Value rehedgingies (2)				Total	Total
	Specific			Specific		Portfolio			
	Cancellations	Other	Portfolio	From interest	Other rehed.	From interest	Other rehed.	31/12/2006 3= (1) - (2)	31/12/2005 3= (1) - (2)
A. Bank receivables	-	-	-	-	-	-	-	-	-
B. Trade receivables	9.575	61.701	1.985	2.854	15.974	483	1.241	(52.709)	(41.101)
C. Total	**9.575**	**61.701**	**1.985**	**2.854**	**15.974**	**483**	**1.241**	**(52.709)**	**(41.101)**

8.2. Net write-downs due to deterioration of available financial assets: breakdown

8.2.1 Relative to the banking group

Revenues components/Operations	Value rectifications (1)		Value rehedgingies (2)		Total	Total
	specific		Specific		31/12/2006	31/12/2005
	Cancellations	Other	From interest	Other rehedgingies	3 = (1) - (2)	3 = (1) - (2)
A. Debt securities	-	-	-	-	-	-
B. Capital securities	-	-	X	X	-	155
C. OICR Quotas	-	-	X	-	-	-
D. Financing to banks	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total	**-**	**-**	**-**	**-**	**-**	**155**

8.4 Net write-downs due to deterioration of other financial transactions: breakdown

8.4.1 Relative to the banking group

Revenues components/Operations	Value rectifications (1)			Value rehedgingies (2)				Total	Total
	Specific		Portfolio	Specific		Portfolio			
	Cancellations	Other		From interest	Other rehed.	From interest	Other rehed.	31/12/2006 3= (1) - (2)	31/12/2005 3= (1) - (2)
A. Guarantees issued	-	-	77	-	-	-	553	476	-
B. Derivatives on receivables	-	-	-	-	-	-	-	-	-
C. Commitments to provide reserves	-	-	-	-	-	-	-	-	-
D. Other operations	-	-	100	107	-	-	-	7	-
E. Total	**-**	**-**	**177**	**107**	**-**	**-**	**553**	**483**	**-**

SECTION 9
NET PREMIUMS – ITEM 150

9.1 Net premiums: breakdown

Premiums deriving from insurance assets	Direct work	Indirect work	Total 31/12/2006	Total 31/12/2005
A. Life branch				
A.1 Registered gross premiums (+)	142.562	-	142.562	59.389
A.2 Premiums assigned to reinsurance (-)	(4.533)	X	(4.533)	(2.520)
A.3 Total	138.029	-	138.029	56.869
B. Damages branch				
B.1 Registered gross premiums (+)	2.291	-	2.291	2.169
B.2 Premiums assigned to reinsurance (-)	(947)	X	(947)	(926)
B.3 Variation of the gross amount of the premiums reserve (+/-)	(231)	-	(231)	(432)
B.4 Variation of the premiums reserve relative to reinsurers (+/-)	105	-	105	217
B.5 Total	1.218	-	1.218	1.028
C. Total net premiums	**139.247**	**-**	**139.247**	**57.897**

SECTION 10
BALANCE OF OTHER INSURANCE MANAGEMENT INCOME AND EXPENSES – ITEM 160

10.1 Balance of other insurance management income and expenses: breakdown

Items	Total 31/12/2006	Total 31/12/2005
1. Net variation of technical reserves	(72.539)	74.286
2. Pertinent accidents paid during year	(74.105)	(157.775)
3. Other insurance management income and expenses	1.826	(1.611)
Total	**(144.818)**	**(81.878)**

10.2 breakdown of sub-item “Net variation in technical reserves”

Net variation in technical reserves	Total 31/12/2006	Total 31/12/2005
1. Life branch		
A. Mathematic reserves	(14.373)	53.769
A.1 Gross annual amount	(15.545)	52.982
A.2 Quotas relative to reinsurers (-)	1.172	787
B. Other technical reserves	(3.343)	(1.722)
B.1 Gross annual amount	(3.343)	(1.698)
B.2 Quotas relative to reinsurers (-)	-	(24)
C. Technical reserves although the investment risk is supported by insured parties	(54.760)	22.288
C.1 Gross annual amount	(54.760)	22.288
C.2 Quotas relative to reinsurers (-)	-	-
Total “Life branch reserve”	**(72.476)**	**74.335**
2. Damages branch		
Variation of other damages branch technical reserves that differ from the accidents reserves net of reinsurance assignments	(63)	(49)

10.3 breakdown of the subitem “Accidents relative to the year”

Expenses for accidents	Total 31/12/2006	Total 31/12/2005
Life branch: expenses relative to accidents, net of reinsurance assignments		
A. Amounts paid	(68.598)	(158.943)
A.1 Gross annual amount	(68.697)	(158.988)
A.2 Quotas relative to reinsurers (-)	99	45
B. Variation in the reserve due to sums to be paid	(5.011)	1.803
B.1 Gross annual amount	(5.072)	1.803
B.2 Quotas relative to reinsurers (-)	61	-
Total life branch accidents	**(73.609)**	**(157.140)**
Damages branch: expenses relative to accidents net of rehedgingies and reinsurance assignments		
C. Amounts paid	(497)	(589)
C.1 Gross annual amount	(706)	(795)
C.2 Quotas relative to reinsurers (-)	209	206
D. Variation in rehedgingies net of quotas relative to reinsurers	-	-
E. Variations in accidents reserve	1	(46)
E.1 Gross annual amount	27	(75)
E.2 Quotas relative to reinsurers (-)	(26)	29
Total damages branch accidents	**(496)**	**(635)**

10.4 breakdown of the subitem “Other insurance management income and expenses”

	Total 31/12/2006	Total 31/12/2005
LIFE BRANCH		
Income	**2.588**	**2.244**
- Other technical income net of reinsurance assignments	-	1.016
- Income and capital gains not realised relative to investments in favour of insured parties which support the risk	-	-
- Variation in commissions and other acquisition expenses to be amortized	-	-
- Commissions and participations in earnings received from reinsurers	2.588	1.228
Expenses	**(480)**	**(466)**
- Other technical expenses net of reinsurance assignments	-	(57)
- Income and capital losses not realised relative to investments in favour of insured parties which support the risk	-	-
- Acquisition commissions	(305)	-
- Other acquisition expenses	(175)	(355)
- Collection commissions	-	(54)
Total life branch	**2.108**	**1.778**
DAMAGES BRANCH		
Income	**431**	**343**
- Other technical income net of reinsurance assignments	-	2
- Variation in commissions and other acquisition expenses to be amortized	-	-
- Commissions and participations in earnings received from reinsurers	431	341
Expenses	**(713)**	**(510)**
- Other technical expenses net of reinsurance assignments	(154)	(31)
- Acquisition commissions	-	(417)
- Other acquisition expenses	(496)	(5)
- Collection commissions	(63)	(57)
Total damages branch	**(282)**	**(167)**

SECTION 11
ADMINISTRATIVE EXPENSES – ITEM 180

11.1 Staff expenses: breakdown

Sectors/Expenditure typology	Banking Group	Insurance companies	Total 31/12/2006	Total 31/12/2005
1) Employed personnel	**196.658**	**2.581**	**199.239**	**192.588**
a) Wages and salaries	146.660	1.909	148.569	147.305
b) Social security payments	38.174	470	38.644	33.245
c) Severance pay	194	-	194	805
d) Pension payments	-	-	-	-
e) Allocation for severance pay	5.662	92	5.754	5.773
f) Allocation to severance pay fund and similar:	-	-	-	-
- definite contribution	-	-	-	-
- definite performance	-	-	-	-
g) Payments into external complementary insurance reserves	4.641	110	4.751	4.255
- definite contribution	4.641	110	4.751	4.255
- definite performance	-	-	-	-
h) Costs deriving from payment agreements based on patrimonial instruments	-	-	-	-
i) Other benefits in favour of employees	1.327	-	1.327	1.205
2) Other personnel	**3.969**	**143**	**4.112**	**970**
3) Directors	**3.765**	**443**	**4.208**	**1.989**
Total	**204.392**	**3.167**	**207.559**	**195.547**

11.2 Average number of employees per category

	Total 31/12/2006	Total 31/12/2005
Employed personnel:		
a) managers	68	66
b) total 3rd and 4th level middle managers	381	379
c) remaining employed personnel	3.484	3.327
Other personnel	42	8
Total	**3.975**	**3.780**

11.5 Other administrative expenses: breakdown

Sectors/Expenditure typology	Banking Group	Insurance companies	Total 31/12/2006	Total 31/12/2005
1) Indirect duties and taxes	27.834	-	27.834	26.096
- Stamp duty and taxes on stock exchange contracts	21.410	-	21.410	20.890
- Substitute tax Pres. Dec.	2.298	-	2.298	1.579
- Municipal tax on buildings	474	-	474	521
- Other indirect duties and taxes	3.652	-	3.652	3.106
2) Leases and rents due	24.303	180	24.483	21.864
- Buildings	15.382	180	15.562	-
- Electronic equipment and software	3.984	-	3.984	-
- Other	4.937	-	4.937	-
3) Maintenance and management expenses	5.976	238	6.214	5.078
- owned real estate	129	-	129	-
- leased real estate	198	37	235	-
- movables	5.149	14	5.163	-
- *software*	500	187	687	-
4) Cleaning of premises	1.567	11	1.578	1.782
5) Electricity, heating and water	4.823	13	4.836	4.430
6) Printouts and stationery	1.994	21	2.015	1.675
7) Post and telephone	10.406	166	10.572	10.906
8) Surveillance	2.531	-	2.531	2.408
9) Transport	1.427	27	1.454	2.852
10) Insurance premiums	3.334	39	3.373	3.217
11) Publicity, propaganda and editorial initiatives	1.948	42	3.303	2.677
12) Entertainment expenses	2.174	19	880	891
13) Association contributions	1.208	86	1.294	1.134
14) Contributions to entities and associations	78	-	78	151
15) Subscriptions to newspapers, magazines and publications	246	2	248	325
16) Expenses for professional services:	15.020	509	15.529	16.071
- Consultancy	7.028	400	7.428	8.024
- Legal expenses	5.362	109	5.471	5.799
- Commercial information and perusals	2.568	-	2.568	2.248
17) Expenses for informatics services and third party work	21.049	854	21.903	19.993
18) Payments to statutory auditors	805	90	895	2.074
19) Other expenses	12.092	381	12.535	10.545
Total	**138.815**	**2.678**	**141.555**	**134.169**

SECTION 12
NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES – ITEM 190

12.1 Net allocations to provisions for risks and charges: breakdown

	Balance as of 31/12/2006	Balance as of 31/12/2005
Relative to risks due to disputes linked to customer claims	11.985	7.755
Relative to operational risks	42.218	9.497
Relative to personnel risks	(186)	-
Relative to other risks	1.588	3.788
Total	**55.605**	**21.040**

SECTION 13
NET WRITE-DOWNS/WRITE-UPS FOR TANGIBLE FIXED ASSETS – ITEM 200

13.1 Net write-down of net value on tangible fixed assets: breakdown

13.1.1 relative to the banking group

Income components/Assets	Amortization (a)	Value rectifications for deterioration (b)	Value rehedgingies (c)	Total (a+b-c) 31/12/2006	Total (a+b-c) 31/12/2005
A. Tangible fixed assets					
A.1 Property	13.872	-	-	13.872	15.230
- for functional use	13.768	-	-	13.768	14.934
- for investment	104	-	-	104	296
A.2 Acquired in financial leasing	2.403	-	-	2.403	-
- for functional use	2.403	-	-	2.403	-
- for investment	-	-	-	-	-
Total	**16.275**	**-**	**-**	**16.275**	**15.230**

13.1.2 relative to insurance companies

Income components/Assets	Amortization (a)	Value rectifications for deterioration (b)	Value rehedgingies (c)	Total (a+b-c) 31/12/2006	Total (a+b-c) 31/12/2005
A. Tangible fixed assets					
A.1 Property	173	-	-	173	15
- for functional use	173	-	-	173	15
- for investment	-	-	-	-	-
A.2 Acquired in financial leasing	-	-	-	-	-
- for functional use	-	-	-	-	-
- for investment	-	-	-	-	-
Total	**173**	**-**	**-**	**173**	**15**

SECTION 14
NET WRITE-DOWNS/WRITE-UPS FOR INTANGIBLE FIXED ASSETS - ITEM 210

14.1 Net write-downs on intangible fixed assets: breakdown

14.1.1 relative to the banking group

Income components/Assets	Amortization (a)	Value rectifications for deterioration (b)	Value rehedgingies (c)	Total (a+b-c) 31/12/2006	Total (a+b-c) 31/12/2005
A. Intangible fixed assets					
A.1 Property	8.720	-	-	8.720	10.139
- Entirely generated by the company	-	-	-	-	-
- Other	8.720	-	-	8.720	10.139
A.2 Acquired in financial leasing	-	-	-	-	-
Total	**8.720**	**-**	**-**	**8.720**	**10.139**

14.1.2 relative to insurance companies

Income components/Assets	Amortization (a)	Value rectifications for deterioration (b)	Value rehedgingies (c)	Total (a+b-c) 31/12/2006	Total (a+b-c) 31/12/2005
A. Intangible fixed assets					
A.1 Property	327	-	-	327	428
- Entirely generated by the company	-	-	-	-	-
- Other	327	-	-	327	428
A.2 Acquired in financial leasing	-	-	-	-	-
Total	**327**	**-**	**-**	**327**	**428**

SECTION 15
OTHER OPERATING CHARGES/INCOME – ITEM 220

15.1 Other operating charges: breakdown

	Balance as of: 31/12/2006	Balance as of: 31/12/2005
1) Amortization of expenses for improvements on third party assets	1.792	1.831
2) Losses relative to operational risks	6.871	7.791
3) Reimbursements of interest on collection and payment operations	2.254	1.524
6) Financial leasing management expenses	1.057	419
7) Other	7.826	9.005
Total	**19.800**	**20.570**

15.2 Other operating income: breakdown

	Balance as of: 31/12/2006	Balance as of: 31/12/2005
Receivable rents and instalments	1.678	1.125
Debited to third parties	24.775	24.354
- tax rehedgingies	24.461	24.113
- insurance premiums	314	241
Expenses rehedgingies and other revenues on current accounts and deposits	11.532	12.002
Income for software services	-	-
Income on securitisation operations	-	-
Rehedgingies of interest on collection and payment operations	1.925	902
Income on insurance brokerage activities	2.965	1.826
Rents and income for financial leasing	3	-
Other income	21.866	19.316
Total	**64.744**	**59.525**

SECTION 16
INCOME (LOSSES) OF EQUITY INVESTMENTS – ITEM 240

16.1 Income (losses) of equity investments: breakdown

Sectors/Income components	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1) Joint control companies					
A. Income	-	-	-	-	-
1. Revaluations	-	-	-	-	-
2. Assignment profits	-	-	-	-	-
3. Value rehedgingies	-	-	-	-	-
4. Other positive variations	-	-	-	-	-
B. Expenses	-	-	-	-	-
1. Writedowns	-	-	-	-	-
2. Value rectifications relative to deterioration	-	-	-	-	-
3. Losses due to assignment	-	-	-	-	-
4. Other negative variations	-	-	-	-	-
Net result	**-**	**-**	**-**	**-**	**-**
2) Companies subject to significant influence					
A. Income	853	-	-	853	297
1. Revaluations	-	-	-	-	-
2. Assignment of profits	853	-	-	853	-
3. Value rehedgingies	-	-	-	-	-
4. Other positive variations	-	-	-	-	297
B. Expenses	681	-	-	681	418
1. Writedowns	-	-	-	-	-
2. Value rectifications due to deterioration	-	-	-	-	-
3. Losses due to assignment	681	-	-	681	416
4. Other negative variations	-	-	-	-	2
Net result	**172**	**-**	**-**	**172**	**(121)**
Total	**172**	**-**	**-**	**172**	**(121)**

SECTION 18
ADJUSTMENTS FOR GOODWILL

18.1 Adjusments for goodwill: breakdown

The rectification of 0.1 million euro relative to the year 2006 refers to the writedown of the goodwill deriving from the consolidation of the company International Capital Holding S.A.

SECTION 19
INCOME (LOSSES) FROM SALE OF INVESTMENTS - ITEM 270

19.1 Income (losses) from sale of investments: breakdown

Sectors/Income components	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
A. Immovables	**(182)**	**-**	**-**	**(182)**	**101**
- Profits due to assignment	2	-	-	2	101
- Losses due to assignment	184	-	-	184	-
B. Other assets	**(138)**	**8**	**-**	**(130)**	**50**
- Profits due to assignment	27	8	-	35	68
- Losses due to assignment	165	-	-	165	(18)
Net result	**(320)**	**8**	**-**	**(312)**	**151**

SECTION 20
INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS – ITEM 290

20.1 Income taxes for the year on current operations: breakdown

Sectors/Income components	Banking Group	Insurance companies	Other companies	Total 31/12/2006	Total 31/12/2005
1. Current taxes (-)	65.094	2.747	-	67.841	46.860
2. Variation in current taxes relative to previous years (+/-)	13	-	-	13	-
3. Reduction of current taxes for the year (+)	8.040	-	-	8.040	-
4. Variation of advance taxes (+/-)	(387)	(13)	-	(400)	(12.546)
5. Variation of deferred taxes (+/-)	426	(6)	-	420	1.393
6. Taxes relative to the year (-) (-1+/-2+3+/-4+/-5)	57.106	2.728	-	59.834	35.707

20.2 Reconcilement between theoretical fiscal charges and effective fiscal charges in the financial statements

Description	Taxable income	Aliquot	Income tax
Current operations profits gross of taxes	116.621	-	-
Nominal aliquot *	-	37,25%	43.441
Dividends exempt from taxation net of non deductibility of correlated minus	(5.172)	-1,65%	(1.926)
Net capital gains on capital securities exempt from taxation	(41.880)	-13,38%	(15.600)
Non deductible allocations to reserves for risks and expenses	38.697	12,36%	14.415
Losses in the year for which no advance taxes have been provided	4.460	1,42%	1.661
Other differences	-	6,23%	7.269
Rectified aliquot	-	42,24%	49.260
Non deductible expenses relative solely to the base subject to IRAP	248.804	9,07%	10.574
Effective aliquot	**-**	**51,31%**	**59.834**

** IRES aliquot + ordinary IRAP aliquot*

SECTION 22
PROFITS (LOSSES) FOR THE YEAR RELATIVE TO THIRD PARTIES – ITEM 330

22.1 Breakdown of item 330 “Profits for the year relative to third parties”

	Total 31/12/2006	Total 31/12/2005
Banca Arditi Galati S.p.A	1.867	2.033
Biella Leasing S.p.A.	1.489	1.465
Banca Patrimoni S.p.A.	760	375
Banca Sella NordEst Bovio Calderari S.p.A.	700	580
Banca di Palermo S.p.A.	510	255
Consel S.p.A.	486	773
CBA Vita S.p.A.	476	222
Sella Gestioni SGRp.A.	243	191
Sella Consult SIMp.A.	204	148
Brosel S.p.A.	183	171
Sella Bank AG	115	151
Other	(35)	107
Profits for the year relative to third parties	**6.998**	**6.471**

PART D – SECTOR REPORT

PRIMARY REPORT

According to the operational characteristics and the organizational and management set-up of the Group, the primary report includes the following business areas:

BANKS AND ITALIAN DISTRIBUTION NETWORK

The Banks and Italian Distribution Network division includes businesses operating through a distribution network and which are mainly involved in credit granting. The business area is composed of the following companies: Banca Sella, Banca Arditi Galati, Banca di Palermo, Banca Sella Nord-Est - Bovio Calderari, Sella Consult, Selsoft Direct Marketing (under winding up) and Biella Leasing.

The activity of the area is backed by Banks and Distribution Network co-ordination, which is responsible for monitoring the objectives of the banks and distribution networks of Gruppo Banca Sella and for organising, coordinating and checking the commercial initiatives from start to finish, and by the Corporate Business Area which is responsible for offers to businesses with particular focus on small/medium sized companies

LARGE CORPORATE AND ASSET MANAGEMENT

The Large Corporate and Asset Management area includes companies highly specialised in relation to type of customers and service, and international companies.

It is made up of the following companies: Banca Patrimoni, Sella Gestioni SGR, Sella Capital Management SGR, Sella Corporate Finance, Selfid, Sella Bank AG, Sella Bank Luxembourg, Selgest, International Capital Holding, Sella Holding NV and the Miami (USA) agency of Sella Holding Banca.

FINANCE

The scope of the Finance division includes trading operations, carried out on own account in the financial markets, in compliance with risk parameters fixed by the Parent company's Board of Directors and by the single companies. The area handles the Group's Asset and Liability Management policies, relations with banks and financial intermediaries and with the rating agency.

BANKASSURANCE

The objectives of the Bankassurance division, which controls the product companies CBA Vita and Sella Life, is to provide the distribution networks with a top-quality service offering an increasingly wide range of products, guaranteeing performance quality and complete transparency, and spreading the insurance culture within the Group with more and more skills and professionalism.

BANKING SERVICES

The Banking Services division co-ordinates the outsourced main business activities provided to other banks and Group companies. In particular, the area includes the following departments: IT and Development, Property Technical and Safety, Payment Systems, Custodian and Correspondent Bank, Banking Services Administration.

The following companies are included in this Area: Selir, Sella Synergy India Ltd. For IT and Development, Easy Nolo for Payment Systems, Immobiliare Sella and Immobiliare Lanificio M. Sella for Property Technical and Safety.

CONSUMER CREDIT

This division creates the products and services offered for consumer credit. It promotes synergies, technologies and products for the entire Group with the aim of consolidating and increasing the Group's presence in the consumer credit market. Consel SpA is part of this division.

CENTRAL STRUCTURE

The responsibility of the Central Structure includes, among other things, holding activities, management of shareholding investments, co-ordination of credit policies and policies relating to indirect deposits from customers, and the single platform for access to markets.

The main component is made up of bodies performing duties relating to the governance, support and control of the other sectors of activity of the Group.

The investment holding companies Sella Holding Banca, BC Finanziaria, Sella South Holding are part of the Central Structure.

Criteria used to calculate profitability of the Business Areas:

The Profit and Loss Account of the Business Areas has been drawn up according to the following modalities:

- in the case of business areas whose operations are carried out both at Parent company and subsidiary company level, the single areas have been attributed with the relevant share of the items of the Parent company based on the following principles:
  - net interest income has been calculated using suitable internal transfer rates;
  - in addition to the actual commissions, notional commissions have also been quantified in relation to services rendered from one business unit to another;
  - the direct costs of each Area have been calculated, and the costs of the central structures which do not relate to the holding function as such have been attributed to the single areas;
- The income statements of the single companies have been indicated in the case of sectors whose work is performed solely by these subsidiary companies.

The condensed profit and loss account is reclassified in the same way as that adopted in the Report on Operations.
Where necessary, for a better understanding of income and equity results, the 2005 data have been reclassified in a homogeneous way as per the financial statements closing on 31/12/2006.
This table contains data about primary report:

Primary information *(data in millions of euros)*

	Banks and networks in Italy	Large customers and asset Management	Insurance Bank	Bank services	Consumer credit	Finance	Central structure	Total
CONSOLIDATEDINCOME STATEMENT:								
Net interest and other banking income								
anno 2006	355,8	59,8	11,8	30,3	26,5	17,0	3,7	504,9
anno 2005	287,5	58,2	6,5	39,6	24,8	8,8	18,8	444,2
Operating costs								
anno 2006	(205,8)	(56,7)	(5,0)	(29,0)	(16,3)	(6,8)	(17,6)	(337,2)
anno 2005	(187,0)	(56,0)	(3,6)	(34,7)	(14,1)	(6,3)	(22,0)	(323,7)
Operating result								
anno 2006	150,0	3,1	6,8	1,3	10,2	10,3	(13,9)	167,8
anno 2005	100,5	2,2	2,9	4,9	10,7	2,5	(3,2)	120,5
Profit (losses) from current operations gross of taxes								
anno 2006	91,6	(38,8)	6,8	0,6	4,3	10,3	34,3	109,1
anno 2005	53,1	(14,6)	2,8	4,3	6,3	2,5	11,5	66,0
Profit (loss) for the year								
anno 2006	49,0	(43,2)	4,3	0,6	2,0	7,2	36,9	56,8
anno 2005	28,9	(15,2)	2,0	2,9	3,4	3,1	12,2	37,4
OTHER INFORMATION:								
Total assets (before cancellations)								
anno 2006	9.160	1.196	1.091	51	631	4.231	1.020	-
anno 2005	7.600	1.225	924	38	470	2.360	953	-
Workforce								
anno 2006	2.069	407	43	717	191	42	596	4.065
anno 2005	1.958	409	39	645	147	36	566	3.800

SECONDARY REPORT

On the basis of the management's approach and the organisational decisions of the Group, the disclosure subdivided by geographical areas constitutes the secondary report required by IAS 14. It contains a condensed outline of the main operating figures for Italy, where the majority of the Group's activity has been concentrated, and the rest of the world.

This table contains data about secondary report:

Secondary information *(data in millions of euros)*

	Italy	Rest of the world	Total
CONSOLIDATED INCOME STATEMENT:			
Net interest and other banking income			
anno 2006	486,4	18,6	504,9
anno 5005	424,1	20,1	444,2
Operating costs			
anno 2006	(315,2)	(22,0)	(337,2)
anno 2005	(298,7)	(25,0)	(323,7)
Operating result			
anno 2006	171,1	(3,4)	167,8
anno 2005	125,4	(4,9)	120,5
Profit (losses) from currency operations gross of taxes			
anno 2006	115,4	(6,3)	109,1
anno 2005	73,9	(7,9)	66,0
Profit (losses) for the year			
anno 2006	63,7	(6,9)	56,8
anno 2005	45,6	(8,2)	37,4
OTHER INFORMATION:			
Total assets (before cancellations)			
anno 2006	16.282,0	1.099,0	-
anno 2005	12.088,1	887,1	-
Workforce			
anno 2006	3.622	443	4.065
anno 2005	3.429	371	3.800

PART E – INFORMATION ON RISKS AND THEIR RELEVANT HEDGING POLICIES

SECTION 1
BANKING GROUP RISKS

1.1 CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

The policies related to risk taking are defined by the statutory bodies of the Parent Company (Board of Directors, Executive Committee), supported by the Control Committee and by the ALM Committee for the periodical monitoring of the levels of risks taken. The Strategic Planning, Budgetary Control, Risk Management and Control Services ensure the recording, measurement and control of the various risk categories (credit, market, operational) in relation to amounts, historical comparison, capital for supervisory purposes and any external benchmark.

2. Credit risk management policies

According to the generally accepted definition in literature and at system level, "credit risk" means the possibility that an unexpected change in the credit worthiness of a counterpart can cause a corresponding unexpected change in the market value of one's exposure with Gruppo Banca Sella.

From this definition it is clear that the relevant concept for the correct identification of credit risk is the so-called "unexpected loss", that is to say the fact that the actual loss realised on a given exposure (or on a credit portfolio) can later turn out to exceed the actual expected loss (so-called "expected loss"). In more rigorous terms, the unexpected loss is therefore nothing else than the variability of loss around its average value. The expected loss, that is to say the ex-ante estimable loss expected to have to be born based on one's historical experience, is still managed in Gruppo Banca Sella through proper decisions of provisions on performing loans.

The loan granting and management activity, in its various forms, is still the core of the operational activity and profitability of the Group and therefore the main lever for its development and the highest risk absorption area. The Group therefore attaches great importance to this sector, through an accurate and effective monitoring of the risk fractioning limits imposed to each company and the adoption of more stringent granting policies aimed at preventing unexpected risks.

During 2007 Gruppo Banca Sella will be pursuing Credit Policies based on precise guidelines, aimed at:

- targeting a further development of the credit market shares of the Group banks;
- growth of Leasing ad Consumer Credit;
- spreading of more advanced and monitored portfolio management policies aimed at improving the risk-performance rate focusing in particular on a strong diversification and fractioning;
- innovation and organizational evolution;
- adoption of advanced credit risk management models;
- investment in training and skill and increase of the internal culture of risk management and internal control;
- investments on credit quality control systems aimed at innovating the credit portfolio management methods;
- adoption of a rigorous policy in the application of a pricing aimed at applying the correct risk-related price.

2.1 Organizational Aspects

When a Group bank receives a loan application, the loan process includes, first of all, an evaluation of the application by a specific decision-making structure within the branch. The principal evaluation criteria are a direct judgment on the client and the guarantees offered for the loan. Within the limits of its autonomy, the branch may accept the application, reject it, or, occasionally, modify it (for example requesting further guarantees or proposing a reduction of the amount requested).

On the basis of the amount and the type of loan requested, loan applications are processed by various bodies within the structure of each Group bank, from the branches to the Executive Committee and the Board of Directors. With specific reference to mortgages, requests are initially evaluated by a central office that analyses the documentation and the objective characteristics of the property to be purchased, as well as the client's creditworthiness. This process ends with the formulation of an opinion to support the decision-making process.

2.2 Systems of management, measurement and control

Gruppo Banca Sella attaches great importance to the measurement and management of credit risk, an activity which it considers of strategic value and delegated to the Credit Risk Management unit and the Credit Quality Control unit, respectively. The first, availing itself of the definitions and tools that Basel II contributed to transform into operational procedures at system level, focuses on a comprehensive review on credit quality, while the second monitors in a more traditional way, mainly analysing each position at risk.

In the above-mentioned processes, the Parent company has the task of developing specific methods of measurement and supporting the creation of specific models for single Group bodies, as well as performing supervisory activity by making available risk monitoring instruments and executive reporting and supplying common guidelines.

As for risks associated with single parties, the key aspect is the issuing of a synthetic risk judgment for each client expressed in rating classes. The process of rating assignment regards corporate customers in a general manner: businesses that operate in the industrial, commercial, services and long-term productions, as well as farms, cooperatives, non-profit companies and holding companies are all subject to evaluation.

The internal rating used in Italian banks of Gruppo Banca Sella is integrated in the company information system and is made up of the following components:

- **financial statement rating**: it expresses the insolvency risk derived from analysis of the customer's financial statements data only. This rating can be calculated on each customer or prospect. To calculate this rating it is necessary to have a financial statement including the balance sheet and income statement. For companies with simplified accounting, a function has been designed for the granting of a continuous numerical rating representing the customer's credit worthiness, called income statement score. Although no dedicated function has been designed for the grouping of income statement score in discrete risk classes (so-called clustering), the income statement score, through a specific function, is integrated with the qualitative judgement, thus contributing to calculate the company rating (see following item) for companies with simplified accounting, too. Moreover, the financial statement score is the highest detail level obtainable for the following categories of customers: investment houses, leasing companies, factoring companies, holdings and real estate companies.
- **Company rating**: integration between financial statement rating and qualitative component derived from the filling in of a questionnaire by the relationship manager. It represents the most detailed analysis possible of a prospective customer's credit worthiness without credit lines with Gruppo Banca Sella: it can therefore be interpreted as an absolute acceptance rating. Like the financial statements rating, the company rating is calculated on each customer or prospect. Through an appropriate limit, the company rating cannot range more than a class compared to the financial statement rating.
- **Comprehensive rating**: integration between company rating and behavioural component (Central Credit Register data and internal information). It represents the most in depth evaluation possible on a the credit worthiness of a Gruppo Banca Sella's customer. Unlike the financial statement and company rating, it can be calculated only on companies which have become customers for at least three months.

Internal rating in Gruppo Banca Sella is expressed as a concise alphabetic judgement. Each of the above mentioned component includes nine classes for performing loans: from AAA (least risky customers) to C (riskiest customers).

During 2006 the activity of allocating and updating the borrowing companies' rating by the branches of the Italian banks of the Group continued, further consolidating the already high coverage levels reached in previous years. During 2007 the models validation work will continue, in order to use them in the future for regulatory purposes.

Moreover, during 2006 the acceptance scoring for the evaluation of private customers and Piccoli Operatori Economici (companies with less that 10 employees and/or less than 2,5 million turnover) upon the first-time granting was released and integrated in the Pratica Elettronica di Fido (Loan Electronic File). A scoring model for the follow-up evaluation of the same borrowers is still being studied and adjusted.

The new supervisory regulation, known as "Basel II", has been seen since the beginning as an opportunity to refine credit risk measurement techniques and to ensure their control using increasingly sophisticated methods. Gruppo Banca Sella intends to adopt the IRB Foundation system on selected portfolio segments; following a gradual development in time, this method will be spread to increasingly more credit portfolio portions.

Besides strictly complying with the supervisory regulations on major risks, the Parent Company has defined precise guidelines aimed at mitigating the concentration risk through the fractioning both by size and sector. To this purpose, size classes and specific thresholds have been established to contain the overall exposure of each segment.

The Group Credit Quality Service has the task to intervene in order to prevent any abnormal situation that might lead to insolvency risks. To this end, the Service constantly verifies the trend and degree of use of credit lines granted to customers. During 2006, to monitor Credit Quality, the Early Warning "Credits Alarms" procedure was refined, and the functional analysis was carried out, essential for the creation during 2007 of the procedure of "Automatic Classification of Credit Risk". Moreover, during the year, a new IT tool was created: "Cruscotto Credito succursali" (branches credit dashboard), which allows the Group to have a concise credit irregularity indicator, which in turn allows to a more effective identification of the most critical areas.

2.3 Credit risk mitigation techniques

Given the importance attached by Gruppo Banca Sella to loans granting, this is carried out after a particularly detailed initial selection of the potential borrowers. Initially the credit worthiness evaluation is based on the actual capacity of the borrower to honour the commitments taken exclusively based on their capacity to generate adequate financial flows.

Nevertheless, during the loan granting and monitoring process, especially for higher insolvency risk probability customers, the credit risk protection tools allowed by the type of technical form and by the presence of guarantees are not neglected. The guarantees generally acquired by the counterparts are those characteristic of bank activities, namely: personal guarantees, real guarantees on property and financial instruments.

During 2007 the new procedure for the administrative management of guarantees will be released, today still under evaluation. Its purpose will be making the administrative management of guarantees more effective, and, at the same time, ensuring the compliance with the minimum acceptability and revaluation requirements established by Basel II.

2.4 Impaired financial assets

The structure that manages the impaired loans collection and litigation in Sella Holding Banca works in outsourcing for some Group companies.

The service is made up of a central office divided into two sectors.

- Impaired Loans Department, started during 2006; it carries out controls for each single counterpart and is aimed at the prevention of the counterpart's insolvency risks.

The control is based basically on three phases of the management of the impaired relationship:

  - Prevention of insolvency risks, which are apparent through specific irregularities of the relationship, consequence of any type of credit risk arising from the non-compliance with contractual deadlines;
  - Identification and centralized management of irregularities in order to remove them through direct reminder to customers;
  - Verification of the resolution of the irregularity or, in case of lack of resolution, transfer of contracts under revoked loans.

- The tasks of the Loans Disputes Department include:
  - Revocation of loans for new positions in default;
  - The taking of timely actions to collect bad debt and acquisition of further guarantees to support exposures;
  - Timely estimate of expected loss in an analytical way;
  - Periodical verification of the adequacy of loss estimates and of the credit recoverability conditions;
  - Optimization of the costs/results ratio of taken actions;
  - Technical-operation advisory services in the Group about doubtful debt collection, acquisition of guarantees and defaulting positions;
  - Making final the losses recorded after conclusion of the in court and out of court actions taken.

Autonomies related to the loss evaluation and debt write-offs are attributed almost completely to monocratic bodies, allowing extremely short times of reply to transaction proposals.

The analytical evaluation of loans is applied to the following classes of impaired non performing loans:

- Non performing loans
- Watchlist loans
- restructured loans

As per IAS 39, impaired loans are subject to analytical evaluation and the write-down amount of each loan is equal to the difference between the current value of expected future cash flows, calculated applying the original effective interest rate, ad the carrying amount itself until the evaluation.

The debt collectibility estimate takes into consideration:

- the amount of the maximum collectible as a sum of expected estimated cash flows estimated based on the types of guarantees outstanding and/or acquirable, their hypothetical realization value, the costs to be incurred, the debtor's will to pay;
- recovery times estimated based on existing guarantees, the court and out of court settlement methods of the guarantees, insolvency proceedings, the relevant geographical area;
- the discounting rates; for all loans evaluated at the depreciated cost the original effective return rate is used, while for revocable loans the rate at the time of default is considered.

The loans Disputes Department carries out the analytical evaluation of the collectibility of each loan irrespective of the credit amount and without resorting to models of estimate of expected cash flows, with a differentiated recovery plan according to the characteristics of each loan.

The write-down activity is supported by a control procedure together with a dynamic review of the various positions, which allows a continuous updating of the adequacy of the loss expectations.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

A.1.1 Distribution of financial assets per portfolio and credit quality (financial statements values)

Portfolios/Quality	BANKING GROUP						OTHER COMPANIES		TOTAL
	Non performing loans	Watchlist loans	Restructured exposures	Expired exposures	Country risk	Other assets	Deteriorated	Other	
Financial assets for trading	-	-	-	-	411	1.184.026	-	841.203	2.025.640
Financial assets available for sale	-	-	-	-	-	104.339	-	195.271	299.610
Financial assets held until due date	-	-	-	-	-	82.655	-	-	82.655
Bank receivables	-	-	-	-	232	1.502.576	-	7.312	1.510.120
Trade receivables	55.475	34.392	10.853	27.461	2.566	6.465.203	-	760	6.596.710
Financial assets evaluated at fair value	-	-	-	-	-	-	-	-	-
Financial assets allocated to sales	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	7.621	-	-	7.621
Total 2006	**55.475**	**34.392**	**10.853**	**27.461**	**3.209**	**9.346.420**	**-**	**1.044.546**	**10.522.356**
Total 2005	**54.284**	**43.543**	**12.599**	**28.793**	**3.059**	**9.466.738**	**-**	**-**	**9.609.016**

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

Portfolios/Quality	Deteriorated assets				Other assets				Total
	Gross exposure	Specific rectifications	Portfolio rectifications	Net exposure	Gross exposure	Specific rectifications	Portfolio rectifications	Net exposure	(net exposure)
A. Banking Group									
Financial assets for trading	411	-	-	411	1.184.026	-	-	1.184.026	1.184.437
Financial assets available for sale	-	-	-	-	104.339	-	-	104.339	104.339
Financial assets held until due date	-	-	-	-	82.655	-	-	82.655	82.655
Bank receivables	232	-	-	232	1.502.576	-	-	1.502.576	1.502.808
Trade receivables	358.993	226.121	2.125	130.747	6.500.886	-	35.683	6.465.203	6.595.950
Financial assets evaluated at fair value	-	-	-	-	-	-	-	-	-
Financial assets allocated to sales	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	7.621	-	-	7.621	7.621
Total A	**359.636**	**226.121**	**2.125**	**131.390**	**9.382.103**	**-**	**35.683**	**9.346.420**	**9.477.810**
B. Other companies included in the consolidation									
Financial assets for trading	-	-	-	-	841.203	-	-	841.203	841.203
Financial assets available for sale	-	-	-	-	195.271	-	-	195.271	195.271
Financial assets held until due date	-	-	-	-	-	-	-	-	-
Bank receivables	-	-	-	-	7.312	-	-	7.312	7.312
Trade receivables	-	-	-	-	760	-	-	760	760
Financial assets evaluated at fair value	-	-	-	-	-	-	-	-	-
Financial assets allocated to sales	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**1.044.546**	**-**	**-**	**1.044.546**	**1.044.546**
Total 2006	**359.636**	**226.121**	**2.125**	**131.390**	**10.426.649**	**-**	**35.683**	**10.390.966**	**10.522.356**
Total 2005	**343.996**	**200.801**	**917**	**142.278**	**9.504.117**	**-**	**37.379**	**9.466.738**	**9.609.016**

A.1.3 Exposure for cash and off financial statements relative to banks: gross and net values

Values/Exposures typologies	Gross exposure	Specific value rectifications	Portfolio value rectifications	Net exposure
A. CASH EXPOSURES				
A.1 Banking group				
a) Non performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Expired exposures	-	-	-	-
e) Country risk	232	-	-	232
f) Other assets	1.670.310	-	-	1.670.310
Total A.1	**1.670.542**	**-**	**-**	**1.670.542**
A.2 Other companies				
a) Deteriorated	-	-	-	-
b) Other	120.029	-	-	120.029
Total A.2	**120.029**	**-**	**-**	**120.029**
Total A	**1.790.571**	**-**	**-**	**1.790.571**
B. EXPOSURE OFF FINANCIAL STATEMENTS				
B.1 Banking group				
a) Deteriorated	-	-	-	-
b) Other	446.031	-	-	446.031
Total B.1	**446.031**	**-**	**-**	**446.031**
B.2 Other companies				
a) Deteriorated	-	-	-	-
b) Other	29.542	-	-	29.542
Total B.2	**29.542**	**-**	**-**	**29.542**
Total B	**475.573**	**-**	**-**	**475.573**

A.1.4 Exposure for cash relative to banks: deteriorated exposure and subject to “gross” country risk

Causes/Categories	Non performing loans	Watchlist loans	Restructured exposure	Exposures due	Country risk
A. Initial gross exposure	**-**	**-**	**-**	**-**	**231**
- of which: exposures assigned not cancelled	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**328**
B.1 Inflows due to exposures in bonis	-	-	-	-	11
B.2 Transfers from other deteriorated exposures	-	-	-	-	-
B.3 Other variations in increase	-	-	-	-	317
C. Negative variations	**-**	**-**	**-**	**-**	**327**
C.1 Outflows towards exposures in bonis	-	-	-	-	235
C.2 Cancellations	-	-	-	-	-
C.3 Encashments	-	-	-	-	-
C.4 Realisations due to assignments	-	-	-	-	-
C.5 Transfers to other deteriorated exposures	-	-	-	-	-
C.6 Other negative variations	-	-	-	-	92
D. Final gross exposure	**-**	**-**	**-**	**-**	**232**
- of which: exposures assigned not cancelled	-	-	-	-	-

A.1.6 Exposure for cash and off the financial statements relative to customer: gross and net values

Values/Exposures typologies	Gross exposure	Specific value rectifications	Portfolio value rectifications	Net exposure
A. CASH EXPOSURES				
A.1 Banking group				
a) Late payments	252.196	196.721	-	55.475
b) Bad debts	63.753	29.225	136	34.392
c) Restructured exposures	10.853	-	-	10.853
d) Expired exposures	29.625	175	1.989	27.461
e) Country risk	2.953	-	-	2.953
f) Other assets	8.556.912	-	35.694	8.521.218
TOTAL A.1	**8.916.292**	**226.121**	**37.819**	**8.652.352**
A.2 Other companies				
a) Deteriorated	-	-	-	-
b) Other	760	-	-	760
TOTAL A.2	**760**	**-**	**-**	**760**
TOTAL A	**8.917.052**	**226.121**	**37.819**	**8.653.112**
B. EXPOSURE OFF FINANCIAL STATEMENTS				
B.1 Banking group				
a) Deteriorated	1.066	-	1	1.065
b) Other	610.428	-	1.981	608.447
TOTAL B.1	**611.494**	**-**	**1.982**	**609.512**
B.2 Other companies				
a) Deteriorated	-	-	-	-
b) Other	-	-	-	-
TOTAL B.2	**-**	**-**	**-**	**-**
TOTAL B	**611.494**	**-**	**1.982**	**609.512**

A.1.7 Exposure for cash from customers: Dynamic exposure deteriorated subject to "country risk"

Causes/Categories	Late payments	Bad debts	Restructured exposures	Exposures due	Country risk
A. Initial gross exposure	**237.057**	**59.071**	**15.099**	**29.710**	**2.828**
- of which: exposures assigned not cancelled	-	-	-	-	-
A.1 Initial balance	**-**	**-**	**-**	**-**	**-**
B. Positive variations	**210.058**	**141.618**	**24.241**	**27.577**	**4.444**
B.1 Inflows due to exposures in bonis	17.707	73.273	1.224	8.009	1.597
B.2 Transfers from other deteriorated exposures	47.982	14.323	9.000	-	-
B.3 Other positive variations	144.369	54.022	14.017	19.568	2.847
C. Negative variations	**194.919**	**136.936**	**28.487**	**27.662**	**4.319**
C.1 Outflows towards exposures in bonis	644	14.751	-	-	348
C.2 Cancellations	40.216	-	-	-	-
C.3 Encashments	21.944	16.112	124	-	-
C.4 Realisations due to assignments	-	-	-	-	-
C.5 Transfers to other deteriorated exposures	-	56.982	13.940	-	-
C.6 Other negative variations	132.115	49.091	14.423	27.662	3.971
D. Final gross exposure	**252.196**	**63.753**	**10.853**	**29.625**	**2.953**
- of which: exposures assigned not cancelled	-	-	-	-	-

A.1.8 Exposure for cash from customers: Dynamic of overall value rectifications

Causes/Categories	Late payments	Bad debts	Restructured exposures	Exposures due	Country risk
A. Initial overall rectifications	**182.773**	**15.528**	**2.500**	**917**	**-**
- of which: exposures assigned not cancelled	-	-	-	-	-
A.1 Initial balance	**-**	**-**	**-**	**-**	**-**
B. Positive variations	**173.249**	**50.027**	**11.922**	**1.247**	**-**
B.1 Value rectifications	43.291	22.838	9.422	1.107	-
B.2 Transfers from other deteriorated exposures	20.178	11.922	-	-	-
B.3 Other positive variations	109.780	15.267	2.500	140	-
C. Negative variations	**159.301**	**36.194**	**14.422**	**-**	**-**
C.1 Value rehedgingies from evaluation	5.699	1.189	-	-	-
C.2 Value rehedgingies from encashment	8.356	1.513	-	-	-
C.3 Cancellations	40.262	-	-	-	-
C.4 Transfers to other deteriorated exposures	-	20.178	11.922	-	-
C.5 Other negative variations	104.984	13.314	2.500	-	-
D. Final overall rectifications	**196.721**	**29.361**	**-**	**2.164**	**-**
- of which: exposures assigned not cancelled	-	-	-	-	-

A.2 CLASSIFICATION OF EXPOSURES ON THE BASIS OF EXTERNAL AND INTERNAL RATINGS

A.2.1 Distribution of cash and "off-balance" exposures by external ratings

In the light of the credit portfolio on the Group level, which consists mainly of exposures to retail clients and small-medium Italian businesses not rated by external rating agencies, the distribution of cash and "off-balance" exposures by external rating classes does not appear to be significant.

With reference to the exposure to banks, it should be noted that almost all counterparties with which the Group has relationships have ratings exceeding investment grade.

Exposures	External rating classes					Without *rating*	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-		
A. Exposure for cash	**174.111**	**593.432**	**63.510**	**-**	**-**	**8.177.250**	**9.008.303**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**108.190**	**108.190**
B.1 Financial derivatives	-	-	-	-	-	49.131	49.131
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees issued	**8.959**	**-**	**-**	**-**	**-**	**276.118**	**285.077**
D. Commitments to issue reserves	**-**	**-**	**-**	**-**	**-**	**721.335**	**721.335**
Total	**183.070**	**593.432**	**63.510**	**-**	**-**	**9.332.024**	**10.172.036**

A.2.2 Distribution of cash and "off-balance" exposures by internal ratings

As already mentioned in the report on the qualitative information on credit risk, the Italian banks of the Group have an internal model for risk rating allocation to companies. To allow terminology consistency with the ratings used by external rating agencies, nine credit worthiness classes are in place for performing customers, from AAA (the least risky) to C (the most risky).

The next table contains the distribution of exposure per rating class of Gruppo Banca Sella's customer companies. The column "Without rating" contains both exposures with companies without internal rating and exposures with customers belonging to a segment different from "companies". The Group believes it necessary to state that, for Gruppo Banca Sella banks, the coverage percentage of the sole segment "companies" only is almost 80% of total exposures.

Exposures	Internal rating classes									Without *rating*	Total
	AAA	AA	A	BBB	BB	B	CCC	CC	C		
A. Exposure for cash	**57.747**	**106.935**	**208.355**	**500.295**	**371.125**	**357.143**	**367.801**	**84.905**	**21.188**	**6.932.809**	**9.008.303**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**66.458**	**66.458**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	49.131	49.131
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**15.836**	**11.836**	**17.001**	**41.942**	**34.733**	**18.745**	**20.239**	**9.026**	**356**	**115.363**	**285.077**
D. Commitments to issue reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**721.335**	**721.335**
Total	**73.583**	**118.189**	**224.713**	**541.023**	**404.802**	**375.272**	**387.441**	**93.808**	**21.520**	**7.835.965**	**10.081.173**

A.3 DISTRIBUTION OF GUARANTEED EXPOSURES BY GUARANTEE TYPE

A.3.2 Exposure off financial statements relative to guaranteed customers and banks

		Secured guarantees (1)			Unsecures guarantees (2)								
					Derivatives on receivables				Signature receivables				
	Exposures value	Immovables	Securities	Other assets	States	Other public entities	Banks	Other subjects	States	Other public entities	Banks	Other subjects	**Total** (1) + (2)
1. Exposure relative to guaranteed banks:													
1.1 Totally guaranteed	811	-	811	-	-	-	-	-	-	-	-	-	**811**
1.2. Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Exposure relative to guaranteed customers:													
1.1 Totally guaranteed	330.429	43.765	29.808	3.455	-	-	-	-	-	-	235	255.370	**332.633**
1.2. Partially guaranteed	114.083	15.669	3.084	1.954	-	-	-	-	-	-	233	62.708	**83.648**

A.3.3 Exposures for cash deteriorated relative to guaranteed banks and customers

			Guarantees (fair value)																		
			Secured guarantees			Unsecured guarantees															
						Derived receivables							Signature receivables								
	Exposure value	Guarantees amount	Immovables	Securities	Other assets	Governments or central banks	Other public entities	Banks	Finance companies	Insurance companies	Non finance companies	Other subjects	Governments or central banks	Other public entities	Banks	Finance companies	Insurance companies	Non finance companies	Other subjects	**Total**	Excess fair value guarantee
1. Exposure relative to guaranteed banks																					
1.1 more than 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 between 100% and 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 between 50% and 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 within 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Exposure relative to guaranteed customers																					
2.1 more than 150%	15.973	16.274	12.232	104	46	-	-	-	-	-	-	-	-	-	-	-	-	-	3.891	16.273	-
2.2 between 100% and 150%	12.032	14.132	1.211	1.442	1.060	-	-	-	-	-	-	-	-	-	-	-	-	-	10.418	14.131	12.233
2.3 between 50% and 100%	2.586	1.863	31	800	56	-	-	-	-	-	-	-	-	-	-	-	-	-	976	1.863	1.212
2.4 within 50%	11.606	705	-	139	279	-	-	-	-	-	-	-	-	-	-	-	-	-	303	721	31

B. CREDIT DISTRIBUTION AND CONCENTRATION

B.1 Sector distribution of exposures for cash and off financial statements relative to customers

	Governments and central banks				Other public entities				Finance company			
	Gross exposure	Specific value rectifications	Portfolio value rectifications	Net exposure	Gross exposure	Specific value rectifications	Portfolio value rectifications	Net exposure	Gross exposure	Specific value rectifications	Portfolio value rectifications	Net exposure
A. Exposures for cash												
A.1 Late payments	-	-	-	-	19	19	-	-	1.350	1.257	-	93
A.2 Bad debts	-	-	-	-	1	1	-	-	389	229	-	160
A.3 Restructured exposure	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposure	-	-	-	-	-	-	-	-	216	-	-	216
A.5 Other exposures	1.057.857	-	-	1.057.857	91.479	-	3	91.476	264.307	-	31	264.276
Total A	**1.057.857**	**-**	**-**	**1.057.857**	**91.499**	**20**	**3**	**91.476**	**266.262**	**1.486**	**31**	**264.745**
B. "Off financial statements" exposures												
B.1 Late payments	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Bad debts	-	-	-	-	-	-	-	-	3	-	-	3
B.3 Other deteriorated assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	-	-	-	2.616	-	-	2.616	72.642	-	-	72.642
Total B	**-**	**-**	**-**	**-**	**2.616**	**-**	**-**	**2.616**	**72.645**	**-**	**-**	**72.645**
Total 2006	**1.057.857**	**-**	**-**	**1.057.857**	**94.115**	**20**	**3**	**94.092**	**338.907**	**1.486**	**31**	**337.390**
Total 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

follow

	Insurance companies				Non finance companies				Other subjects			
	Gross exposure	Specific value rectifications	Portfolio value rectifications	Net exposure	Gross exposure	Specific value rectifications	Portfolio value rectifications	Net exposure	Gross exposure	Specific value rectifications	Portfolio value rectifications	Net exposure
A. Exposures for cash												
A.1 Late payments	-	-	-	-	144.338	104.567	-	39.771	106.489	90.878	-	15.611
A.2 Bad debts	-	-	-	-	41.800	15.279	117	26.404	21.563	13.716	19	7.828
A.3 Restructured exposure	-	-	-	-	2.047	-	-	2.047	8.806	-	-	8.806
A.4 Expired exposure	-	-	-	-	14.425	175	175	14.075	14.984	-	1.814	13.170
A.5 Other exposures	1.279	-	-	1.279	3.304.121	-	23.610	3.280.511	3.841.582	-	12.050	3.829.532
Total A	**1.279**	**-**	**-**	**1.279**	**3.506.731**	**120.021**	**23.902**	**3.362.808**	**3.993.424**	**104.594**	**13.883**	**3.874.947**
B. "Off financial statements" exposures												
B.1 Late payments	-	-	-	-	469	-	-	469	39	-	-	39
B.2 Bad debts	-	-	-	-	477	-	-	477	50	-	1	49
B.3 Other deteriorated assets	-	-	-	-	16	-	-	16	12	-	-	12
B.4 Other exposures	4.112	-	-	4.112	334.370	-	8	334.362	196.688	-	1.973	194.715
Total B	**4.112**	**-**	**-**	**4.112**	**335.332**	**-**	**8**	**335.324**	**196.789**	**-**	**1.974**	**194.815**
Total 2006	**5.391**	**-**	**-**	**5.391**	**3.842.063**	**120.021**	**23.910**	**3.698.132**	**4.190.213**	**104.594**	**15.857**	**4.069.762**
Total 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.2 Distribution of financing relative to non finance companies

Construction or public works	632.587
Services related to transport	614.556
Products in metal excluding transport equipment and machines	561.702
Other industrial products	432.163
Food, drink products and tobacco based products	223.172
Other	796.892
Total	**3.261.072**

B.3 Territorial distribution of exposures for cash and off financial statements relative to customers (financial statements value)

Exposures/Geographic areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Exposures for cash										
A.1 Late payments	251.555	55.441	498	23	96	11	-	-	47	-
A.2 Bad debts	63.490	34.355	187	20	21	1	-	-	55	16
A.3 Restructured exposures	10.429	10.429	-	-	-	-	-	-	-	-
A.4 Expired exposures	27.402	25.238	822	822	6	6	-	-	-	-
A.5 Other operations	7.925.772	7.890.163	599.165	598.979	30.326	30.293	236	236	6.945	7.079
Total A	**8.278.648**	**8.015.626**	**600.672**	**599.844**	**30.449**	**30.311**	**236**	**236**	**7.047**	**7.095**
B. Exposures off financial statements										
B.1 Late payments	508	508	-	-	-	-	-	-	-	-
B.2 Bad debts	530	529	-	-	-	-	-	-	-	-
B.3 Other deteriorated assets	28	28	-	-	-	-	-	-	-	-
B.4 Other exposures	589.412	587.431	16.835	16.835	3.879	3.879	-	-	302	302
Total B	**590.478**	**588.496**	**16.835**	**16.835**	**3.879**	**3.879**	**-**	**-**	**302**	**302**
Total (A+B) 2006	**8.869.126**	**8.604.122**	**617.507**	**616.679**	**34.328**	**34.190**	**236**	**236**	**7.349**	**7.397**
Total (A+B) 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Territorial distribution of exposures for cash and off financial statements relative to banks

Exposures/Geographic areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF WORLD	
	Gross exposures	Net exposures	Esposiz. exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures
A. Exposures for cash										
A.1 Late payments	-	-	-	-	-	-	-	-	-	-
A.2 Bad debts	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other operations	1.376.607	1.376.607	365.053	365.053	41.691	41.691	5.337	5.337	1.883	1.883
Total A	**1.376.607**	**1.376.607**	**365.053**	**365.053**	**41.691**	**41.691**	**5.337**	**5.337**	**1.883**	**1.883**
B. Exposures off financial statements										
B.1 Late payments	-	-	-	-	-	-	-	-	-	-
B.2 Bad debts	-	-	-	-	-	-	-	-	-	-
B.3 Other deteriorated assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	273.420	273.420	200.863	200.863	1.290	1.290	-	-	-	-
Total B	**273.420**	**273.420**	**200.863**	**200.863**	**1.290**	**1.290**	**-**	**-**	**-**	**-**
Total (A+B) 2006	**1.650.027**	**1.650.027**	**565.916**	**565.916**	**42.981**	**42.981**	**5.337**	**5.337**	**1.883**	**1.883**
Total (A+B) 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C. SECURITISATION AND TRANSFER OF FINANCIAL ASSETS

C.1 SECURITISATIONS

QUALITATIVE INFORMATION

Starting with financial year 2000, the Group has engaged in three traditional securitisation operations, two of which regarded performing loans carried out by Banca Sella S.p.A., now Sella Holding S.p.A.. The securitisation activities were transferred, on January 1st, 2006, by Sella Holding Banca S.p.A. to the "new" Banca Sella S.p.A. The other securitisation involved the transfer of credits from performing leasing contracts of Biella Leasing S.p.A.

These operations were carried out with the aim of diversifying forms of funding , improving the correlations of maturities between deposits and loans as well as prudential regulatory ratios.

The role of servicer in the three securitisation operations was always performed by the originator.

The two originator companies of the operations underwrote and still hold the entire amount of the junior securities issued in the various securitisations. The risk of transferred assets is therefore still associated with them, which as a consequence regularly monitor their performance and prepare periodic reports.

As already indicated in Part A - Accounting Policies, for the first two operations closed before December 31st, 2003, the effects of the derecognition carried out in previous financial years still apply, while for the operation carried out in 2005 the transferred assets continue to be reported on the consolidated financial statement since the transfer did not substantially transfer the risk to a third party.

A summary of information regarding the above mentioned operations is provided below.

a) Banca Sella S.p.A.: securitisation of performing loans - 2000

The operation was concluded at two different times: on December 28th, 2000 the loan acquisition contract was finalised with the special purpose vehicle Secursel S.r.l. (part of Gruppo Banca Sella), while on April 26th, 2001 the securities with which the purchase was financed were issued.

The portfolio transferred without recourse consists of performing residential mortgage loans of Banca Sella S.p.A. issued to residents in Italy.

The operation was related to the assignment without recourse to the special purpose vehicle of loans guaranteed by mortgages for euro 203,7 million, equal to the balance-sheet value on the date of assignment. The price of assignment was euro 208,0 million, taking into account accrued interest on loans matured by the date of assignment.

For this operation Secursel S.r.l. issued senior securities (Class A Notes) amounting to euro 184,4 million, mezzanine securities (Class B Notes) amounting to euro 17,3 million and junior securities (Class C Notes) amounting to euro 2,052 million.

Class A and B securities are listed on the Luxembourg Stock Exchange. Class A securities were rated A by Moody's, while Class B securities were rated A2, upgraded during 2005 to Aa2; Class C securities are not listed and have been wholly underwritten by Banca Sella S.p.A; their accrued interest for 2006 was euro 0,746 million.

The scheduled repayment of the principal of Class A securities continued; at December 31st, 2006, it is euro 52,4 million, while the redemption of mezzanine and junior securities has not started yet.

Banca Sella S.p.A. is entrusted with the collection of transferred credits and cash and payment services in accordance with a servicing contract that provides for a servicing commission, paid out half yearly, equal to 0,50% on an annual basis of the managed amount of principal. In 2006, servicing commissions collected amounted to euro 0,398 million.

Upon the issue of a series of securities, Securel S.r.l.concluded a series of interest rate swaps with Calyon S.A., to hedge the structure related interest rate risk due to the difference between the indexing parameters of the issued securities and the various indexing parameters of the acquired portfolio.

Banca Sella S.p.A granted Secursel S.r.l. a euro 5,1 million liquidity line, with an interest rate equal to six month Euribor + 0,25 b. p., that the special purpose vehicle could use if half yearly sums available on each date of payment of interest on the securities were not enough to cover the costs, as established in the Order of Priority of Payments. This line has never been used.

b) Biella Leasing S.p.A.: securitisation of credits from leasing contracts - 2001

The operation was concluded at two different times: on December 21st, 2001 the credit acquisition contract was finalised with the special purpose vehicle Secursel S.r.l. (part of Gruppo Banca Sella), while on February 13th, 2002 the securities were issued with which the purchase was financed.

The portfolio transferred without recourse consists of performing leasing contracts from Biella Leasing S.p.A. issued to residents in Italy.

The operation was structured with further periodical revolving assignments at quarterly intervals beginning on May 28th, 2002 and ending November 28th, 2003 following the same common criteria as the initial assignment.

The operation was related to the assignment without recourse to the special purpose vehicle of credits amounting to euro 202,1 million, equal to the balance-sheet value on the date of assignment. The price of assignment was euro 202,8 million, taking into account accrued interest matured by the date of assignment of euro 0,7 million.

For this operation Secursel S.r.l. issued senior securities (Class A Notes) amounting to euro 187,0 million, mezzanine securities (Class B Notes) amounting to euro 12,5 million and junior securities (Class C Notes) amounting to euro 2,7 million.

Class A and B are listed on the Luxembourg Stock Exchange and are rated by Moody's; Class C securities are not listed and have been wholly underwritten by Biella Leasing S.p.A., which in 2006 reported interest income of euro 1,4 million.

During 2006 Class A securities have been redeemed for a nominal amount of approx. euro 32,2 million; the residual nominal value of the securities of the same class to be redeemed has therefore decreased to euro 22,1 million. The repayment of mezzanine and junior securities has not started yet.

Biella Leasing is entrusted with the collection of transferred credits and cash and payment services in accordance with a servicing contract that provides for a servicing commission, paid out half yearly, equal to 0,20% on an annual basis of the managed amount of principal. During 2006 servicing commissions collected by Biella Leasing S.p.A. were euro 0,12 million.

Upon the issue of a series of securities, Secursel S.r.l. concluded a series of interest rate swaps with Calyon S.A., to hedge the structure related interest rate risk due to the difference between the indexing parameters of the issued securities and the various indexing parameters of the acquired portfolio.

Sella Holding Banca granted Secursel S.r.l. a liquidity line that the special purpose vehicle could use if half yearly sums available on each date of payment of interest on the securities were not enough to cover the costs, as established in t,he Order of Priority of Payments. The line amounts to euro 4,0 million and its interest rate, in case of use, is equal to three month Euribor + 0,25 p.a..

c) Banca Sella S.p.A.: securitisation of performing loans - 2005

The operation was concluded at two different times: on October 4th, 2005 the credit acquisition contract was finalised with the special purpose vehicle Mars 2600 S.r.l., while on October 20th, 2005 the securities were issued with which the purchase was financed.

The portfolio transferred without recourse consists of performing residential mortgage loans from Banca Sella S.p.A. issued to residents in Italy.

The operation was related to the assignment without recourse to the special purpose vehicle of loans guaranteed by mortgages amounting to euro 263,3 million, including the amount of principal and the accrued interests matured at the date of transfer.

For these operations Mars 2600 issued Class A securities amounting to euro 248,9 million, Class B securities amounting to euro 11,0 million, Class C securities amounting to euro 3,5 million and Class D securities amounting to euro 3,5 million.

Class A, B and C securities are listed on the Luxembourg Stock Exchange; Class A securities were rated Aaa, Class B securities A1 and Class C securities were rated Baa1 by Moody's.

Class D securities are not listed and have been wholly underwritten by Banca Sella S.p.A., which during 2006 reported interest receivable amounting to euro 3,424 million.

During 2006 no repayments were made of the securities of the various classes

Banca Sella S.p.A. is entrusted with the collection of transferred credits and cash and payment services in accordance with a servicing contract that provides for a servicing commission, paid out half yearly, equal to 0,45% on a three month basis of the performing amounts collected. During 2006 the servicing commissions collected by Banca Sella S.p.A. were euro 0,177 million.

Upon the issue of securities, Mars 2600 S.r.l. signed an interest rate swap with B.N.P. Paribas, to hedge the risk related to structure due to the difference between the indexing parameters of the issued securities and the various indexing parameters of the acquired portfolio.

No guarantees or liquidity lines are given for these operations.

QUANTITATIVE INFORMATION

C.1.1 Exposures deriving from securitisation operations distinguished by quality of assets

Assets quality/ Exposures	Exposures for cash						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures	Gross exposures	Net exposures
A. With own assets																		
a) Deteriorated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	29.570	29.570	-	-	-	-	-	-	-	-	-	-	9.100	9.100
B. With third party assets:																		
a) Deteriorated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.2 Exposures deriving from the main "own" securitisation operations divided by securitised assets and typology of exposures.

Assets quality/ Exposures	Exposures for cash						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Financial statemets value	Value rehedgingies/ rectifications	Financial statemets value	Value rehedgingies/ rectifications	Financial statemets value	Value rehedgingies/ rectifications	Financial statemets value	Value rehedgingies/ rectifications	Financial statemets value	Value rehedgingies/ rectifications	Financial statemets value	Value rehedgingies/ rectifications	Financial statemets value	Value rehedgingies/ rectifications	Financial statemets value	Value rehedgingies/ rectifications	Financial statemets value	Value rehedgingies/ rectifications
A. Subject of integral cancellation from financial statements																		
Secursel srl																		
Mutual performing	-	-	-	-	25.205	-	-	-	-	-	-	-	-	-	-	-	9.100	-
Secursel srl																		
Leasing instalments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject of partial cancellation from financial statements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not cancelled from financial statements																		
Mars 2600 srl																		
Mutual Performing	-	-	-	-	4.365	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 - Exposures relative to securitisations distributed per portfolio and typology

Exposure/Portfolio	Trading	Evaluated at *fair value*	Available for sale	Held until due date	Receivables	Total 2006	Total 2005
1. Exposures for cash							
- " Senior"	-	-	-	-	-	-	-
- " Mezzanine"	-	-	-	-	-	-	-
- " Junior"	-	-	25.205	-	-	25.205	-
2. Exposures off financial statements							
- " Senior"	-	-	-	-	-	-	-
- " Mezzanine"	-	-	-	-	-	-	-
- " Junior"	-	-	-	-	-	-	-

C.1.5 Overall amount of securitised assets relative to Junior securities

Assets/Values	Traditional securitisations	Synthetic securitisations
A. Own assets:		
A.1 Subject of integral cancellation	-	-
1. Late payments	1.627	X
2. Bad debts	-	X
3. Restructured exposures	-	X
4. Expired exposures	-	X
5. Other assets	111.792	X
A.2 Subject of partial cancellation	-	-
1. Late payments	-	X
2. Bad debts	-	X
3. Restructured exposures	-	X
4. Expired exposures	-	X
5. Other assets	-	X
A.3 Non cancelled	-	-
1. Late payments	-	-
2. Bad debts	-	-
3. Restructured exposures	-	-
4. Expired exposures	-	-
5. Other assets	227.165	-
B. Third party assets:		
B1. Late payments	-	-
B2. Bad debts	-	-
B3. Restructured exposures	-	-
B4. Expired exposures	-	-
B5. Other assets	-	-

C.1.7 Servicer assets – encashment of securitised receivables and reimbursements of securities issued by vehicle company

Servicer	Vehicle company	Securitised assets (at end of period)		Receivables encashed realised during year		Percentage quota of securities reimbursed (at end of period)					
						Senior		Mezzanine		Junior	
		Deteriorated	In bonis	Deteriorated	In bonis	Deteriorated assets	In bonis assets	Deteriorated assets	In bonis assets	Deteriorated assets	In bonis assets
-	**SecurSel Srl**	1.627	111.792	308	54.072	-	-	-	-	-	29.778
-	**Mars 2600 Srl**	-	227.165	-	39.331	-	-	-	-	-	-

C.2 TRANSFER OPERATIONS

C.2.1 Financial assets transferred and not derecognised

Financial assets transferred and not derecognised are securities transferred for repurchase operations, as visible in table 2.1 "Financial assets held for trading", and performing loans transferred to the special purpose vehicle Mars 2600 S.r.l. during the securitisation programme ended in 2005.

Technical forms/ Portfolio	Financial assets held for trading			Financial assets evaluated at fair value			Financial assets available or sale			Financial assets held till due date			Receivables from banks			Trade receivables			**Total**	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	2006	2005
A. Assets for cash																				
1. Debt securities	530.312	-	-	-	-	-	-	-	-	16.101	-	-	-	-	-	-	-	-	546.413	-
2. Capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. O.I.C.R.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	227.165			227.165	-
5. Deteriorated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2006	**530.312**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.101**	**-**	**-**	**-**	**-**	**-**	**227.165**	**-**	**-**	**773.578**	**-**
Total 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Captions:
A = Assigned financial activities fully recognised (book value)
B = Assigned financial activities partially recognised (book value)
C = Assigned financial activities partially recognised (full value)

C.2.2 Financial liabilities related to financial assets transferred and not derecognised

Financial liabilities related to financial assets transferred and not derecognised for passive repurchase operation, are listed in item 20 of liability "Due to customers".

Liabilities/ Portfolio assets	Financial assets held for trading	Financial assets evaluated at fair value	Financial assets available for sale	Financial assets held till due date	Receivables from banks	Trade receivables	**Total**
1. Trade payables							
a) relative to assets registered entirely	464.288	-	-	10.827	-	224.130	699.245
b) relative to assets registered partially	69.282	-	-	-	-	-	69.282
2. Bank borrowings							
a) relative to assets registered entirely	110	-	-	-	-	-	110
b) relative to assets registered partially	-	-	-	-	-	-	-
Total 2006	**533.680**	**-**	**-**	**10.827**	**-**	**224.130**	**768.637**
Total 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK

QUALITATIVE INFORMATION

A. Generals

The management of market risks (interest rate risks, price risks, foreign exchange risks, counterparty risks, liquidity risks) is regulated by Group regulations that set limits to the exposure of individual companies to these risks. The Gruppo Banca Sella entity that assumes market risks is the parent company Sella Holding Banca, where financial market activities (trading for own account and Group treasury) are centrally performed.

B. Management process and methods for interest rate risk measurement

The Parent company's Board of Directors sets the strategic guidelines for the taking of market risks by verifying the use of capital for the Parent company and its subsidiaries. The ALM Committee, in addition to its main role of monitoring established risk limits, has a proponent function in the definition of the Group's policies for exposure to market risk; the Committee also makes proposals of corrective actions to rebalance Group's risk positions.

In the control of financial risks the Risk Management, Strategic Planning and Budgetary Control and the Finance Business Area all play an active part.

The financial activity of the Parent Company Sella Holding Banca, where treasury and trading on own account activities are centrally performed, has the tasks of allocating surplus financial resources and managing funding outside. Sella Holding Banca is also the counterpart of other Banks and Companies for covering exposures to market risk.

1.2.2 INTEREST RATE-BANK PORTFOLIO RISK

QUALITATIVE INFORMATION

A. General aspects , Management process and methods for interest rate risk measurement

The interest rate risk results from asymmetries in maturities, in times of redefinition of the interest rate (and of types of indexing) of assets and liabilities of each entity. The interest rate risk is monitored through measurement of the impact of unexpected changes in interest rates have on income and equity.

The calculation model used for monitoring the banking book is in line with regulatory provisions of the Central Bank and is applied individually to each Italian bank in the Group. Controls are performed taking into consideration the total positions recognised on and off the balance sheet, limited to interest-bearing assets and expense-bearing liabilities. Monitoring is performed by monthly evaluation and provides the impact on interest income for the period and the impact on capital for supervisory purposes in the case of a 1% shift in interest rates. A risk index is also calculated.

The interest rate risk is also monitored, also according to a method based on VAR for the subsidiaries Consel and Biella Leasing, which are significant for the purposes of establishing the overall interest rate risk.

The values of these indicators are calculated by Risk Management and reported to the ALM Committee, which considers the possibility of determining actions aimed at redefining the risk position.

The Group's policy is that of a high level of coverage of fixed-rate exposures (in this regard, under liabilities the issue of bonds are mainly at variable-rate, and under assets the issue of mortgages and other types of fixed-rate financing is periodically covered by IRS amortising, that transform them into variable-rate exposures).

As at 31/12/2006 related tothe sensitivity analysis show an extremely contained risk in the aggregate banking book of the Italian banks and the subsidiaries Consel and Biella Leasing. Sensitivity is represented in the table below as the total and percentage impact on net interest income of a parallel shift in interest rates of one percentage point.

Shift	Total sensitivity (x1000)	Reclassified interest income	Sensitivity %
+ 100bps	-3.589	262.670	- 1,40%
– 100bps	4.445	262.670	1,73%

Banking book aggregates include the items of the trading portfolio sensitive to rate variations.

1.2.3 PRICE RISK - SUPERVISORY TRADING PORTFOLIO AND BANKING PORTFOLIO

QUALITATIVE INFORMATION

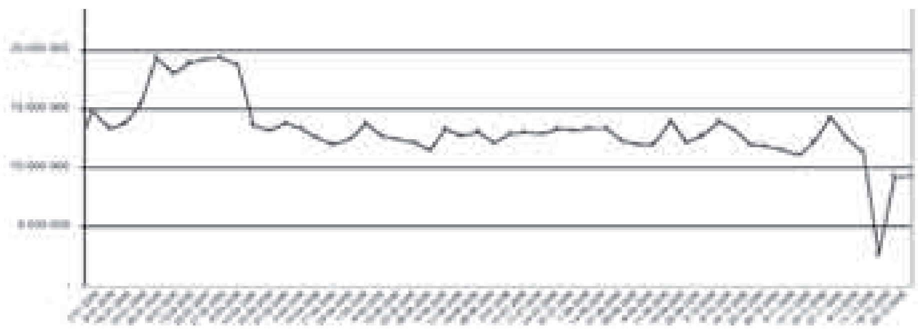
A. General aspects, Management process and methods for price risk measurement

As for the trading book, price and exchange risks (risks of capital account losses on financial assets due to oscillations in the value of securities or to factors caused by the issuer's specific situation, or the denomination currency) are measured within Gruppo Banca Sella using historical VAR (value at risk), which determines the maximum change in value of a financial instrument or portfolio in a given time period with a certain level of probability (confidence interval). For this purpose, "historical" VAR with a confidence interval of 99% is used with a reference period of 3 months for portfolios owned by banks, while for trading on own account, which has a very short temporal horizon, one-day VAR (for intraday positions) and one-week VAR (for positions that are not closed within the same day) are used. The software used for VAR calculation provides the calculation of the VAR of the individual instrument and the calculation of the VAR of the portfolio (which obviously depends on the single VAR values and on the correlations between the various instruments). Trading on own account is regulated by very stringent stop losses.

Counterparty risk is also monitored both in terms of operating maximum levels for the various instruments and in terms of the credit risk equivalent (this method allows to sum properly weighted exposures of various types).

The performance of VAR at the consolidated level (confidence interval 99%, temporal horizon 3 months, historical method) during the period is indicated in the chart below. (VaRs of activities on own account have been recalculated on a three months basis and summed to the trading portfolio VaR). VaR relates mainly to interest rate risk exposure.

Recognition of Var at the consolidated level. Confidence level 99% temporal horizon 3 months



QUANTITATIVE INFORMATION

1. Portfolio of supervisory trading: exposures for cash in O.I.C.R. and capital securities

Exposure typology/values	Financial statements value	
	Listed	Non listed
A. Capital securities		
A.1 Shares	1.044,00	2,00
A.2 Innovative capital instruments	-	-
A.3 Other capital securities	-	-
B. O.I.C.R.		
B.1 hedginged by Italian law		
- harmonised open	25.893,00	-
- non harmonised open	-	-
- closed	-	-
- reserved	-	-
- speculative	-	-
B.2 Other EU states		
- harmonised open	6.129,00	-
- non harmonised open	-	-
- non harmonised closed	2.035,00	-
B.3 Non EU states		
- open	2.008,00	-
- closed	-	-
Total	**37.109,00**	**2,00**

1. Banking portfolio: exposures for cash in O.I.C.R. and capital securities

Exposure typology/Values	Financial statements value	
	Listed	Not listed
A. Capital securities		
A.1 Shares	12.746,00	62.230,00
A.2 Innovative capital instruments	-	-
A.3 Other capital securities	-	-
B. O.I.C.R.		
B.1 Hedginged by Italian law		
- harmonised open	-	-
- non harmonised open	-	-
- closed	-	-
- reserved	-	-
- speculative	-	-
B.2 Other EU states		
- harmonised	-	-
- non harmonised open	-	-
- non harmonised closed	-	-
B.3 Non EU states		
- open	-	-
- closed	-	-
Total	**12.746,00**	**62.230,00**

1.2.5 EXCHANGE RISK

QUANTITATIVE INFORMATION

1. Distribution by currency of assets and liabilities and derivatives

Items	Currencies					
	USA DOLLARS	STERLING	SWISS FRANCS	CANADIAN D.	YEN	Other currencies
A. Financial assets	**194.906**	**28.540**	**86.737**	**6.635**	**80.216**	**26.896**
A.1 Debt securities	783	47	2.686	-	-	-
A.2 Capital securities	10	-	-	-	-	-
A.3 Financing to banks	157.788	26.833	47.489	5.263	71.274	23.943
A.4 Financing to customers	36.325	1.660	36.562	1.372	8.942	2.953
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**18.232**	**2.997**	**19.631**	**876**	**5.582**	**2.641**
C. Financial liabilities	**293.568**	**31.584**	**31.324**	**6.026**	**78.836**	**43.978**
C.1 Bank borrowings	47.534	18.115	17.377	4.046	47.981	26.760
C.2 Trade payables	233.834	13.209	11.819	1.973	30.338	16.730
C.3 Debt securities	73	26	9	-	-	-
C.4 Other liabilities	12.127	234	2.119	7	517	488
D. Financial derivatives	**978.747**	**66.644**	**95.563**	**8.957**	**204.780**	**131.172**
- Options	6.330	136	965	1.039	218	-
+ long positions	3.715	68	965	947	139	-
+ short positions	2.615	68	-	92	79	-
- Other	972.417	66.508	94.598	7.918	204.562	131.172
+ + long positions	526.318	33.272	24.135	3.907	98.626	69.021
+ short positions	446.099	33.236	70.463	4.011	105.936	62.151
Total assets	**743.171**	**64.877**	**131.468**	**12.365**	**184.563**	**98.558**
Total liabilities	**742.282**	**64.888**	**101.787**	**10.129**	**184.851**	**106.129**
Imbalance (+/-)	**889**	**-11**	**29.681**	**2.236**	**-288**	**-7.571**

1.2.6 FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Supervision trading portfolio: average period end notional values

Typology operations/ Basic	Debt securities and rates of interest		Capital securities and share indices		Gold and rates of exchange		Other values		Total 31/12/2006		Total 31/12/2005	
	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	990.754	-	-	-	-	-	-	-	990.754	-	319.697
3. Domestic currency swap	-	-	-	-	-	22.597	-	-	-	22.597	-	37.452
4. Currency interest rate swap	-	-	-	-	-	19.742	-	-	-	19.742	-	536.475
5. Basis swap	-	307.293	-	-	-	-	-	-	-	307.293	-	83.518
6. Exchanges of share indices	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchanges of real indices	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	21.513	-	4.180	-	-	-	-	-	25.693	-	61.730	-
9. Options cap	-	435.272	-	-	-	-	-	-	-	435.272	-	385.310
- Acquired	-	108.412	-	-	-	-	-	-	-	108.412	-	232.847
- Issued	-	326.860	-	-	-	-	-	-	-	326.860	-	152.463
10. Options floor	-	-	-	-	-	-	-	-	-	-	-	-
- Acquired	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
111. Other options	-	36.000	230.434	4.199	-	99.490	-	-	230.434	139.689	175.948	192.559
- Acquired	-	18.000	111.168	2.831	-	52.291	-	-	111.168	73.122	100.329	80.404
- Plain Vanilla	-	18.000	111.168	1.579	-	52.291	-	-	111.168	71.870	100.329	78.863
- Exotic	-	-	-	1.252	-	-	-	-	-	1.252	-	1.541
- Issued	-	18.000	119.266	1.368	-	47.199	-	-	119.266	66.567	75.619	112.155
- Plain Vanilla	-	18.000	119.266	1.368	-	47.199	-	-	119.266	66.567	75.619	112.155
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Future contracts	-	-	-	-	-	1.175.396	-	-	-	1.175.396	-	23.193
- Acquisitions	-	-	-	-	-	471.062	-	-	-	471.062	-	7.227
- Sales	-	-	-	-	-	638.147	-	-	-	638.147	-	15.094
- Currencies against currencies	-	-	-	-	-	66.187	-	-	-	66.187	-	872
13. Other derivative contracts	-	-	-	-	-	324.268	-	-	-	324.268	-	74.876
Total	**21.513**	**1.769.319**	**234.614**	**4.199**	**-**	**1.641.493**	**-**	**-**	**256.127**	**3.415.011**	**237.678**	**1.653.080**
Average values	**41.207**	**1.278.922**	**205.696**	**23.974**	**-**	**1.231.150**	**-**	**-**	**246.903**	**2.534.046**	**-**	**-**

A.2 Banking portfolio: average period end notionals

A.2.1 hedging

Typology derivatives/ Basic	Debt securities and rates of interest		Capital securities and share indices		Gold and rates of exchange		Other values		Total 31/12/2006		Total 31/12/2005	
	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	454.881	-	-	-	-	-	-	-	454.881	-	552.742
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	3.000	-	-	-	-	-	-	-	3.000	-	266.330
6. Exchanges of share indices	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchanges of real indices	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Options cap	-	15.159	-	-	-	-	-	-	-	15.159	-	-
- Acquired	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	15.159	-	-	-	-	-	-	-	15.159	-	-
10. Options floor	-	-	-	-	-	-	-	-	-	-	-	-
- Acquired	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	272.254	-	-	-	-	-	272.254	-	-
- Acquired	-	-	-	272.254	-	-	-	-	-	272.254	-	-
- Plain Vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	272.254	-	-	-	-	-	272.254	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain Vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Future contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**473.040**	**-**	**272.254**	**-**	**-**	**-**	**-**	**-**	**745.294**	**-**	**819.072**
Average values	**-**	**646.056**	**-**	**136.127**	**-**	**-**	**-**	**-**	**-**	**782.183**	**-**	**63.006**

A.2.2 Other derivatives

Typology derivatives/ Basic	Debt securities and rates of interest		Capital securities and share indices		Gold and rates of exchange		Other values		Total 31/12/2006		Total 31/12/2005	
	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	-	-	-	-	-	-	-	-	-	-	-
6. Exchanges of share indices	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchanges of real indices	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Options cap	-	-	-	-	-	-	-	-	-	-	-	-
- Acquired	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
110. Options floor	-	-	-	-	-	-	-	-	-	-	-	-
- Acquired	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	9.677	-	-	-	-	-	9.677	-	-
- Acquired	-	-	-	9.128	-	-	-	-	-	9.128	-	-
- Plain Vanilla	-	-	-	9.128	-	-	-	-	-	9.128	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	549	-	-	-	-	-	549	-	-
- Plain Vanilla	-	-	-	549	-	-	-	-	-	549	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Future contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**9.677**	**-**	**-**	**-**	**-**	**-**	**9.677**	**-**	**-**
Average values	**-**	**-**	**-**	**9.677**	**-**	**-**	**-**	**-**	**-**	**9.677**	**-**	**-**

A.3 Financial Derivatives: purchase and sale of underlying securities

Typology derivatives/Basic	Debt securities and rates of interest		Capital securities and share indices		Gold and rates of exchange		Other values		Total 31/12/2006		Total 31/12/2005	
	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed
A. Supervisory trading portfolio												
1. Operations with capital exchange	21.513	44.776	-	-	-	1.570.587	-	-	21.513	1.615.363	60.900	782.883
- Purchases	1.670	26.776	-	-	-	661.650	-	-	1.670	688.426	-	331.669
- Sales	19.843	18.000	-	-	-	844.709	-	-	19.843	862.709	60.900	376.610
- Currencies against currencies	-	-	-	-	-	64.228	-	-	-	64.228	-	74.604
2. Operations without exchange of capital	-	2.241.275	234.614	4.199	-	61.990	-	-	234.614	2.307.464	176.778	968.676
- Purchases	-	698.860	115.348	2.831	-	33.337	-	-	115.348	735.028	100.329	420.670
- Sales	-	1.515.309	119.266	1.368	-	28.653	-	-	119.266	1.545.330	76.449	548.006
- Currencies against currencies	-	27.106	-	-	-	-	-	-	-	27.106	-	-
B. Banking portfolio:												
B.1 Hedging												
1. Operations with capital exchange	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Operations without exchange of capital	-	593.154	-	272.254	-	-	-	-	-	865.408	-	1.085.402
- Purchases	-	125.710	-	272.254	-	-	-	-	-	397.964	-	356.757
- Sales	-	467.444	-	-	-	-	-	-	-	467.444	-	728.645
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives												
1. Operations with capital exchange	-	-	-	549	-	-	-	-	-	549	-	-
- Purchases	-	-	-	549	-	-	-	-	-	549	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Operations without exchange of capital	-	-	-	9.128	-	-	-	-	-	9.128	-	-
- Purchases	-	-	-	9.128	-	-	-	-	-	9.128	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-

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

Counterparts/basics	Debt securities and rates of interest			Capital securities and share indices			Gold and rates of exchange			Other values			Different basics	
	Gross not compensated	Gross compensated	Future exposure	Gross not compensated	Gross compensated	Future exposure	Gross not compensated	Gross compensated	Future exposure	Gross not compensated	Gross compensated	Future exposure	Compensated	Future exposure
A. Supervisory trading portfolio:														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	1.953	-	914	1.252	-	-	4.573	-	1.528	-	-	-	-	-
A.4 Financial companies	16.536	-	4.913	-	-	-	11.941	-	3.478	-	-	-	-	-
A.5 Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	746	296	104	-	-	-	-	-
A.7 Other subjects	412	412	171	-	-	-	5.345	1.637	6.378	-	-	-	-	-
Total A 2006	**18.901**	**412**	**5.998**	**1.252**	**-**	**-**	**22.605**	**1.933**	**11.488**	**-**	**-**	**-**	**-**	**-**
Total 2005	**12.097**	**-**	**3.392**	**4.261**	**-**	**1.729**	**13.697**	**-**	**4.473**	**-**	**-**	**-**	**-**	**-**
B. Banking portfolio:														
B.1 Governments and central bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	1.800	-	391	273.394	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	37	-	-	581	-	-	-	-	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other subjects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B 2006	**1.837**	**-**	**391**	**273.975**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2005	**4.673**	**-**	**1.929**	**172.428**	**-**	**14.925**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

Counterparts/Basics	Debt securities and rates of interest			Capital securities and share indices			Gold and rates of exchange			Other values			Different basics	
	Gross not compensated	Gross compensated	Future exposure	Gross not compensated	Gross compensated	Future exposure	Gross not compensated	Gross compensated	Future exposure	Gross not compensated	Gross compensated	Future exposure	Compensated	Future exposure
A. Supervisory trading portfolio:														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	5	5	2	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	9.137	-	352	-	-	-	1.298	-	803	-	-	-	-	-
A.4 Financial companies	4.317	-	1.016	-	-	-	5.067	-	1.307	-	-	-	-	-
A.5 Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	28	18	56	-	-	-	4.005	3.931	776	-	-	-	-	-
A.7 Other subjects	3.877	3.599	2.876	1.320	-	22	5.992	2.377	658	-	-	3.844	-	-
Total A 2006	**17.364**	**3.622**	**4.302**	**1.320**	**-**	**22**	**16.362**	**6.308**	**3.544**	**-**	**-**	**3.844**	**-**	**-**
Total 2005	**25.726**	**-**	**880**	**2.709**	**-**	**1.599**	**12.636**	**-**	**4.498**	**-**	**-**	**-**	**-**	**-**
B. Banking portfolio:														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	66.822	-	337	-	-	14	-	-	-	-	-	-	-	-
B.4 Financial companies	208	-	-	401	-	-	-	-	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other subjects	-	-	-	1.270	-	44	-	-	-	-	-	-	-	-
Total B 2006	**67.030**	**-**	**337**	**1.671**	**-**	**58**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2005	**82.650**	**-**	**2.052**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.6 Residual life of “over the counter” financial derivatives: notional values

	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total
A Supervisory trading portfolio				
A.1 Financial derivatives on debt securities and rates of interest	544.842	206.780	991.578	1.743.200
A.2 Financial derivatives on capital securities and share indices	62	3.959	179	4.200
A.3 Financial derivatives on gold and rates of exchange	1.607.282	19.820	-	1.627.102
A.4 Financial derivatives on other values	-	-	-	-
B. Banking portfolio				
B.1 Financial derivatives on debt securities and rates of interest	7.814	96.944	57.070	161.828
B.2 Financial derivatives on capital securities and share indices	9.434	185.769	86.728	281.931
B.3 Financial derivatives on gold and rates of exchange	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total 2006	**2.169.434**	**513.272**	**1.135.555**	**3.818.261**
Total 2005	**1.615.615**	**259.053**	**834.691**	**2.709.359**

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management process and methods for liquidity risk measurement

The liquidity risk results from the negative effects of mismatching between cash inflows and outflows. The control of the structural liquidity profile aims at measuring the balance of the maturities and is based on the monitoring of certain liquidity parameters that the Group has been measuring for years, as well as on the predictive analysis of inflows and outflows related to client preference, strategic business factors and seasonal market factors. The ALM Committee, and the Risk Management service are responsible for monitoring liquidity risk along with the Treasury, which looks after the management of the risk. A final mention should be made of hedging activities for fixed-rate assets and liabilities, with optional components or otherwise indexed to parameters, which the parent company Sella Holding Banca performs for the Group. As for the assets of network banks (Banca Sella, Banca Sella Nord Est - Bovio Calderari, Banca Arditi Galati and Banca di Palermo) and the subsidiaries Consel and Biella Leasing, an exposure limit is set for interest rate risk beyond which hedging is performed (the same applies to capped mortgages; beyond a certain level hedging of the implicit options with the explicit options is performed); in this case, hedging takes place through macro-hedging in homogenous classes (the portfolio macro fair value hedge method); as regards liabilities, individual structured issues are hedged through specific hedging.

QUANTITATIVE INFORMATION

1. Temporal distribution for residual contractual duration of financial assets and liabilities – denomination currency: EUR

Items/Time phases	On sight to 7 days	From more than 1 day to 15 days	From more than 7 day to 1 month	From more than 15 days to 3 months	From more than 1 month to 6 months	From more than 3 months to 1 year	From more than 6 months to 5 years	From more than 1 year	More than 5 years
Cash assets									
A.1 State securities	-	-	-19.610	-4.982	-92.216	-80.895	-246.581	-433.190	-18.677
A.2 Listed debt securities	-	-	-	-2.016	-250	-9.587	-78.267	-454.994	-177.682
A.3 Other debt securities	-	-	-2	-	-11.144	-2.022	-2.709	-91.202	-68.229
A.4 OICR Quotas	-432.204	-36.066	-	-	-	-	-	-	-2.868
A.5 Financing									
- Banks	-1.013.783	-198.303	-124.759	-169.950	-266.503	-68.998	-87.408	99.032	-5.449
- Customers	-794.263	-89.196	-108.448	-224.656	-826.136	-296.477	-444.358	-1.919.337	-1.753.159
Cash liabilities									
B.1 Deposits									
- Banks	166.541	37.245	53.202	16.644	431	332	11.082	6.862	-
- Customers	4.674.018	53.937	186.889	384.280	308.704	62.132	4.021	6.056	218.039
B.2 Debt securities	118.918	254	10.963	12.843	101.674	69.154	61.436	812.206	480.157
B.3 Other liabilities	71.658	457	4.691	6.644	13.351	3.740	161.429	116.063	310.515
"Off financial statements" operations									
C.1 Financial derivatives with capital exchange									
- Long positions	1	191.982	3.118	13.016	25.173	42.167	9.803	84.381	96.997
- Short positions	1	188.068	3.072	14.577	26.820	46.958	12.407	72.884	104.900
C.2 Deposits and financing to be received									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to provide funds									
- Long positions	13.666	13.097	-	-	27	8.477	185	4.670	43.353
- Short positions	-	13.585	-	-	27	7.994	143	61.062	664

1. Temporal distribution for residual contractual duration of financial assets and liabilities – denomination currency: USD

Items/Time phases	On sight	From more than 1 day to 7 days	From more than 7 day to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From more than 1 year to 5 years	More than 5 years
Cash assets									
A.1 State securities	107	-	-	-	101	-	14	-	22
A.2 Listed debt securities	-	-	-	-	-	1	-	4	-
A.3 Other debt securities	-	-	-	-	-	-	-	6	528
A.4 OICR Quotas	-	-	-	-	-	-	-	-	-
A.5 Financing									
- Banks	40.250	64.943	-	10.944	41.651	-	-	-	-
- Customers	8.229	2.121	1.669	9.653	13.577	901	-	175	-
Cash liabilities									
B.1 Deposits									
- Banks	9.487	-	21.618	27	16.402	-	-	-	-
- Customers	154.005	17.181	11.988	16.455	31.517	2.596	92	-	-
B.2 Debt securities	-	-	-	30	21	9	8	5	-
B.3 Other liabilities	12.121	-	-	-	-	-	6	-	-
"Off financial statements" operations									
C.1 Financial derivatives with capital exchange									
- Long positions	-	92.443	2.652	13.763	35.994	14.897	11.769	2.161	800
- Short positions	-	76.535	2.735	14.200	36.172	13.236	12.133	1.529	724
C.2 Deposits and financing to be received									
- Long positions	-	37.947	-	-	38.812	-	-	-	-
- Short positions	-	38.812	-	-	37.947	-	-	-	-
C.3 Irrevocable commitments to provide funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

1. Temporal distribution for residual contractual duration of financial assets and liabilities – denomination currency: GBP

Items/Time phases	On sight	From more than 1 day to 7 days	From more than 7 day to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From more than 1 year to 5 years	More than 5 years
Cash assets									
A.1 State securities	-	-	-	-	-	-	-	1	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	46	-
A.4 OICR Quotas	-	-	-	-	-	-	-	-	-
A.5 Financing									
- Banks	3.095	6.483	16.356	899	-	-	-	-	-
- Customers	541	-	-	-	1.119	-	-	-	-
Cash liabilities									
B.1 Deposits									
- Banks	602	-	9.338	8.175	-	-	-	-	-
- Customers	13.209	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	3	14	9	-	-
B.3 Other liabilities	234	-	-	-	-	-	-	-	-
"Off financial statements" operations									
C.1 Financial derivatives with capital exchange									
- Long positions	-	16.239	-	-	566	-	25	344	3
- Short positions	-	16.371	-	-	566	-	25	344	3
C.2 Deposits and financing to be received									
- Long positions	-	4.021	-	-	3.503	-	-	-	-
- Short positions	-	3.503	-	-	4.021	-	-	-	-
C.3 Irrevocable commitments to provide funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

1. Temporal distribution for residual contractual duration of financial assets and liabilities – denominations currency: CHF

Items/Time phases	On sight	From more than 1 day to 7 days	From more than 7 day to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From more than 1 year to 5 years	More than 5 years
Cash assets									
A.1 State securities	2.686	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 OICR Quotas	-	-	-	-	-	-	-	-	-
A.5 Financing									
- Banks	12.702	34.787	-	-	-	-	-	-	-
- Customers	8.145	1.703	5.561	4.028	15.583	1.514	28	-	-
Cash liabilities									
B.1 Deposits									
- Banks	938	10.595	-	5.820	24	-	-	-	-
- Customers	11.231	-	-	252	336	-	-	-	-
B.2 Debt securities	-	-	-	-	9	-	-	-	-
B.3 Other liabilities	2.119	-	-	-	-	-	-	-	-
"Off financial statements" operations									
C.1 Financial derivatives with capital exchange									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and financing to be received									
- Long positions	-	12.903	-	-	1.968	-	-	-	-
- Short positions	-	1.968	-	-	12.903	-	-	-	-
C.3 Irrevocable commitments to provide funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

1. Temporal distribution for residual contractual duration of financial assets and liabilities – denominations currency: CAD

Items/Time phases	On sight	From more than 1 day to 7 days	From more than 7 day to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From more than 1 year to 5 years	More than 5 years
Cash assets									
A.1 State securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 OICR Quotas	-	-	-	-	-	-	-	-	-
A.5 Financing									
- Banks	857	1.511	-	-	-	-	2.895	-	-
- Customers	1.372	-	-	-	-	-	-	-	-
Cash liabilities									
B.1 Deposits									
- Banks	388	-	-	3.658	-	-	-	-	-
- Customers	1.973	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	7	-	-	-	-	-	-	-	-
"Off financial statements" operations									
C.1 Financial derivatives with capital exchange									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and financing to be received									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to provide funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

1. Temporal distribution for residual contractual duration of financial assets and liabilities – denomination currency: YEN

Items/Time phases	On sight	From more than 1 day to 7 days	From more than 7 day to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From more than 1 year to 5 years	More than 5 years
Cash assets									
A.1 State securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 OICR Quotas	-	-	-	-	-	-	-	-	-
A.5 Financing									
- Banks	40.899	30.375	-	-	-	-	-	-	-
- Customers	740	795	836	2.016	3.659	896	-	-	-
Cash liabilities									
B.1 Deposits									
- Banks	35.651	12.330	-	-	-	-	-	-	-
- Customers	30.338	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	517	-	-	-	-	-	-	-	-
"Off financial statements" operations"									
C.1 Financial derivatives with capital exchange									
- Long positions	-	20.085	-	-	-	638	-	13	-
- Short positions	-	21.561	-	-	-	638	-	13	-
C.2 Deposits and financing to be received									
- Long positions	-	6.282	-	-	16.587	-	-	-	-
- Short positions	-	16.547	40	-	6.282	-	-	-	-
C.3 Irrevocable commitments to provide funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

1. Temporal distribution for residual contractual duration of financial assets and liabilities – denomination currency: OTHER CURRENCIES

Items/Time phases	On sight	From more than 1 day to 7 days	From more than 7 day to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From more than 1 year to 5 years	More than 5 years
Cash assets									
A.1 State securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 OICR Quotas	-	-	-	-	-	-	-	-	-
A.5 Financing									
- Banks	5.200	4.447	-	6.219	6.555	-	1.522	-	-
- Customers	1.534	11	894	156	319	39	-	-	-
Cash liabilities									
B.1 Deposits									
- Banks	2.518	23.273	-	795	-	77	97	-	-
- Customers	16.662	-	-	-	68	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	488	-	-	-	-	-	-	-	-
"Off financial statements" operations									
C.1 Financial derivatives with capital exchange									
- Long positions	1	29.048	-	2.178	152	7.778	131	1.290	518
- Short positions	1	54.665	-	2.178	280	1.288	151	1.249	224
C.2 Deposits and financing to be received									
- Long positions	-	21.113	-	-	24.597	-	-	-	-
- Short positions	-	24.597	-	-	21.113	-	-	-	-
C.3 Irrevocable commitments to provide funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

2. Sectorial distribution of financial assets

Exposures/counterparts	Governments and central banks	Other public entities	Finance companies	Insurance companies	Non finance companies	Other subjects	Total
1. Trade payables	22.529	73.418	1.236.933	41.472	1.642.030	3.958.124	6.974.506
2. Securities in circulation	285.346	47	25.872	-	86.298	1.270.055	1.667.618
3. Financial trading liabilities	-	5	15.724	19	4.407	25.550	45.705
4. Financial liabilities at fair value	-	-	-	-	-	-	-
Total 2006	**307.875**	**73.470**	**1.278.529**	**41.491**	**1.732.735**	**5.253.729**	**8.687.829**
Total 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**

3. Territorial distribution of financial liabilities

Exposure/counterparts	Italy	Other European countries	America	Asia	Rest of world	Total
1. Trade payables	6.332.409	405.867	185.522	4.458	46.250	6.974.506
2. Bank borrowings	336.117	123.044	2.469	35.384	3	497.017
3. Securities in circulation	1.666.664	913	-	41	-	1.667.618
4. Trading financial liabilities	29.976	14.809	920	-	-	45.705
5. Financial liabilities at fair value	-	-	-	-	-	-
Total 2006	**8.365.166**	**544.633**	**188.911**	**39.883**	**46.253**	**9.184.846**
Total 2005	**-**	**-**	**-**	**-**	**-**	**-**

1.4 OPERATIONAL RISK

QUALITATIVE INFORMATION

A. General aspects, management process and methods for operational risk measurement

The Parent Company Sella Holding Banca, during 2006, took on the task of management and coordination for the control of exposures to risks taken by the Group companies during ordinary and extraordinary activities, delegating operational issues to the department of "Risk Management and Controls". This office was therefore entrusted with measuring, estimating, and supporting the management of overall exposure to operational and market risk of the whole Group, having continuous access to the information and accounting and operational data of all the subsidiaries, monitoring the risk-performance rate in the various businesses.

In Gruppo Banca Sella, operational risk is the risk of loss resulting from the insufficiency or malfunctioning of internal processes, persons or systems, or from external events, i.e. the risk of incurring losses subsequent to internal or external fraud, legal risks (breach of contractual obligations), insufficiency of internal controls or computer systems, and natural disasters.

Detrimental operational events are individual events due to inefficiency or malfunctioning of processes, staff, systems or external events, which generate one or more operating losses.

The operational risk is therefore both the set of insufficiencies in current operations of Group companies that are not directly related to credit and market risk and exogenous factors that damage the companies.

"Risk Management and Controls" has directly contributed to the spreading of the operational risk culture through the workshop "Rischi Tour" with the participation, during the second half of 2006, of 80% of the Group employees. The process will be completed by the first quarter 2007.

The continuous measuring and monitoring of operational risk related to business has led to a better formalization of the collection of data on operational losses within the bank group over a matrix ""event _ type/business _ lines" specifically identified compliant with the indications contained in the latest Basel Agreement, using the web application "Irregularities Reporting". This is an operational tool supporting the "Control Cycle" process, and allowing the compliance with the minimum requirements for the membership to the D.I.P.O. (Database Italiano delle Perdite Operative (Italian Database for Operational Losses)) consortium promoted by A.B.I.

For the collection of operational risk measurement data, a process called Control Risk Self Assessment has been designed and implemented.

SECTION 2
RISKS FOR INSURANCE COMPANIES

Our Group holds a controlling participation in two insurance companies located in Ireland and Italy which specialise by type of products and clients. The Irish company targets private banking clients offering products which best suit needs of investment diversification, while the Italian one targets a diversified range of clients and offers a complete catalogue including risks relating to the duration of human life.

Sella Life Ltd.

Sella Life's insurance activity relates exclusively to Class III of the Life Sector, in particular linked products. By their nature these products do not entail a financial risk for the company since it is wholly transferred to the policy subscriber.

Insurance coverage issued by the company on the products it markets are maximum 101% of the value of the policy, and therefore the mortality risk is covered by the company independently.

C.B.A. Vita S.p.A.

CBA Vita's insurance activity relates mainly to the life sector, and to a lesser extent to loss and health sectors.

The main risks taken by the company in the course of its activity and the processes adopted to take and to manage these risks are described below.

Mortality risk

CBA Vita engages in a risk assumption policy diversified according to feetype. Particular attention is given to the assumption of temporary death policies for which current procedures provide precise methods of assumption based on the capital to be insured and the age of the potential contractor of the policy. This type of policy may be assumed without a medical examination, by filling out a questionnaire on health, work and sport. Based on the answers given, the policy can be issued automatically by the broker or on direct authorisation of the Management with application of additional health, sport or professional premiums.

For capital or age over the assumption limits established for direct issue by the sales network, the risk evaluation is requested from Management, which together with the reinsurer reviews the relevant health assessments. The quality of the assumption derives from the comparison of the portfolio actual mortality with its theoretic mortality; for the financial year 2006, actual mortality was significantly lower than theoretical mortality.

For death insurance amounts, CBA Vita relies on reinsurance coverage with risk premiums consistent with the nature of the marketed products and with levels of exposure that are more than adequate for the company's asset structure (in compliance with the framework resolution of the Board of Directors as per Circular Letter of ISVAP n. 574/D 2005).

Longevity risk

Some life insurance contracts provide directly annuities or, upon expiration, allow the client choice of settlement through an annuity instead of payment of accrued capital. For these contracts the company is therefore exposed to longevity risk due to the progressive trend of lengthening of human life. For the past several years now this risk is capped in new capital contracts with annuity options postponing the calculation of the conversion coefficient until the time of exercise of the option.

For contracts already in portfolio, with guaranteed annuity coefficients calculated based on not updated demographics, mathematical reserves have been adequately integrated with euro 0,23 million. This value is held adequate since it was calculated based on suitably updated hypotheses on demography and a tendency to opt for the conversion to annuity higher than those currently recorded on the market.

Financial risk

CBA Vita markets, among other products, products with benefits that can be appreciated based on the performance of its own Separate Managements, with a guaranteed minimum. The Company is therefore exposed to the risk of obtaining performances lower than those guaranteed to the insured from underlying investments.

The minimum appreciation rate currently guaranteed on newly marketed products is normally 1,5%.

The portfolio contains policies, underwritten in previous years, which provide for guaranteed minimum rates above this level. In particular, approximately 4% of provisions of revaluable products is related to contracts with 4% guarantees and 1% to contracts with 3% guarantees. The remaining 95% are contracts with 2%, 1,5% or TMO - indexed guarantees.

The risk associated with these policies is periodically monitored and assessed for the purpose of optimal allocation of financial resources from the point of view of ALM (Asset Liability Management).

To avoid the risk of a possible mismatch between predictable return rates of assets covering technical provisions associated with Segregated Managements and the engagements taken, the company's mathematical reserves were increased by euro 1,01 million in compliance with ISVAP provision 1801G.

The Liability Adequacy Test, performed using the modelling already created for analysis as per 1801G with extension of the assessment until contract maturity of the Portfolio, has proven the sufficiency of additional provisions calculated with local standards.

Financial risks include a limited number of index contracts entered into over the past few years, with counterparty risk on the Company.

PART F – INFORMATION ON CONSOLIDATED EQUITY

SECTION 1
CONSOLIDATED EQUITY

A. QUALITATIVE INFORMATION

To pursue development objectives and strategical lines, Gruppo Banca Sella adopts the measures necessary to ensure a correct control of its net equity.

The monitoring of capital performance ad of capital ratios is done centrally by the Parent Company, with the aim of preventing any excessive approximation to the established limits.

Upon the preparation of the three - year strategic plan of the Group, the first control is carried out, by comparing the development dynamics of the activities which affect the extension of risks with the expected evolution of the capital structure.

The capital adequacy is complied with through:

- pay out policies,
- issue of subordinate bonds,
- securitisation activities to reduce the extent of credit risks,
- lending policies based on the counterparties' ratings.

At December, 31st, 2006, the surplus of capital for supervisory purposes over statutory levels is consistent with the risk profile taken by the Group, allowing a development consistent with the expected growth objectives.

B. QUANTITATIVE INFORMATION

Net worth items (data in millions of euros)	Amount
Share Capital	80.000
Own shares	-
Reserves	238.235
- Legal reserve	28.759
- Own shares reserve	-
- Statutory reserve	30.706
- Extraordinary reserve	97.508
- Other reserves	81.262
Valuation reserves	85.179
- Revaluation reserves (special laws)	54.582
- Valuation reserves for assets available for sale	30.597
Net income	49.789
Total	**453.203**

SECTION 2
CAPITAL AND CAPITAL ADEQUACY RATIOS

2.1 SCOPE OF APPLICATION OF THE REGULATION

A. QUALITATIVE INFORMATION

The capital for supervisory purposes and capital ratios have been calculated based on the equity values and on the net profit determined by applying the international accounting standards IAS/IFRS, as per Circular letter n. 155/91 issued by Banca d' Italia containing "Instructions for the preparation of the reporting on capital for supervisory purposes and on prudential ratios".

The application of the instructions contained in that circular letter entails a different consolidation method for insurance companies included in the consolidated financial statements; these companies, consolidated line - by line for the financial statements, have therefore been consolidated with the equity method for equity and prudential rations purposes.

2.2 BANK CAPITAL FOR SUPERVISORY PURPOSES

1. Tier 1 capital

No innovative instruments are present included in the calculation of tier 1 capital.

2. Tier 2 and 3 capital

The main contractual characteristics of the instruments included in Tier 2 and Tier 3 capital calculation are summarised in the following table.

Issuer	Interest rate	Rate type	Issue date	Expiry date	Early repayment from	Currency	Original amount *in thousand of euros*	Contribution to regulatory capital *in thousand of euros*
Sella Holding Banca S.p.A.	3,85%	Variable	16-set-02	16-mar-13	NO	Euro	50.000	49.949
Sella Holding Banca S.p.A.	3,65%	Variable	1-set-03	1-set-14	NO	Euro	24.612	24.608
Sella Holding Banca S.p.A.	4,15%	Variable	15-lug-04	15-lug-15	NO	Euro	18.560	18.512
Total hybrid instruments (Upper Tier II)								**93.069**
Sella Holding Banca S.p.A.	3,65%	Variable	3-set-01	3-set-07	3-set-03	Euro	35.000	7.000
Sella Holding Banca S.p.A.	3,80%	Variable	15-dic-02	15-dic-08	15-dic-04	Euro	25.000	10.000
Sella Holding Banca S.p.A.	3,70%	Variable	15-ott-03	15-ott-09	17-ott-05	Euro	10.000	5.999
Sella Holding Banca S.p.A.	3,95%	Variable	14-nov-05	14-nov-11	NO	Euro	20.000	19.889
Sella Holding Banca S.p.A.	4,22%	Variable	15-dic-04	15-dic-14	NO	Euro	50.000	50.000
Sella Holding Banca S.p.A.	4,12%	Variable	28-nov-06	28-nov-16	NO	Euro	50.000	50.000
Banca Sella S.p.A. *	4,23%	Variable	4-gen-06	4-gen-13	NO	Euro	100.000	0
Banca Sella Nord Est - Bovio Calderari S.p.A.	3,75%	Variable	1-ott-03	1-ott-09	1-apr-05	Euro	10.000	6.000
Banca Sella Nord Est - Bovio Calderari S.p.A.	3,95%	Variable	1-dic-04	1-dic-10	1-giu-06	Euro	3.000	2.400
Banca Sella Nord Est - Bovio Calderari S.p.A. *	4,29%	Variable	23-nov-06	23-nov-12	NO	Euro	7.500	0
Banca di Palermo S.p.A.	3,80%	Variable	31-gen-01	31-gen-07	31-gen-03	Euro	1.000	200
Banca di Palermo S.p.A.	4,25%	Fixed	15-ott-01	15-ott-07	15-ott-03	Euro	2.000	400
Banca di Palermo S.p.A.	3,95%	Variable	18-nov-02	18-nov-08	18-nov-04	Euro	2.300	920
Banca di Palermo S.p.A.	3,80%	Variable	22-set-03	22-set-11	22-set-07	Euro	2.200	2.200
Banca Arditi Galati S.p.A.	3,90%	Fixed	20-dic-02	20-dic-08	20-dic-04	Euro	2.500	989
Banca Arditi Galati S.p.A.	3,80%	Variable	20-dic-02	20-dic-08	20-dic-04	Euro	2.500	924
Banca Arditi Galati S.p.A.	3,65%	Variable	18-set-03	18-set-10	NO	Euro	2.479	1.983
Banca Arditi Galati S.p.A.	4,10%	Fixed	18-set-03	18-set-10	NO	Euro	5.000	4.000
Banca Arditi Galati S.p.A.	3,90%	Variable	1-dic-04	1-dic-10	1-dic-06	Euro	2.000	1.600
Total subordinated (Lower Tier II)								**164.504**
Sella Holding Banca S.p.A.	3,73%	Variable	18-mar-05	18-mar-08	NO	Euro	20.000	20.000
Sella Holding Banca S.p.A.	4,07%	Variable	3-lug-06	3-lug-09	NO	Euro	10.000	9.998
Total subordinated (Upper Tier III)								**29.998**
Total								**287.571**

** Subscribed by other Group companies and hence not ascribable to Group regulatory capital*

Hybrid instruments (Upper Tier II)

Upper Tier II subordinated loans comply with Banca d' Italia's requirements to be included among the components of "Capital for supervisory purposes". In particular:

- they are not subject to early repayment clauses;
- repayment upon maturity is conditional to Banca d' Italia's prior authorization;
- In case of balance sheet losses that lead to a decrease in the capital paid up and the reserves below the minimum level of capital provided for the authorization of the banking activity, the amounts from the above-mentioned liabilities and from accrued interest may be used to make up for losses, in order to allow the issuer to continue operations;
- In case of liquidation of the issuer, the holder of the loan will be repaid after all other creditors that are not equally subordinated have been satisfied

Computable subordinated loans (Lower Tier II)

The above-mentioned subordinated liabilities comply with Banca d' Italia's requirements to be included among the components of "Capital for supervisory purposes". In particular:

- In case of liquidation of the issuer, the holder of the loan will be repaid after all other creditors that are not equally subordinated have been satisfied;
- there are no early repayment clauses except on the Bank's initiative after prior authorization by Banca d' Italia.

Subordinated Lower Tier III loans

These securities comply with Banca d'Italia's requirements in relation to the deductibility of capital requirements on market risks. In particular:

- The payment of interest and principal is suspended if the equity requirement of the issuer were to decrease lower than the capital requirements established by "Banca d' Italia's Supervisory Instructions";
- In case of liquidation of the issuer, the holder of the loan will be repaid after all other creditors that are not equally subordinated have been satisfied;
- The original duration is not less than two years.

B. QUANTITATIVE INFORMATION

	31/12/2006	31/12/2005
A. Base equity before prudence	**380.581**	**334.922**
Prudence on base equity:		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	3.474	-
B. Base equity after prudence	**377.107**	**334.922**
C. Supplementary equity before prudence	**352.154**	**263.202**
Prudence on supplementary equity:		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	30.942	1.976
D. Supplementary equity after prudence	**321.212**	**261.226**
E. Total base equity after prudence	**698.319**	**596.148**
Deductions from total base and supplementary equity	48.941	46.965
F. Regulatory capital	**649.378**	**549.183**

2.3 CAPITAL ADEQUACY

A. QUALITATIVE INFORMATION

As can been determined from quantitative information in the following table indicating the risk activities and supervisory prudential requirements, the Group has a ratio of tier 1 capital to risk weighted assets of 5,82% and a ratio of capital for supervisory purposes to weighted risk assets of 10,21%, higher than the minimum requirement of 8%.

The ALM Committee performs periodical monitoring of capital adequacy and compliance with requirements.

B. QUANTITATIVE INFORMATION

Categories/Values	Non-weighted amounts 2006	Non-weighted amounts 2005	Weighted/required amounts 2006	Weighted/required amounts 2005
A. RISK ASSETS				
A.1 CREDIT RISK	**13.305.325**	**12.320.385**	**6.254.285**	**5.779.139**
STANDARD METHOD				
CASH ASSETS	8.083.631	7.348.807	5.955.695	5.386.623
1. Indebtedness (other than equities and other subordinated assets) due to (or guaranteed by):	5.928.216	5.393.717	4.997.465	4.398.456
1.1 Governments and Central Banks	-	431.876	-	38
1.2 Public-sector bodies	382.004	16.335	3.503	3.267
1.3 Banks	690.313	675.806	138.063	135.161
1.4 Other subjects (other than mortgages and other subordinated assets) due to (or guaranteed by)	4.855.899	4.269.700	4.855.899	4.259.990
2. Mortgages on residential buildings	1.304.704	1.005.644	652.352	502.822
3. Mortgages on non-residential buildings	441.649	430.356	220.825	215.178
4. Shares, holdings and subordinated assets	2.885	41.227	3.326	41.775
5. Other cash assets	406.177	477.863	81.727	228.392
OFF-BALANCE SHEET ASSETS	5.221.694	4.971.578	298.590	392.516
1. Guarantees and commitments towards (or pledged by):	5.217.989	4.917.068	297.646	375.126
1.1 Governments and Central Banks	-	212	-	-
1.2 Public-sector bodies	57.455	49.662	435	447
1.3 Banks	150.283	110.265	22.719	15.879
1.4 Other	5.010.251	4.756.929	274.492	358.800
2. Derivative contracts due to (or guaranteed by):	3.705	54.510	944	17.390
2.1 Governments and Central Banks	-	-	-	-
2.2 Public-sector bodies	-	-	-	-
2.3 Banks	3.705	32.884	944	6.577
2.4 Other	-	21.626	-	10.813
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	**-**	**-**	**500.343**	**462.331**
B.2 MARKET RISK	**-**	**-**	**12.448**	**13.499**
1. STANDARD METHOD	X	X	12.448	13.499
of which				
+ position risk on debt securities	X	X	7.020	6.680
+ position risk on equities	X	X	3.072	5.971
+ exchange rate risk	X	X	-	-
+ other risks	X	X	2.356	848
2. INTERNAL MODELS	X	X	-	-
of which:				
+ position risk on debt securities	X	X	-	-
+ position risk on equities	X	X	-	-
+ exchange rate risk	X	X	-	-
B.3 OTHER PRUDENTIAL REQUIREMENTS	**X**	**X**	**5.552**	**5.552**
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	**X**	**X**	**518.343**	**481.382**
C. RISK ASSETS AND REGULATORY COEFFICIENTS				
C.1 Weighted risk assets	X	X	6.479.285	6.017.277
C.2 Base equity/Weighted risk assets (Tier 1 capital ratio)	X	X	5,82%	5,57%
C.3 Regulatory capital/Weighted risk assets (Total capital ratio) *	X	X	10,21%	9,35%

** When calculating the "Total capital ratio", the tier III subordinated loan was considered to hedge current total market risks.*

PART G – AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

The Group is not engaged in this type of operations, since the operations carried out during the year are corporate aggregation operations with the participation of entities and corporate activities under joint control.

PART H – RELATED PARTIES OPERATIONS

Based on IAS 24 definitions, related parties relevant to Gruppo Banca Sella in relation to its specific organization and governance set-up, include:

a) Subsidiaries, directly or indirectly controlled by the Parent Company;
b) Associated companies, on which the Parent Company has a direct or in direct significant influence;
c) Directors and executives with strategic responsibility;
d) Close relatives of directors and executives with strategic responsibility;
e) Subsidiaries or companies associated to one of the subject of item c) and d).

1. INFORMATION ABOUT THE REMUNERATION OF DIRECTORS AND EXECUTIVES

As per the current organisational framework, in accordance with the IAS 24, the grouping "executives with strategic responsibility" includes the members of the Board of Directors and the members of the Group Central Offices of Sella Holding Banca in relation to the performing of managing, coordination and control tasks.

The remuneration paid during 2006 to the above corporate representatives of the Parent company is detailed in the following table:

Remuneration to executives with strategic responsibility *(including directors)* *(euro thousands)*	**2006**
a) employee short-term benefits	5.113,1
b) post employment benefits	-
c) other long term benefits	-
d) staff severance indemnities	156,8
e) share based compensation	-
Total	**5.269,9**

The following table indicates the compensation received by Directors and Auditors of Sella Holding Banca subdivided by remuneration received for their capacity with the Parent Company and with other Group companies:

Compensi percepiti esercizio 2006 *(dati in migliaia di euro)*			**2006**
	by SHB	**by other Group companies**	**Totale**
Directors	2.369,8	172,2	2.542,0
Auditors	150,0	207,7	357,7

1.2 INFORMATION ON RELATED PARTIES TRANSACTIONS

Related parties operations have generally been carried out on the same terms as those with independent third parties.

Intra group operations have been carried out after assessments of mutual profitability at market conditions with the aim of creating value within the Group.

In the preparation of the Consolidated Financial Statements outstanding operations and balances with intra group related parties are cancelled.

The following table contains assets, liabilities, guarantees and commitments outstanding at December 31st, 2006, subdivided by the various types of related parties:

Related parties operations *(Euro thousands)*	Not consolidated subsidiaries	Associated companies	Directors and executives	Other related parties*
Loans	-	-	1.161,5	-
Cash debt and guarantees	-	-	2.048,5	-
Guarantees given	-	-	24,0	-
Guarantees received by the Group	-	-	425,7	-

** "Other related parties" include data about close relatives of Directors and General Managers, data about subsidiaries controlled by them.*

PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

Gruppo Banca Sella is not involved in this type of operations.

INDIPENDENT AUDITORS' REPORT

ERNST & YOUNG

Reconta Ernst & Young S.p.A.

INDEPENDENT AUDITORS' REPORT
pursuant to art. 2409-ter of the Italian Civil Code
(Translation from the original Italian text)

To the Shareholders of
Sella Holding Banca S.p.A.

1. We have audited the consolidated financial statements of Sella Holding Banca S.p.A. and subsidiaries ("Banca Sella Group") as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Sella Holding Banca S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures generally accepted in Italy. In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The comparative figures for the prior year refer to consolidated financial statements of the Banca Sella Group prepared by the company Finanziaria Bansel S.p.A.. Sella Holding Banca S.p.A. did not prepare consolidated financial statements for the year ended December 31, 2005 because these were prepared by Finanziaria Bansel S.p.A. in the quality of Parent Company. During the year 2006 this company was incorporated into Sella Holding Banca S.p.A. which acquired the role of Parent Company to the bank group. For our opinion on the consolidated financial statements of the prior year, prepared by Finanziaria Bansel S.p.A., which are presented for comparative purposes, reference should be made to our report dated 28 April 2006.

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

4. As described by management, the consolidated company Sella Bank Luxembourg S.A. received claims and two summonses from the official liquidators of Luxembourg open-end investment companies. The Parent Company is committed to indemnify the Luxembourg company against any charges that might arise from requests of compensation by giving the necessary financial support to comply the minimal equity requirements. Following the specific legal opinions requestec as well as the preliminary meetings with the counterparty's legal representative, management believes the amount recognized in Provisions for risks and charges in the consolidate financial statements to be adequate.

Turin, 27 April 2007

Reconta Ernst & Young S.p.A.

Signed by: Stefania Doretti, Partner