



## ANNUAL REPORT

**2006**  
120<sup>th</sup> FINANCIAL YEAR

Joint Stock Company  
Head Office in Biella – Share Capital and Reserves € 416.929.888  
Member of the Deposit Guarantee Scheme  
Registered on the Banks and Banking Groups Roll  
Tax and VAT number 01709430027

13900 Biella (Italy) – Via Italia, 2  
Tel. +39.015.35011 – Telefax +39.015 351767 – Swift SELB IT 22  
Web site [www.gruppobancasella.it](http://www.gruppobancasella.it)



# CONTENTS

<b>BOARD OF DIRECTORS</b>	<b>7</b>
<b>BOARD OF STATUTORY AUDITORS</b>	<b>7</b>
<b>ORGANISATIONAL CHART OF GRUPPO BANCA SELLA</b>	<b>8</b>
<b>TERRITORIAL ORGANISATION OF GRUPPO BANCA SELLA</b>	<b>10</b>
<b>CORRESPONDENT BANKS OF SELLA HOLDING BANCA</b>	<b>23</b>
<b>SHAREHOLDERS' MEETING - NOTICE OF MEETING</b>	<b>27</b>
<hr/>	
<b>BOARD OF DIRECTORS' REPORT ON ACCOUNTS</b>	<b>29</b>
Rating . . . . .	31
Sella Holding Banca Financial highlights . . . . .	32
Sella Holding Banca alternative performance indicators . . . . .	33
Macroeconomic scenario . . . . .	34
Strategic Issues and state of progress of three-year strategic plan . . . . .	36
Income data . . . . .	38
Commercial policies . . . . .	42
Operating performance in main areas of activity . . . . .	46
Operating structure . . . . .	51
Expected developments . . . . .	54
Significant events occurred after the close of the financial year . . . . .	56
Own shares and share of the parent company . . . . .	56
Equity investments and dealings with Group companies . . . . .	57
Profits distribution policy . . . . .	61
<hr/>	
<b>REPORT OF BOARD OF STATUTORY AUDITORS</b>	<b>63</b>
Report of Board of Statutory Auditors . . . . .	64
<hr/>	
<b>FINANCIAL STATEMENTS AT DECEMBER 31st 2006</b>	<b>67</b>
Balance Sheet . . . . .	68
Income statement . . . . .	70
Cash-flow statement . . . . .	71
Statement of changes in net shareholders' equity . . . . .	72
<hr/>	
<b>EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS</b>	<b>75</b>
Adoption of International Accounting Standards / International Financial Reporting Standards . . . . .	77
<hr/>	
<b>PART A – ACCOUNTING POLICIES</b>	<b>91</b>
<hr/>	
<b>PART B – INFORMATION ON THE BALANCE SHEET</b>	<b>109</b>
<hr/>	
<b>ASSETS</b>	
Section 1 - Cash and liquidities . . . . .	110



Section 2 - Financial assets held for trading . . . . .	111
Section 4 - Financial assets available for sale . . . . .	114
Section 5 - Financial assets held until maturity . . . . .	116
Section 6 - Due from banks . . . . .	118
Section 7 - Due from customers . . . . .	119
Section 8 - Hedging derivatives . . . . .	121
Section 10 - Equity investments . . . . .	122
Section 11 - Tangible fixed assets . . . . .	124
Section 12 - Intangible fixed assets . . . . .	127
Section 13 - Tax assets and liabilities . . . . .	128
Section 15 - Other assets . . . . .	131

**LIABILITIES**

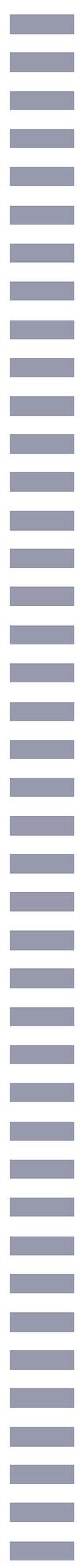
Section 1 - Due to banks . . . . .	134
Section 2 - Due to customers . . . . .	135
Section 3 - Outstanding securities . . . . .	136
Section 4 - Trading financial liabilities . . . . .	137
Section 6 - Hedging derivatives . . . . .	139
Section 10 - Other liabilities . . . . .	140
Section 11 - Staff severance . . . . .	141
Section 12 - Provisions for risks and charges . . . . .	142
Section 14 - Corporate equity . . . . .	143
Other information . . . . .	148

**PART C – INCOME STATEMENT 151**

Section 1 - Interest . . . . .	152
Section 2 - Commissions . . . . .	154
Section 3 - Dividends and similar income . . . . .	156
Section 4 - Result of trading activity . . . . .	157
Section 5 - Result of hedging activity . . . . .	158
Section 6 - Profits (losses) from dismissal/buy-back . . . . .	159
Section 8 - Net write-downs/write-ups for debt write-off . . . . .	160
Section 9 - Administrative expenses . . . . .	161
Section 10 - Net provisions for risks and charges . . . . .	163
Section 11 - Net write-downs/write-ups for tangible fixed assets . . . . .	164
Section 12 - Net write-downs/write-ups for intangible fixed assets . . . . .	165
Section 13 - Other operating charges/income . . . . .	166
Section 14 - Profits (losses) from equity investments . . . . .	167
Section 17 - Profits (losses) from sale of investments . . . . .	168
Section 18 - Income taxes on current operations for the year . . . . .	169



<b>PART D – SECTOR REPORT</b>	<b>171</b>
<hr/>	
<b>PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES</b>	<b>173</b>
Section 1 - Credit risks . . . . .	174
Section 2 - Market risks . . . . .	187
Section 3 - Liquidity risks . . . . .	198
Section 4 - Operational risks . . . . .	204
<hr/>	
<b>PART F – INFORMATION ON SHAREHOLDERS' EQUITY</b>	<b>205</b>
<hr/>	
<b>PART G – AGGREGATION OPERATION REGARDING COMPANIES OR BUSINESS LINES</b>	<b>211</b>
<hr/>	
<b>PART H – RELATED PARTIES OPERATION</b>	<b>213</b>
<hr/>	
<b>PART I – PAYMENT AGREEMENTS BASED ON OWN CAPITAL INSTRUMENTS</b>	<b>217</b>
<hr/>	
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>219</b>
<hr/>	
<b>DECISIONS OF THE ORDINARY SHAREHOLDERS' MEETING</b>	<b>222</b>
Decisions of the Ordinary Shareholders' Meeting of April 30th, 2007 . . . . .	222
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## BOARD OF DIRECTORS

Appointed up to the approval of the 2009 financial statements

Chairman	* Maurizio Sella
Vice Chairman	* Lodovico Sella
“	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

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

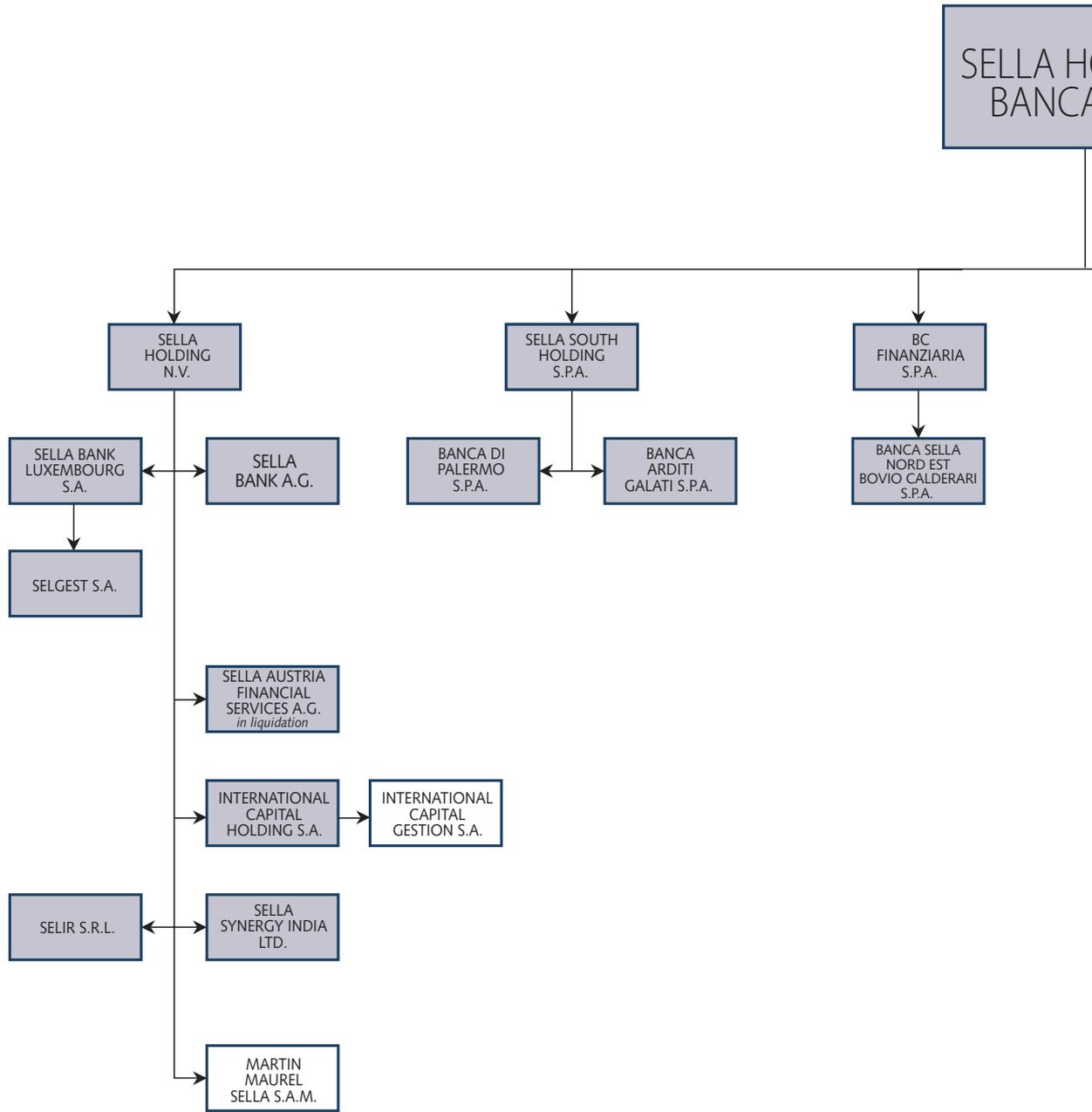
## AUDIT COMMITTEE

Chairman	Marco Weigmann
	Mario Cattaneo
	Giovanni Zanetti



# ORGANISATIONAL CHART OF GRUPPO BANCA SELLA

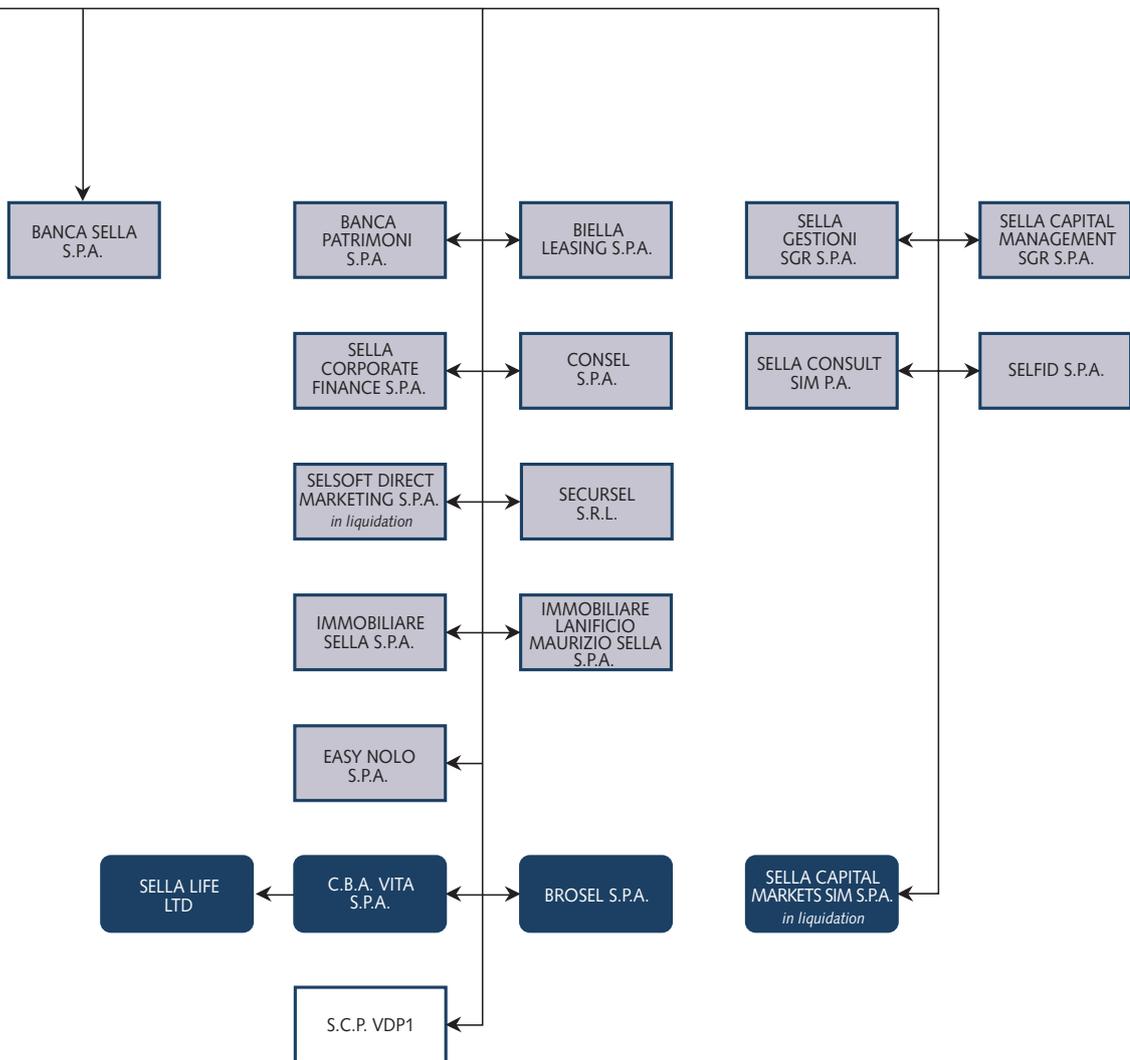
updated as at 2 January 2007



- Associated companies
- Controlled companies, but placed outside the perimeter of the Group



HOLDING  
S.P.A.



## TERRITORIAL ORGANISATION OF GRUPPO BANCA SELLA (April 2007)

**SELLA HOLDING BANCA S.p.A.**  
Office and Headquarters  
13900 BIELLA, Via Italia 2  
Tel. 015 35011 - Fax 015 2433900  
Swift SELB IT 22  
Website: [www.gruppobancasella.it](http://www.gruppobancasella.it)

### ITALIAN DISTRIBUTION NETWORK

#### Piedmont

<b>BIELLA - OFFICE</b>	Via Italia 2	015/3500
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### FOREIGN DISTRIBUTION OFFICE

#### Luxembourg

<b>PRIVATE BANKING SELLA BANK LUXEMBOURG</b>	Boulevard Royal 4	00352 26 860
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#### United States of America

<b>MIAMI, Florida</b>	801 Brickell Avenue suite 1970	001 (305) 5391000
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#### Venezuela

<b>CARACAS</b>	Representative Office Avenida Francisco de Miranda Centro Lido, Torre Oficina 740 A. El Rosal	0058 (2) 9522345
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### BANKS OF THE GROUP

**BANCA SELLA S.p.A.**  
Office and Headquarters  
13900 BIELLA, Via Italia 2  
Tel. 015 35011 - Fax 015 2433900  
Swift SELB IT 2B - Telegr. Banca Sella  
Website: [www.sella.it](http://www.sella.it)

#### Piedmont Region

<b>ACQUI TERME (AL)</b>	Via Marconi 15/17/19	0144 325077
<b>ALBA (CN)</b>	Piazza Cristo Re 12	0173 284244
<b>ALBA (CN) Private Banking</b>	Piazza Cristo Re 12	0173 281221
<b>ALESSANDRIA</b>	Via Migliara 5	0131 68154



<b>ALESSANDRIA Private Banking</b>	Via Milano 21	0131 254458
<b>ALPIGNANO (TO)</b>	Via Mazzini 33	011 9664431
<b>ANDORNO MICCA (BI)</b>	Via Cavalieri di Vittorio Veneto 77	015 2475211
<b>AVIGLIANA (TO)</b>	Corso Torino 37/39/43	011 9312925
<b>BANCHETTE (TO)</b>	Via Castellamonte 3	0125 612766
<b>BEINASCO (TO)</b>	Strada Torino 104	011 3499873
<b>BIELLA Borsino</b>	Via Italia 2	015 23291
<b>BIELLA Sede</b>	Via Italia 2	015 35011
<b>BIELLA Private Banking</b>	Via Matteotti 7	015 3500263
<b>BIELLA 1</b>	Via Lamarmora 18	015 28669
<b>BIELLA 2</b>	Piazza Martiri della Libertà 8	015 355459
<b>BIELLA 3</b>	Piazza Adua 12	015 8408192
<b>BIELLA 4</b>	Via Milano 53	015 355237
<b>BIELLA 5</b>	Via Fratelli Rosselli 108	015 8408205
<b>BIELLA 6</b>	Via Pettinengo 22	015 562676
<b>BIELLA 7</b>	Via Torino 53	015 406287
<b>BIELLA 8</b>	Via Tripoli 33 ang. Via Galimberti	015 403149
<b>BIELLA Large Private</b>	Via Matteotti 7	015 3500528
<b>BORGARO TORINESE (TO)</b>	Via Gramsci 2	011 4500276
<b>BORGO S. DALMAZZO (CN)</b>	Via Boves 17/D	0171 261947
<b>BORGOMANERO (NO)</b>	Corso Garibaldi 106	0322 835920
<b>BORGOSIESA (VC)</b>	P.zza Mazzini 5 (ang. Via G.B. d. Bianca)	0163 200379
<b>BRA (CN)</b>	Via Verdi 15	0172 432158
<b>BRUSNENGO (BI)</b>	Piazza Ubertalli 12	015 985476
<b>BUSSOLENO (BI)</b>	Via Torino 29	0122 640466
<b>CALUSO (TO)</b>	Via Bettoia 61	011 9831684
<b>CANDELO (BI)</b>	Piazza Castello 17/18	015 2536815
<b>CARIGNANO (TO)</b>	Via Umberto I 27	011 9697115
<b>CARMAGNOLA (TO)</b>	Corso Matteotti 6/8 ang. Via Chiffi	011 9713077
<b>CASALE MONFERRATO (AL)</b>	Via Saffi 33	0142 454133
<b>CASTELLAMONTE (TO)</b>	Via P. Educ 48	0124 513185
<b>CASTIGLIONE TORINESE (TO)</b>	Piazza Vittorio Veneto 1	011 9818393
<b>CAVAGLIÀ (BI)</b>	Via Rondolino 1	0161 96397
<b>CHIAVERANO (TO)</b>	Corso Centrale 67	0125 54375
<b>CHIERI (TO)</b>	Via Vittorio Emanuele 44	011 9412210
<b>CHIUSA DI SAN MICHELE (TO)</b>	Via General Cantore 2	011 9643332
<b>CHIVASSO (TO)</b>	Via Italia 2	011 9172939
<b>CIGLIANO (BI)</b>	Via Umberto I angolo Via Gramsci	0161 423046
<b>CIRIE SAN CIRIACO (TO)</b>	Via Andrea D'Oria 14/10	011 9211265
<b>COLLEGNO (TO)</b>	Via Primo Levi 1	011 4151680
<b>COSSATO (BI) Sede</b>	Piazza Cavour 8	015 980165
<b>COSSATO (BI) Private Banking</b>	Piazza Cavour 8	015 980165
<b>COSSATO 1 (BI)</b>	Via Martiri Libertà 177	015 983259
<b>COSSATO 2 (BI)</b>	Via Marconi 76	015 9840067
<b>CRESCENTINO (VC)</b>	Corso Roma 66/68	0161 834560
<b>CUNEO</b>	Via XXVIII Aprile 15/17	0171 697780
<b>CUORGNE' (TO)</b>	Via Torino 3	0124 650434
<b>FAVRIA (TO)</b>	Via Caporal Cattaneo 52	0124 348885
<b>FOSSANO (CN)</b>	Via Cavour 41	0172 633042
<b>GAGLIANICO (BI)</b>	Via Gramsci 75	015 2543541
<b>GATTINARA (VC)</b>	Viale Marconi 60	0163 834464
<b>GIAVENO (TO)</b>	Via Roma 15	011 9364122
<b>GRUGLIASCO (TO)</b>	Via Spanna 3	011 784697
<b>IVREA (TO) Sede</b>	Corso Nigra 1	0125 45847
<b>IVREA 1 (TO)</b>	Corso Vercelli 124	0125 616821
<b>IVREA (TO) Private Banking</b>	Via Cavour 9	0125 627083
<b>LANZO TORINESE (TO)</b>	Via XI Settembre 4	0123 324100
<b>LESSONA (BI)</b>	Piazza Gaudenzio Sella 1	015 981949
<b>MONCALIERI (TO)</b>	P.zza Caduti per la Libertà e l'Indip. 6	011 6406892
<b>MONGRANDO (BI)</b>	Via Roma 20	015 666261
<b>MONTANARO (TO)</b>	Via Matteotti 8	011 9193093
<b>NICHELINO (TO)</b>	Piazza Camandona 25/27	011 6274438
<b>NONE (TO)</b>	Piazza Vigo 1A	011 9904045

NOVARA	Corso Torino 35/37	0321 466611
OCCHIEPPO INFERIORE (BI)	Via Martiri della Libertà 18/A	015 2593686
OULX (TO)	C.so Torino 5	0122830846
ORBASSANO (TO)	Via Roma 27	011 9031751
OVADA (AL)	Piazza Garibaldi 8	0143 833128
PIANEZZA (TO)	Via Giolitti 7	011 9663741
PINEROLO (TO)	Corso Torino 63/B	0121 321787
POCAPAGLIA (CN)	Strada Macellai 53	0172 423669
POLLONE (BI)	Via Caduti per la Patria 24	015 61591
PONDERANO (BI)	piazza Garibaldi 1	015 2544330
PONT CANAVESE (TO)	Via Roscio 5	0124 860025
PONZONE (BI)	Piazza XXV Aprile	015 777046
RIVAROLO CANAVESE (TO)	Corso Torino 54/56	0124 29919
RIVOLI (TO)	Piazza Martiri Libertà 2	011 9580608
RIVOLI (TO) Private Banking	Piazza Martiri Libertà 2	011 9534694
RIVOLI - CASCINE VICA (TO)	Corso Francia 201/B	011 9574364
ROMANO CANAVESE (TO)	Viale Marconi 34	0125 712341
RONCO BIELLESE (BI)	Via Roma 1	015 8462002
ROSTA (TO)	Via Rivoli 63	011 9541241
SALUSSOLA (BI)	Via Martiri della Libertà 45	0161 997243
SAN CARLO CANAVESE (TO)	Strada Ciriè 73	011 9214820
SAN FRANCESCO al C. (TO)	Via Torino 190	011 9276848
SAN GERMANO CHISONE (TO)	Piazzetta dell'Orso 4	0121 58577
SAN MAURO TORINESE (TO)	Piazza Mochino 12	011 8222136
SANDIGLIANO (BI)	Via Maroino 7	015 2493200
SANGANO (TO)	Via Bert 11	011 9085858
SANTHIÀ (BI)	Corso Beato Ignazio 2	0161 930445
SAVIGLIANO (CN)	Piazza del Popolo 25	0172 33961
SETTIMO TORINESE Sede (TO)	Via Italia 18/B	011 8978181
SETTIMO TORINESE 1 (TO)	Via Regio Parco 2	011 8952119
SUSA (TO)	Corso Inghilterra 46	0122 629690
TOLLEGNO (BI)	Via XX Settembre 6/8	015 421523
TORINO - Sede	Piazza Castello 127	011 5620738
AREA Imprese Private B. (TO)	Piazza Castello 125	011 5668111
TURIN 1	Corso Francia 185	011 752646
TURIN 2	Corso Alcide De Gasperi 46	011 597533
TURIN 3	Via San Donato 34/36	011 4373471
TURIN 4	Corso Giulio Cesare 56 Bis	011 2487848
TURIN 5	Corso Monte Cucco 59	011 3850305
TURIN 6	Via Bologna 242	011 2424063
TURIN 7	Corso Sommeiller 25	011 593983
TURIN 8	Corso Orbassano 193	011 352108
TURIN 9	Corso Matteotti 47	011 5612608
TURIN 10	Corso Vittorio Emanuele II 12	011 885039
TURIN 11	Corso San Maurizio 47	011 888156
TURIN 12	Piazza Giosuè Carducci 122/C	011 6631636
TURIN 13	Corso Traiano 82/A	011 610128
TURIN 14	Corso Racconigi 16	011 745726
TURIN 15	Corso Stati Uniti 5	011 5612213
TURIN 16	Via Andrea Doria 8	011 5611467
TURIN 17	Via Nicomede Bianchi 42/E	011 7410975
TURIN 18	Piazza Adriano 5/H	011 4330233
TURIN 19	Corso Vercelli 168	011 2051735
TURIN 20	Via Nizza 348	011 6634404
TURIN 21 Private	Piazza Carignano 2/4	011 5619883
TURIN 22	Corso Belgio 107	011 8980265
TORRAZZA PIEMONTE (TO)	Via Mazzini 23	011 9180028
TORTONA (AL)	Corso Montebello 19/C	0131 813944
TRINO VERCELLESE (VC)	Corso Cavour 34/38	0161 828031
TROFARELLO (TO)	Via Torino 84	011 6490924
VALDENGO (BI)	Via Quintino Sella 28	015 882165
VALLEMOSSO (BI)	Via Bartolomeo Sella 1	015 702935
VENARIA REALE (TO)	Viale Buridani 6 ang. Corso Marconi	011 4593789

<b>VERCELLI Sede</b>	Piazza Risorgimento 23	0161 255600
<b>VERCELLI 1</b>	Via Paggi 29	0161 211585
<b>VERCELLI 2</b>	Via Castelnuovo delle Lanze 2/4	0161 211397
<b>VERCELLI Private Banking</b>	Viale Garibaldi 51	0161 215853
<b>VERGNASCO (BI)</b>	Via Papa Giovanni XXIII 50	015 2583012
<b>VERRONE (BI)</b>	Via Zumaglini 23	015 2558286
<b>VIGLIANO BIELLESE (BI)</b>	Via Milano 163	015 811954
<b>VIVERONE (BI)</b>	Via Provinciale 32	0161 987392
<b>VOLPIANO (TO)</b>	Via Umberto I 11/13	011 9951480
<b>WESELLA.IT</b>	Via Milano 1	015 84617208

#### Valle d'Aosta Region

<b>AOSTA</b>	Via Festaz 3	0165 235465
<b>AOSTA 1</b>	Via Monte Grivola 33	0165 553431
<b>AOSTA 2 Private Banking</b>	Via Ribitel 16	0165 230265
<b>AOSTA Private Banking</b>	Piazza Narbonne 16	0165 230290
<b>CHATILLON (AO)</b>	Località Soleil 8	0166 563086
<b>PONT SAINT MARTIN (AO)</b>	Via Circonvallazione 15/A	0125 806121
<b>VERRES (AO)</b>	Via Caduti per la Libertà 13	0125 929079

#### Lombardia Region

<b>BRESCIA</b>	Corso Palestro 40	030 280268
<b>MILAN Office</b>	Via Parmigianino 15	02 4815348
<b>MILAN 1</b>	Via Bergognone 27	02 58107132
<b>MILAN 2</b>	Via Vincenzo Monti 33	02 4691540
<b>MILAN 3</b>	Via Gonzaga 3	02 72003420
<b>MILAN Private Banking</b>	Via Gonzaga 5	02 8900935
<b>MILAN 4</b>	Via Monte Nero 71	02 5517360
<b>MILAN 5</b>	Viale Piave 4	02 76017137
<b>MILAN 6</b>	Viale Corsica 42	02 7388789
<b>MILAN 7</b>	Piazzale Loreto 1 (ang. V.A. Doria)	02 67020286
<b>MONZA (MI)</b>	Via Borgazzi 13	039 326337
<b>PAVIA</b>	Viale Matteotti 14	0382 304944
<b>RHO (MI)</b>	Via dei Martiri 23	02 9307604
<b>SARONNO (MI)</b>	Via Manzoni, 35 ang. Via Parini	02 96280192
<b>SARONNO Private Banking</b>	c/o succ. Saronno Via Manzoni, 35	02 96280192
<b>SESTO SAN GIOVANNI (MI)</b>	Via Falck 5	02 2409386
<b>VIGEVANO (PV)</b>	Via Roma 4	0381 70129
<b>VIGEVANO (PV) Private Banking</b>	Via Roma 4	0381 70267

#### Liguria Region

<b>BORDIGHERA (IM)</b>	Corso Italia 48	0184 260433
<b>CHIAVARI (GE)</b>	Piazza Mazzini 10	0185 303027
<b>CHIAVARI (GE) Private Banking</b>	Via San Giovanni 4/2	0185 362781
<b>GENOA</b>	Salita Santa Caterina 4	010 5957514
<b>GENOA 1 BOLZANETO</b>	Via P. Pastorino 70	010 7411093
<b>GENOA 2</b>	Via Freschi 21R	010 5956324
<b>GENOVA Private Banking</b>	Salita Santa Caterina 4	010 5955125
<b>IMPERIA</b>	Piazza Rossini 10	0183 767701
<b>SANREMO (IM)</b>	Via Escoffier 11	0184 544612
<b>SANREMO Private Banking (IM)</b>	Via Gioberti 17	0184 544612

#### Emilia Romagna Region

<b>BOLOGNA</b>	Via Clavature 9 E/F	051 264705
<b>BOLOGNA Private Banking</b>	Via dei Musei 4	051 264241
<b>BOLOGNA 1</b>	Via Rolli 4/A	051 323965
<b>BOLOGNA 2</b>	Via Massarenti 416	051 6014226
<b>CASALECCHIO DI RENO (BO)</b>	Via Bazzanese 51/3	051 6133359
<b>CASTELFRANCO EMILIA</b>	Via Circondaria Sud 87/93	059 958149
<b>CAVEZZO</b>	Piazza Martiri della Libertà 4	053 558297

<b>FERRARA</b>	Via Baluardi 29	0532 760538
<b>FERRARA Private Banking</b>	Via Baluardi 29	0532 760538
<b>FORMIGINE</b>	Via Mazzini 88	059 574762
<b>MODENA</b>	Via Giardini 436	059 340498
<b>MODENA 1</b>	Via Emilia Est 119	059 238558
<b>MODENA 2</b>	Strada Morane 298	059 444188
<b>MODENA 3</b>	Strada Nazionale per Carpi 126	059 330920
<b>SASSUOLO (MO)</b>	Viale Regina Pacis 1	0536 800847
<b>SERRAMAZZONI</b>	Via Roma 146	059 6957162
<b>VIGNOLA (MO)</b>	Via della Resistenza 170	059 760181

#### Tuscany Region

<b>AREZZO</b>	Via XXV Aprile 14/A	057 5302913
<b>FLORENCE</b>	Via Cavour 74/R	055 291074
<b>FLORENCE 1</b>	Viale Redi 59/61	055 3245118
<b>FLORENCE 2</b>	Viale dei Mille 7/9	055 5535105
<b>GROSSETO</b>	Viale Europa 10	0564 458787
<b>SIENA</b>	Strada di Pescaia 54/56	057 7274908

#### Lazio Region

<b>LATINA</b>	Via Carturan 40	0773 660756
<b>ROME Office</b>	Piazza Poli 38/41	06 69942140
<b>ROME 1</b>	Via Zamboni 22-24-26-28	06 55382059
<b>ROME 2</b>	Via Romeo Rodriguez Pereira 194	06 35496149
<b>ROME 3</b>	Via Angelo Emo 91	06 39732180
<b>ROME 4</b>	Via di Vigna Stelluti 22/26	06 3297514
<b>ROME 5</b>	P.zza San Giovanni di Dio 14 A/B 15	06 5373935
<b>ROME 6</b>	Via Gallia 83	06 7001539
<b>ROME 7</b>	Viale Jonio 334/340	06 8183631
<b>ROME 8</b>	Via Latina angolo Via Numanzia 23	06 7807036
<b>ROME 9</b>	Piazza della Stazione Vecchia 5	06 56305106
<b>ROME 10</b>	Via Bertoloni 9/11	06 8073838
<b>ROME Private Banking</b>	Via Bertoloni 9/11	06 8078484
<b>ROME 11</b>	Via Tiburtina 447/449	06 4394793
<b>ROME 12</b>	Piazza Sant'Emerenziana 13/14/15	06 8605085
<b>ROME 13</b>	Via dei Gracchi 142/144	06 3214534
<b>ROME 14</b>	Via Baldovinetti 132	06 5191612

#### Marche Region

<b>ASCOLI PICENO</b>	Via Napoli 114/A	0736 45688
<b>SAN BENEDETTO DEL TRONTO</b>	Piazza Enzo Tortora 7	0735 84639

#### Campania Region

<b>BENEVENTO</b>	Viale Mellusi 125	082 4312043
<b>NAPLES</b>	Via dei Mille 34/36/38	081 410349
<b>NAPLES 1 - VOMERO</b>	Via Alvino 63	081 3721374
<b>NOCERA INFERIORE (SA)</b>	Via Barbarulo 110	081 5176612
<b>S. MARCO EVANGELISATA (CE)</b>	S.S. 265 - km 26,200	0832 408999
<b>SALERNO</b>	Viale G. Verdi 1	089 3867848
<b>SORRENTO (NA)</b>	Piazza Angelina Lauro 35	081 8773847

#### Sardinia Region

<b>CAGLIARI</b>	Viale Bonaria 27	070 667931
<b>NUORO</b>	Piazza Sebastiano Satta 1	0784 37781
<b>OLBIA</b>	Via Aldo Moro 251	0789 598260
<b>OLBIA Private Banking</b>	c/o succ. Olbia Via Aldo Moro 251	0789 598260
<b>SASSARI</b>	Via Roma 11/a	079 232383

**BANCA ARDITI GALATI S.P.A.**

Registered Offices and Headquarters

LECCE - Viale Marconi 45

Tel. 0832 6981 - Fax 0832 698267

Codice SWIFT BRDGIT33 - Telex 860813 BARGAL

Website: www.bag.it

**Molise Region**

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<b>CAMPOBASSO</b>	Via IV Novembre 135	0874 60655
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**Campania Region**

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<b>AVELLINO</b>	Corso Europa 8/G	0825 784220
<b>BATTIPAGLIA (SA)</b>	Via Paolo Baratta 126	0828 305260
<b>CAPACCIO SCALO (SA)</b>	Viale della Repubblica	0828 724877
<b>CAVA DE' TIRRENI (SA)</b>	Corso Mazzini 227	089 468550
<b>GIFFONI VALLE PIANA (SA)</b>	Piazza Umberto I 31/33	089 868309
<b>GROTTAMINARDA (AV)</b>	Via A. Manzoni 63	0825 429193
<b>MONTECORVINO PUGL. (SA)</b>	SS. 18 - Bivio Pratole	0828 51031
<b>SALERNO</b>	Via G. Cuomo	089 253590

**Puglia Region**

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<b>ANDRANO (LE)</b>	Via Michelangelo 42	08036 926094
<b>ANDRIA (BA)</b>	Viale Venezia Giulia 3	0883 596111
<b>BARI</b>	Via Calefati 131	080 5234545
<b>BARI 2</b>	Via Tommaso Fiore 106	080 5722890
<b>BARLETTA (BA)</b>	Via De Nittis 43	0883 518000
<b>BRINDISI</b>	Viale A. Moro 8	0831 516227
<b>CASTRI' (LE)</b>	Via C. Battisti 13	0832 826309
<b>CASTRIGNANO (LE)</b>	Via Grassi 7	0833 751008
<b>FASANO (BR)</b>	Piazza Kennedy 3	080 4425778
<b>GALLIPOLI (LE)</b>	Corso Roma 123	0833 263785
<b>LECCE</b>	Viale Marconi 45	0832 6981
<b>LECCE 2</b>	Via Lupiae ang Via Fornari	0832 312471
<b>LECCE 3</b>	Viale De Pietro 61	0832 277727
<b>LECCE Private Banking</b>	Viale Marconi 45	0832 6981
<b>MAGLIE (LE)</b>	Via V. Emanuele 124/B	0836 428008
<b>MANDURIA (TA)</b>	Viale Mancini 21	099 9738744
<b>MARTINA FRANCA (TA)</b>	Viale Leone XXXIII 2b	080 4838617
<b>MOLFETTA (BA)</b>	Piazza Garibaldi 7	080 3976420
<b>NOCIGLIA (LE)</b>	Via Oberdan 35	0836 936014
<b>OSTUNI (BR)</b>	Via Fogazzaro 74	0831 336656
<b>PRESICCE (LE)</b>	Via Roma 68	0833 726004
<b>PUTIGNANO (BA)</b>	Via N. Bixio 10/12	080 4059120
<b>SALVE (LE)</b>	Via Roma 192	0833 741001
<b>SAN MICHELE SALENTINO (BR)</b>	Via Vittorio Veneto	0831 966962
<b>SPONGANO (LE)</b>	Via Sant'Angelo 7	0836 945026
<b>TRANI (BA)</b>	Via A. Moro 60/62	0883 480531
<b>TRICASE 07 (LE)</b>	Via Leone XIII° 12	0833 545026
<b>TARANTO</b>	Via Solito 32	099 7302463
<b>TESORERIA COMUNALE DI PALMARIGGI</b>	Via Modoni 14	
<b>TESORERIA TRICASE</b>	Via Roma 7	

**BANCA SELLA NORD EST - BOVIO CALDERARI S.p.A.**

Company Office and Headquarters

TRENTO, Via Oss Mazzurana 63 - Palazzo Tabarelli

Tel. 0461 888111 - Fax 0461 888280

Telex 400560 CABANK 1

Website: www.bbcbank.it

**Trentino Alto Adige Region**

<b>BOLZANO 1</b>	Via Leonardo da Vinci 4	0471 324354
<b>BOLZANO 2</b>	Via Milano 63	0471 204999
<b>BOLZANO SEDE</b>	Via Duca d'Aosta 49	0471 285544
<b>BORGO VALSUGANA (TN)</b>	Largo Dordi 1	0461 751233
<b>CAMPITELLO (TN)</b>	Via Pent de Sera 5	0462 751090
<b>CLES (TN)</b>	Via Trento 22	0463 424388
<b>DIMARO (TN)</b>	Via Campiglio 138	0463 970104
<b>LAVIS (TN)</b>	Via Matteotti 26	0461 242300
<b>MERANO (BZ)</b>	Via Portici 228	0473 239070
<b>PEJO (TN)</b>	Frazione Cogolo Via Roma 18	0463 746061
<b>RAVINA (TN)</b>	Via delle Masere 37	0461 922022
<b>ROVERETO (TN)</b>	C.so Rosmini ang. Via Paoli	0464 430030
<b>TRENTO CORSO</b>	Via Perini 18	0461 931914
<b>TRENTO CENTRO EUROPA</b>	Via Vannetti ang. Via J. Acconcio	0461 982475
<b>TRENTO SEDE</b>	Via Oss Mazzurana 63	0461 888111
<b>TRENTO Private Banking</b>	Via Oss Mazzurana 63	0461 888201
<b>TRENTO TOP CENTER</b>	Via Brennero 306	0461 825800

**Veneto Region**

<b>AFFI (VE)</b>	Via Don Mazza 9	045 7238177
<b>AGORDO (BL)</b>	Via 4 Novembre 9	0437 62077
<b>AURONZO DI CADORE (BL)</b>	Via Roma 16	0435 400660
<b>BASSANO DEL GRAPPA (VI)</b>	Via Bastion 49	0424 220881
<b>BELLUNO</b>	Via Vittorio Veneto 90	0437 930133
<b>BOVOLONE (VR)</b>	Via Garibaldi 48	045 6901294
<b>COVOLO DI PEDEROBBA (TV)</b>	Via Segusini 25	0423 648244
<b>FELTRE - FARRA (BL)</b>	Viale Pedavena 10	0439 310100
<b>FELTRE (BL)</b>	Largo P. Castaldi 7	0439 8841
<b>FELTRE Private Banking</b>	Largo P. Castaldi 7	0439 884253
<b>LEGNAGO</b>	Corso della Vittoria 31	0442 600162
<b>LONGARONE (BL)</b>	Piazza Umberto I 8	0437 573423
<b>MONTEBELLUNA (TV)</b>	Via Montegrappa 72	0423 615171
<b>PIEVE DI CADORE (BL)</b>	Piazza Municipio 11	0435 31647
<b>QUERO (BL)</b>	Via Nazionale 27	0439 788435
<b>SAN MART. BUON ALB. (VR)</b>	Via XX Settembre 95/97	045 8780220
<b>SAPPADA (BL)</b>	Borgata Palù 10	0435 469740
<b>SOSPIROLO (BL)</b>	Loc. Ponte Mas	0437 847032
<b>SOVRAMONTE (BL)</b>	Loc. Servo	0439 98444
<b>TREVISO</b>	Via Federici 2 (angolo Viale Luzzati)	0422 23636
<b>TRICHIANA (BL)</b>	Via Cavassico Inferiore	0437 555333
<b>VERONA</b>	Piazza Cittadella 13	045 595189
<b>VERONA Borgo Trento</b>	Via Cà di Cozzi 10/B	045 8350653
<b>VIGO DI CADORE (BL)</b>	Fraz. Pelos, Via Fabbro 40	0435 77054

**BANCA DI PALERMO**

Registered Office and Headquarters  
PALERMO - Via Villareale, 2  
Tel. 091 6018111 - Fax 091 6018280  
Website: [www.bancadipalermo.it](http://www.bancadipalermo.it)  
[info@bancadipalermo.it](mailto:info@bancadipalermo.it)

**Sicily Region**

<b>AGRIGENTO</b>	Viale Viareggio 456	0922 413533
<b>CAMASTRA (AG)</b>	Corso Vittorio Veneto 45	0922 950237
<b>CATANIA</b>	Via XX Settembre 41	095 7169353
<b>LICATA (AG)</b>	Rettifilo Garibaldi 76	0922 801640
<b>MONREALE (PA)</b>	Via Umberto I 14	091 6402592
<b>NARO (AG)</b>	Via Specchi 35	0922 956044
<b>PALERMO 1</b>	Via Boccadifalco 22	091 6680817
<b>PALERMO 2</b>	Via del Cigno 62	091 446514

<b>PALERMO 3</b>	Corso Calatafimi 981/c	091 6681624
<b>PALERMO 4</b>	Via Castellana 108/a	091 6733720
<b>PALERMO 5</b>	Viale Lazio 37	091 6701017
<b>PALERMO 6 Sede</b>	Via Villareale 2	091 6018219
<b>PALERMO Private Banking</b>	Via Villareale 2	091 6018207
<b>PALERMO 7</b>	Via A. De Gasperi 26/a	091 525594
<b>PALERMO 8</b>	Via C.A. Dalla Chiesa 3/b	091 7301777
<b>PALERMO 9</b>	Via L. Da Vinci 33	091 6827811
<b>RAGUSA</b>	Piazza Virgilio 13	0932 682239
<b>ROCCAMENA (PA)</b>	Via Vinci 6	091 8465544
<b>SAN GIUSEPPE JATO (PA)</b>	Via Umberto I 208	091 8576833
<b>SIRACUSA</b>	Via San Simeone 16	0931 445062
<b>TRAPANI</b>	Corso Piersanti Mattarella 37/39	0923 541061

**BANCA PATRIMONI S.p.A.**  
Head Office and Headquarters  
TURIN - Piazza C.L.N., 255  
Tel. 011 5607111 - Fax 011 5618245

*\* Uffici dei promotori*

#### **Piedmont Region**

<b>ASTI</b>	Via A. Bruno 9 ang. Via Garetti	0141 390411
<b>BIELLA*</b>	Galleria Leonardo Da Vinci 2	015 351187
<b>CUNEO</b>	Piazza Galimberti 15	0171 451311
<b>TURIN</b>	Piazza Vittorio Emanuele II, 13	011 8153011
<b>TURIN</b>	Piazza C.L.N. 255	011 5607111

#### **Lombardy Region**

<b>BRESCIA*</b>	Via F.lli Porcellaga 3	030 289045
<b>MILAN</b>	Via Giulini 2	02 806401

#### **Veneto Region**

<b>TREVISO</b>	Via Federici 2	0422 218911
<b>CALDOGNO*</b>	Piazza Europa 13	0444 905743

#### **Liguria Region**

<b>GENOA</b>	Piazza De Ferrari 24R	010 254761
<b>VENTIMIGLIA (IM)</b>	Via Cavour 35/E	0184 236711

#### **Emilia Romagna Region**

<b>BOLOGNA</b>	Via Farini 11, Palazzo Zambecari	051 2917311
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#### **Tuscany Region**

<b>SCANDICCI (FI)*</b>	Via Donizzetti 52	055 7373420
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#### **Lazio Region**

<b>ROME</b>	Piazza Cavour 10	06 6810011
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#### **Umbria Region**

<b>PERUGIA*</b>	Piazza Piccinino 9	075 5755211
<b>PESARO*</b>	Via San Francesco 52	0721 30523

#### **Abruzzo Region**

<b>CHIETI*</b>	Via Avezzano 30	0871 562956
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#### **Campania Region**

<b>NAPLES</b>	Via Filangieri 36	081 4107411
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#### **Puglia Region**

<b>FOGGIA*</b>	Corso Cairoli 68	0881 726919
<b>TRIGGIANO*</b>	Via De Amicis 39	080 4622518

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**Sicily Region**

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<b>AGRIGENTO*</b>	Via San Vito 19	0922 401770
<b>CALTANISSETTA*</b>	Via C. Pulci 9/15	0934 582951
<b>PALERMO*</b>	Piazzale Ungheria 51	091 6127128

**SELLA BANK A.G.**

Head Office and Headquarters  
ZURIGO, Talstrasse 70  
Tel. 0041 (0) 43 2103100 - Fax 0041 (0) 43 2103101

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<b>GENEVA</b>	rue de la Croix d'Or 19	0041 (0) 22 3178800
<b>LUGANO</b>	Corso Elvezia 9	0041 (0) 91 9102800
<b>ZURICH Office</b>	Talstrasse 70	0041 (0) 43 2103100

**GROUP COMPANY****BIELLA LEASING S.p.A.**

Registered Office and Headquarters  
BIELLA - Via Montegrappa 18  
Tel. 015 252881 - Fax 015 28826  
Website: [www.biellaleasing.it](http://www.biellaleasing.it)

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<b>BIELLA</b>	Via Montegrappa 18	015 252881
<b>LECCE</b>	Via Marconi 45	0832 698226
<b>MODENA</b>	Viale Moreali 3	059 239380
<b>PALERMO</b>	c/o BdP Villa Reale 2	091 6018286
<b>TURIN</b>	C.so Re Umberto 129	011 3040242
<b>VERCELLI</b>	Via Solaroli 9	0161 294094
<b>MILANO</b>	Galleria Unione 1	02 72004556
<b>ROME</b>	Via Bertolini 9/11	06 8088843
<b>TRENTO</b>	Via Oss Mazzurana 63	0461 888207
<b>TREVISO</b>	Via Federici 2	0422 292453

**BROSEL S.p.A.**

Registered Office and Headquarters  
BIELLA - Via XX Settembre 13  
Tel. 015 2435111 - Fax 015 24351189  
Website: [www.brosel.it](http://www.brosel.it)

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<b>PALERMO</b>	Via G. Leopardi 78	091 7300039
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**CBA VITA S.p.A.**

Registered Office and Headquarters  
MILAN - Via Vittor Pisani 13  
Tel. 02 676120 - Fax 02 676120598

**CONSEL S.p.A.**

Registered Office: BIELLA Via Montegrappa 18  
Headquarters and Administratives Offices:  
TURIN - Via Bellini 2  
Tel. 011 5061111 - Fax 011 5061113  
Website: [www.e-consel.it](http://www.e-consel.it)

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<b>BIELLA</b>	c/o Biella Leasing Via Monte Grappa 18	015 252881
<b>TURIN</b>	Via Bellini 2	011 5061115
<b>MILAN</b>	Piazzale Susa 4	800 179001
<b>MILAN 2</b>	Via Raffaello Sanzio 16	800 179001
<b>GENOA</b>	Piazza della Vittoria 15	800 179001
<b>PISA</b>	Via Gello 17	800 179001
<b>ROME</b>	Via Latina 65	800 179001
<b>ROME 2</b>	Via Pereira 194	800 179001
<b>MESTRE</b>	Via C.Colombo 28	800 179001
<b>PALERMO</b>	Via Sgiuti 87/E	800 179001
<b>PERUGIA</b>	Via Martiri del Lager 94/B	800 179001
<b>CATANIA</b>	c/o BDP Viale XX Settembre 41/A	800 179001
<b>CAGLIARI</b>	Viale Bonaria 28 int. 5A	800 179001
<b>VERONA</b>	Via Centro 22 A	800 179001
<b>MARSALA BRANCH</b>	Piazza Piemonte e Lombardo 25/D	800 179001
<b>VARESE</b>	Via Dei Carantani 1	800 179001
<b>SASSARI</b>	Via Porto Torres 42	800 179001
<b>TRAPANI</b>	Via Virgilio 7	0923 951133
<b>NAPLES</b>	Centro Direzionale Isola E5 Palazzo Tiempo	800 179001

**EASY NOLO S.p.A.**

Registered Office and Headquarters  
BIELLA - Via Italia 2

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<b>BIELLA</b>	Via Serralunga 7/D	015 2526500
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**SELFID S.p.A**

Head Office and Headquarters  
BIELLA - Viale Matteotti 7 Tel. 015 23295

**SELLA CAPITAL MANAGEMENT S.G.R.p.A.**

Registered Office  
MILANO - Via Vittor Pisani 13 - Tel. 02 6773531  
Website: [www.sellacapitalmanagement.it](http://www.sellacapitalmanagement.it)

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<b>MILAN</b>	Via Vittor Pisani 13	02 6773531
<b>TURIN</b>	Piazza Castello 139	011 5172202

**SELLA CORPORATE FINANCE S.p.A.**

Registered Office  
BIELLA - Via Italia 2

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<b>BIELLA - Corporate Finance</b>	Via Volpi 2/D	015 3501550
<b>MILAN</b>	Via Vittor Pisani 13	02 6773531

**INTERNATIONAL CAPITAL HOLDING S.A.**

Registered Office  
PARIS- 126, rue Réaumur  
Tel. 0033 (1) 55802319 - Fax 0033 (1) 55802313

**SELLA LIFE Ltd**

Office and headquarters  
DUBLIN - 4 Clare Street  
Tel. 00353 (1) 6788700 - Fax 00353 (1) 8563343

**SELLA GESTIONI S.G.R.S.p.A.**

Office and headquarters  
MILANO - Via Vittor Pisani 13  
Tel. 02 6714161 - Fax 02 66980715  
Sito internet: [www.sellagestioni.it](http://www.sellagestioni.it)

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<b>BIELLA</b>	Viale Matteotti 2	015 2525511
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**SELGEST S.A.**

Office and Headquarters  
LUXEMBOURG - Boulevard Royal 4  
Tel. 00352 (26) 860801 - Fax 00352 (26) 737901

**FINANCIAL SALES POINTS****SELLA CONSULT SIM p.A.**

Registered Office  
BIELLA - Via Dei Seminari 5  
Tel. 015 2525311 - Fax 015 20977  
Website: [www.sellaconsult.it](http://www.sellaconsult.it)

**Piedmont Region**

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<b>ALICE CASTELLO (VC)</b>	P.za G. Crosio 19/21	0161 909806
<b>BIELLA</b>	Via Arnulfo 2	015 23781
<b>BIELLA</b>	Via Bona 8	015 2522609
<b>BIELLA</b>	Via Italia 2 c/o succ. 23	015 2529340
<b>BIELLA</b>	Via Trento 42	015 8407400
<b>BIELLA</b>	Galleria L. da Vinci 2	015 351187
<b>BURONZO (VC)</b>	Via Roma	0161 871073
<b>COSSATO (BI)</b>	Via G. Marconi 76	015 9842123
<b>SAVIGLIANO (CN)</b>	Piazza del Popolo 27	0172 726150
<b>TURIN</b>	C.so De Gasperi 46	011 596883
<b>TURIN</b>	C.so Montegrappa 6	011 7715067
<b>TURIN</b>	C.so Sommeiller 25	011 5682168
<b>TURIN</b>	C.so Re Umberto 63	011 5096403
<b>TURIN</b>	Via Arsenale 27	011 5178075

**Valle d'Aosta Region**

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<b>AOSTA</b>	P.za Narbonne 16	0165 45988
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**Lombardy Region**

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<b>BRESCIA</b>	Via Fratelli Porcellaga 3	030 289045
<b>MILAN</b>	Galleria dell'Unione 1	02 72001579
<b>MILAN</b>	Via Parmigianino 13/15	02 36519050
<b>MILAN</b>	Piazza Cavour 2	02 72094547-539

**Liguria Region**

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<b>GENOVA</b>	Via XX Settembre 1	010 8604047-148
<b>CHIAVARI</b>	Via S. Giovanni 4 int. 2	0185 303083

**Emilia Romagna Region**

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<b>BOLOGNA</b>	Via Dé Musei 4	051 5884696
<b>MODENA</b>	Via Zucconi 88	059 2927288

**Tuscany Region**

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<b>SCANDICCI</b>	Via Donizzetti 52	055 7373420
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<b>Marche Region</b>		
<b>MACERATA</b>	Corso Cavour 66	0733 291608
<b>PESARO</b>	Via Sanfrancesco 52	0721 30523
<b>Lazio Region</b>		
<b>ROMA</b>	Via Medaglie d'Oro 210/212	06 35404585
<b>ROMA</b>	P.za di Spagna 31	06 6780337
<b>ROMA</b>	Via Bertoloni 9/c	06 8075778
<b>ROMA</b>	Via Calderini 68	06 32111035
<b>Molise Region</b>		
<b>CAMPOBASSO</b>	Via IV Novembre 135	0874 60655
<b>Campania Region</b>		
<b>NAPLES</b>	Via Orazio 80	081 2424346-50
<b>NAPLES</b>	Via dei Mille 40 interni 10 e 11	081 2512511
<b>Puglia Region</b>		
<b>FOGGIA</b>	Via Isonzo 33	0881 726919
<b>Sicily Region</b>		
<b>AGRIGENTO</b>	Via San Vito 19	0922 401770
<b>CALTANISSETTA</b>	Via C. Pulci 9/15	0934 582951
<b>PALERMO</b>	Via Marchese di Villabianca 67/71	091 7309054
<b>PALERMO</b>	Piazza Ungheria 51	091 6127128



## CORRESPONDENT BANKS OF SELLA HOLDING BANCA

A list of the correspondent banks for Sella Holding Banca follows.

Please note that Sella Holding Banca provides access to the financial markets (together with other centralised services) to the entire Group, so all payments for activity on the financial markets must be made via Sella Holding Banca (Swift code SELB IT 22).

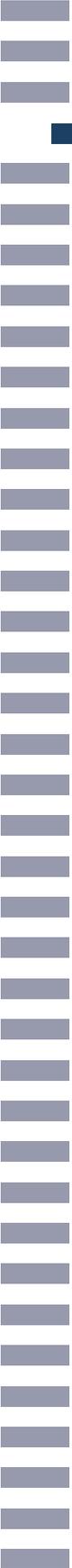
CURRENCY	BANK	CITY	SWIFT/BIC
AUD	National Australia Bank Ltd	Melbourne	NATA AU 33
CAD	Canadian Imperial Bank of Commerce	Toronto	CIBC CA TT
CHF	Sella Bank AG	Zurich	SLBA CH ZZ
CZK	Ceskoslovenska Obchodni Banka as	Prague	CEKO CZ PP
DKK	Danske Bank Aktieselskab	Copenhagen	DABA DK KK
EUR	Diretto via target		SELB IT 22
GBP	HSBC Bank plc	London	MIDL GB 22
HKD	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	HSBC HK HH
HUF	MKB Bank Rt	Budapest	MKKB HU HB
INR	Standard Chartered Bank	Bombay-Versova	SCBL IN BB BOM
JPY	The Bank of Tokyo-Mitsubishi Ltd	Tokyo	BOTK JP JT
MYR	HSBC Bank Malaysia Berhad	Kuala Lumpur	HBMB MY KL
NOK	DnB NOR Bank ASA	Oslo	DNBA NO KK
NZD	ANZ National Bank Limited	Wellington	ANZB NZ 22
PLN	Bank Handlowy w Warszawie SA	Varsaw	CITI PL PX
SEK	Skandinaviska Enskilda Banken AB (Publ)	Stockolm	ESSE SE SS
SGD	The Hongkong and Shanghai Banking Corporation Limited	Singapore	HSBC SG SG
SKK	Unibanka	Bratislava	UNCR SK BX
THB	The Hongkong and Shanghai Banking Corporation Limited	Bangkok	HSBC TH BK
USD	UBS AG	Stamford	UBSW US 33
ZAR	The Standard Bank of South Africa Ltd	Johannesburg	SBZA ZA JJ





**Vittorio Sella**, *Alessandro Sella, Joseph Maquignaz and Gaudenzio Sella on the Wetterhorn*, July 19, 1886.





## SHAREHOLDERS' MEETING

### NOTICE OF MEETING

The Shareholders' Meeting will be convened for 09.30 on April 30th, 2007 at the headquarters of Sella Holding Banca S.p.A. - Biella, Via Italia 2 –and if necessary will be convened for a second time for May 25th, 2007 at the same time and place to discuss and decide the following

#### Agenda

Deliberations pursuant to article 2364, point 1) of the Civil Code.

Deliberations pursuant to articles 2380 b and 2364, points 2) and 3) of the Civil Code.

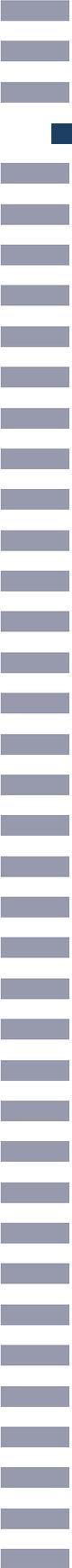
The shares for intervening at the Shareholders' Meeting must be deposited at the Bank headquarters at least five days before the date set for the Shareholders' Meeting.

Biella, April 18th, 2007

SELLA HOLDING BANCA  
The Chairman







## BOARD OF DIRECTORS' REPORT ON ACCOUNTS





## RATING

Since January 2001 the Bank has been assigned a rating that, in Moody's opinion, reflects the situation of a bank with a long tradition that has a good market position with a good geographical diversification, with stable, diversified and quality income flows, especially in the retail sector, with good liquidity and a good situation linked to funding and which is expanding organically not only in the domestic market but also into new business areas thanks to a farsighted strategy of expansion. According to Moody's, the Group's new organisational structure should lead to economies of scale that

will enable it to reduce costs and diversify its product range with particular attention to asset management and private banking, whilst continuing to give priority to investments in technology and alternative distribution channels.

On April 13th, 2007 Moody's Investors Service published the new ratings for all Italian banks, following Moody's modifications to its method for rating financial strength and to its JDA (joint default analysis).

As a result of this review Sella Holding Banca's rating was improved. The new ratings are as follows:

RATING		
<b>Long Term Global local currency deposit rating</b>	<b>A2</b>	Upgraded from previous A3
<b>Short term</b>	<b>P-1</b>	unchanged
<b>Bank Financial Strength Rating</b>	<b>C-</b>	Downgraded by a notch from previous C
<b>Outlook</b>	<b>Stable</b>	unchanged



*Executive Committee, from left: Lodovico Sella, Federico Sella, Sebastiano Sella, Maurizio Sella, Franco Sella, Pietro Sella.*



*Group General Management, from left: Donato Valz Gen, Alberto Pretti, Attilio Viola, Maurizio Sella, Pietro Sella, Guido Bigiordi, Carlo Prina Della Tallia, Federico Sella, Claudio Piglia.*

## SELLA HOLDING BANCA FINANCIAL HIGHLIGHTS

BALANCE SHEET <i>(in millions of euros)</i>	31/12/2006
Total assets	5.130,7
Loans to customers	1.288,6
Guarantees given	45,5
Financial assets	580,6
Equity investments	636,6
Tangible and intangible fixed assets	78,8
Direct deposits from customers	1.506,9
Indirect deposits from customers <sup>(1)</sup>	15.508,0
Total deposits	17.014,9
Capital for supervisory purposes	565,9

DATI ECONOMICI <i>(in milioni di euro)</i>	31/12/2006
Net interest income	19,6
Net other banking income	44,0
Net operating revenues	63,6
Operating costs <sup>(2)</sup>	63,5
Adjustments on impaired loans	0,1
Net profit for the year	7,9

DATI DI STRUTTURA	31/12/2006	01/01/2006
Staff <sup>(3)</sup>	1.105	946
Branches <sup>(3)</sup>	2	2

<sup>(1)</sup> The aggregate excludes cash relating to asset management, reported as direct deposits from customers.

<sup>(2)</sup> This is the sum of the following entries: "Administrative expenses", entry 150; "Write-downs to tangible fixed assets", entry 170; "Write-downs to intangible fixed assets", entry 180; "Other operating charges/income", entry 190.

<sup>(3)</sup> The great difference compared with the previous year in terms of the number of staff and branches is due to the transfer of the distribution branch to Banca Sella.

## SELLA HOLDING BANCA ALTERNATIVE PERFORMANCE INDICATORS

PROFITABILITY RATIOS (%)	2006
R.O.E. (return on equity) <sup>(1)</sup>	2,2%
R.O.A. (return on assets) <sup>(2)</sup>	0,15%
Net Interest income (3) / Net operating revenues(3)	30,8%
Net other banking income (3) / Net operating revenues(3)	69,2%
Cost to income	93,6%

PRODUCTIVITY RATIOS (figures in thousands of euros)	2006
Net operating revenues <sup>(3)</sup> / Average number of employees	61,1
Cash loans / Number of employees at year end	1.166,2
Direct deposits from customers / Number of employees at year end	1.363,7
Total deposits / Number of employees at year end	15.398,1

BALANCE-SHEET RATIOS (%)	2006
Cash loans / Direct deposits from customers	85,5%
Cash loans / Total assets	25,1%
Direct deposits from customers / Total assets	29,4%

CREDIT RISK RATIOS (%)	2006
Net impaired loans/ Cash loans	0,01%
Net adjustments to loans/ Cash loans	0,01%

CAPITAL ADEQUACY RATIOS (%)	2006
Tier 1 capital adequacy ratio (Tier 1)	12,98%
Total capital adequacy ratio (Total Capital Ratio)	21,64%

<sup>(1)</sup> Ratio between "Net profit" and total of the entries 160 "reserves", 170 "issue premiums", 180 "capital", 190 "own shares" of the Balance Sheet liabilities.

<sup>(2)</sup> Ratio between "Net profits" and "Total assets".

<sup>(3)</sup> As reclassified in the Income Statement.

## MACROECONOMIC SCENARIO

### World Panorama

2006 was distinguished by significantly more balanced growth patterns in different areas of the world. While development gradually slowed in the United States, the euro area once again became a significant economic player at the international level. Japan emerged from deflation with a recovery in domestic demand and although emerging countries were still very dependent on exports, they were more prepared to undertake structural reforms that favour the development of domestic demand and provide the basis for growth that is less susceptible to external shocks.

American GDP increased in 2006 by 3,4%, compared with 3,5% in 2005, due to the slowing of the real-estate market and the worsening balance of trade. Although consumption grew less strongly it was not significantly affected by the loss in wealth due to the slow-down in the housing market; this was also made possible by the positive development of the labour market, both in terms of the number of new jobs created and in terms of nominal salaries. Companies' fixed investments, and their good level of confidence have made a not insignificant contribution to the economic development of the country. The Federal Reserve Bank's loosening of its restrictive monetary policy has adversely affected the difference between the US and euro area yields and alongside the balance of payments deficit weakened the US dollar, especially in the latter part of the year. Although consumer prices increased faster in the second quarter of 2006 due to tensions on the energy markets, they had slowed down by the end of the year.

Growth in the euro area revived due to the dynamics of the global economy, with exports and investments increasing. Companies, especially those in Germany, continued to modernise their facilities to improve productivity and competitiveness. The recovery in the investment cycle has helped the labour market recover and consequently consumption has gradually improved, although consumption remains the weakest variable in

the euro area. In Italy, consumption and investments have also increased gradually, but it is mainly exports that have recovered. The recovery in foreign trade was an important element for the growth of the Italian economy after years of being uncompetitive. Concern over consumer prices and the economic recovery led the ECB to continue with its restrictive monetary policy with the base rate in fact being increased to 3,5% by the end of 2006 from 2,3% at the end of 2005.

In Asia, Japan corrected the imbalances that caused the economy to stagnate and continued its growth that had started in 2005, albeit with a slowdown in the second half of 2006. Progress was initially driven by investments and there were also encouraging signs from consumers. The end of deflation, with positive consumer price index growth rates since the end of 2005, caused the Japanese monetary authorities to raise the base rate for the first time. This marked the start of a monetary policy of gradual normalisation of rates, but over a period of time that would not slow down the economy.

In 2006 China and India continued to grow rapidly. In the case of China the improvement in consumption should be noted, which is also due to the authorities' considerable efforts to make the tensions arising from development more socially sustainable.

In line with monetary policy, growth and inflation in the USA and in Europe, long term market interest rates have increased continuously both in the USA (the average ten-year rate for 2006 was 4,8 as opposed to 4,3 in 2005) and in the euro area (the average ten-year rate for 2006 was 3,8 as opposed to 3,4 in 2005).

In 2006 stock markets grew by about 16% (MSCI World), with Europe growing more strongly than other markets in developed countries.

### Banking system

Italian banking loans grew strongly in 2006 amounting to 1.384,0 billion euros up 11,5% on 2005. Considered in terms of due dates and net of non performing loans and repurchase agreements, call and short-term loans amounted to 36,7% whilst long-term

loans amounted to 63,3%. The dynamics of the two aggregates was different in 2006. Short-term loans increased from 2,0% to 10,5%, but the annual variation of the long-term loans was stable at 11,6%. The rate of non-performing cash loans in 2006 remained at the 2005 levels, which indicates that the credit quality did not show particular critical aspects. Gross non performing loans, which are at an all time low following the enormous securitizations at the end of 2005, have decreased by 12,8%, bringing exposure to approximately € 47,8 billion.

An analysis of the demand for banking credit shows how in 2006 the improved economic climate led above all larger companies to apply mainly for short-term loans for current activities, investments and extraordinary finance operations. As far as industrial sectors are concerned, there was considerable demand for credit from sales service companies, which were followed by the transport, minerals and metals, internal transport and building industries. The demand for mortgages from families remained considerable but growth slowed due to the greater cost of the debt. In this segment, securitisations contributed strongly to reducing balance-sheet assets. The consumer credit sector continued to grow strongly through the growing demand for loans for purchasing cars, personal loans and loans against

a fifth of salary. In September 2006 borrowers broke down as follows:

- businesses 57,7%;
- families 25,8%;
- financial and insurance companies 12,0%;
- public sector 4,5%.

Direct deposits from customers of Italian banks continued to grow at an annual rate of 9% in 2006 to reach approximately € 1,391 billion. Bond issues increased by 12,5% compared with 9,3% the previous year. Repurchase agreements increased 29,3% over the previous year.

The historically low interest rates, together with the reduced spread compared with government securities have made medium to long-term loans particularly worthwhile.

Against a background of a less permissive monetary policy and growing competition among brokers, interest income on loans grew only moderately. Considering loans and, deposits of banks related to the sectors of families and non-financial companies, in 2006 the mark up compared with the weighted monthly average yield of BOT (Italian Treasury Bonds) fell from 2,4% to 2,1%, whilst the mark down increased from 1,3% to 1,9%, defining an increase in the spread from 3,7% to 3,9%.

## STRATEGIC ISSUES AND STATE OF PROGRESS OF THREE-YEAR STRATEGIC PLAN

During the year the Group's structural evolution envisaged by the Strategic Plan 2004 – 2006 was completed. This Plan aimed above all to reinforce the role of the parent company by transferring to it greater functions and resources that previously belonged to other companies of the Group, this centralisation ensuring better control and coordination of associated and subsidiary companies and increasing productivity.

This organizational model was implemented in 2006 through the following company operations:

- On January 1st, 2006 Sella Distribuzione S.p.A took over the Italian distribution division and asset management and private banking operations from the former bank Sella S.p.A (now Sella Holding Banca). At the same time, Sella Distribuzione S.p.A, a company that was set up in September 2005 and was not operational in 2005, changed its name to Banca Sella S.p.A, whilst the company known until December 31st, 2005 as Banca Sella S.p.A took the name of Sella Holding Banca and retained all the activities that had not been transferred, which became its core business.
- On July 6th, 2006 Finanziaria Bonsel was partially divided into to the new holding Finanziaria 2006, a company outside the Group which was the beneficiary company;
- On July 14th, 2006 Finanziaria Bonsel was incorporated into Sella Holding Banca, which became the new parent company. Through this merger Sella Holding Banca has concentrated in a single body the management, coordination and control functions of the parent company, adding these functions to those that it already performed as a bank, which include payment systems, custody, and outsourcing of services offered to all the companies of the Group and to third parties.

Sella Holding Banca now manages at a centralised level and provides the companies of the Group with various services, including:

- finance (trading in its own right, centralised treasury for the Group, managing own securities portfolio);
- trading of financial instruments;
- customer desk;
- Centralised Group Treasury (including managing operations and credit lines of bank counter parties);
- payment systems and access to interbanking networks;
- Global Execution platform for trading orders (including back office and administrative services);
- custodian and correspondent bank of open-ended investment companies/SICAVS and mutual funds;
- online service platform (trading on line, internet banking, call centres);
- supplying banking IT systems;
- real-estate management, technical and safety services.

Within the general guidelines that the Group will continue to follow over the next three years, namely there are:

- 1) growth
- 2) efficiency and control
- 3) excellence

it becomes particular important for the parent company to achieve the objective of consolidating and improving the activities and the role of Sella Holding Banca, in order to maintain and increase the great professionalism and efficacy of the operating processes in order to:

- improve the governance processes (management and coordination), planning and control, in order to increase the efficiency and efficacy thereof;
- improve the quality of the outsourced services provided for the companies of the Group, whilst continuing to pursue the objective of reducing costs by achieving greater economies of scale in order to be an effective motor to drive the development of all the companies of the Group;
- constantly adapt the Group's Direction and Coordination Chart to ensure optimal division of mandates and responsibilities, appropriate design and inde-

pendence of controls, greater specialisation and pooling, with the consequent reinforcement of the best skills;

- continue to develop the business areas managed directly by the parent company to ensure that income grows faster than operating costs so as to increase profitability and improve efficiency ratios;
- continue to focus on the "control culture" and quantitatively and qualitatively enhance the Internal Controls System. This guideline is implemented through the "Foundations Reinforcement Plan", which is constantly adapted and improved in function of the development of regulations (in particular Basel II and Compliance), more recent experience and

the recommendations arising from monitoring best practices outside the Group;

- pursue "organisational excellence" achieved by constant simplification and consolidation of Group processes, ensuring operational leanness, prompt responses and effective circulation of information. The main initiatives concern reviewing the rules, diffusing them effectively and understanding them properly, continuous reviewing and, lastly, fine tuning of the new processes that have been initiated together with centralising computer systems and adopting common technological platforms to benefit all the companies of the Group.

## INCOME DATA

<b>RECLASSIFIED INCOME STATEMENT</b> <i>(figures in millions of euros)</i>		<b>2006</b>
10. Interest receivable and similar income		168,4
20. Interest payable and similar charges		-163,8
70. Dividends and other income		15,0
<b>NET INTEREST INCOME AND DIVIDENDS</b>		<b>19,6</b>
40. Commission income		91,0
50. Commission expenses		-54,5
80. Net income from trading		8,1
90. Net income from hedging		-0,1
100. Income(losses) from sale or repurchase of:		
- financial assets available for sale (less equity securities)		
- financial assets held to maturity		
- financial liabilities		-0,3
110. Net result of financial assets and financial liabilities stated at fair value		
Net other banking income		44,0
<b>NET OPERATING REVENUES</b>		<b>63,6</b>
150. Administrative expenses:		
a) Staff expenses		-59,4
Irap relevant to staff and attached staff net expenses <sup>(1)</sup>		-2,4
b) Other administrative expenses		-44,7
Recovery of stamp duty and other taxes <sup>(2)</sup>		0,1
170. Net adjustments to tangible fixed assets		-6,1
180. Net adjustments to intangible fixed assets		-6,5
190. Other operating charges/income (excluding "Recovery of stamp duty and other taxes ")		55,6
Operating costs		-63,5
<b>OPERATING INCOME</b>		<b>0,1</b>
160. Net provisions for risks and charges		-39,4
130. Net adjustments for impairment of:		
- loans		-0,1
- financial assets available for sale		
- financial assets held to maturity		
- other financial operations		
100. Income (loss) from sale or repurchase of:		
- financial assets available for sale (only capital securities)		46,9
210. Profits (loss) of equity investments		
220. Net result of write-up to fair value of tangible and intangible assets		
230. Adjustments to goodwill		
240. Income (loss) from sale of investments		0,0
<b>PRE-TAX INCOME FROM CURRENT OPERATIONS</b>		<b>7,5</b>
260. Income taxes of the year on current operations		0,4
("excluding Irap relevant to staff and attached staff net expenses")		
<b>AFTER-TAX INCOME FROM CURRENT OPERATIONS</b>		<b>7,9</b>
280. After tax income (loss) of groups of assets		
in course of divestment		
<b>Net PROFIT (LOSS)</b>		<b>7,9</b>

<sup>(1)</sup> Discorporated from entry "income taxes on current operations for the year"

<sup>(2)</sup> Discorporated from entry "Other operating charges/income"

## PROFITABILITY

The total net profit amounted to € 7.9 million, which gives aR.O.E. of 2,2%.

As the Company operations described in the chapter "Strategic issues and state of progress of the strategic plan" relate to the transfer of the Italian distribution network, management activities and private banking activities of the current Banca Sella the comparison between the two years is not significant.

The comments that follow refer to the reclassified income statement entries reported in the previous table.

## NET INTEREST INCOME

The result was € 19,6 million. The dividends total 15 million and include dividends from companies of the Group amounting to € 10 million and other dividends amounting to € 5 million.

### Net other banking income

Net income from services amounts to 44 million. The main components are summarised in the following table:

NET OTHER BANKING INCOME FROM SERVICES: MAIN COMPONENTS		
	in millions of euros	% of total
Payment services	24,6	55,9%
Trading on behalf of third parties and orders collection	7,5	17,0%
Custodyian	2,8	6,4%
Trading and hedging operations	7,9	18,0%
Other	1,2	2,7%
<b>Total</b>	<b>44,0</b>	<b>100,0%</b>

## NET OPERATING REVENUES

Income from money and services management management amounted to a total result of € 63,6 million.

## OPERATING COSTS

The operating costs amount to € 63,5 million net of the positive contribution of € 55,6 million of the entry "other operating charges/income", which largely consists of all the receipts from services provided to Group companies. The other components of the operating costs consist of staff expenses amounting, including IRAP amounting to € 61,8 million, other administrative expenses amounting to € 44,7 million and of write-downs to tangible and intangible fixed assets amounting to € 12,6 million.

In 2006 investments amounting to approximately € 18 million were made, mainly in the sectors of electronic payment systems, online banking and information technology.

## GROSS OPERATING INCOME

Owing to the above factors, the gross operating income substantially breaks even.

## PROVISIONS, ADJUSTMENTS AND INCOME FROM DISPOSAL/SALE OF FINANCIAL ASSETS AVAILABLE FOR SALE (ONLY CAPITAL SECURITIES)

### Provisions for risks and charges

During the year, provisions for risks and charges amounting to € 39,4 million were made, largely to cover operational risks.

### Net adjustments on impaired loans

The net adjustments to loans amounted to € 0,1 million, which is a reflection of the small credit risk taken on by the company.

### **Profits (losses) from dismissal of financial assets available for sale (only capital securities)**

The dismissal of capital securities produced profits amounting to € 46,9 million, mainly due to the dismissal of part of the shareholding held in Borsa Italiana.

### **Income taxes**

Income taxes (net of the IRAP relating to staff costs) was favourable because a significant part of the Company's earnings consisted of dividends and capital gains arising from the sale of equity investments, which gains are partially or totally free of tax.

To Sella Holding Banca is referred the fiscal consolidated financial statement, to which nearly all the Italian companies that it controls also subscribe.

More detailed analyses of the meaning and the impact of so-called deferred taxes are to be found in the Notes to the Financial Statements.

### **FINANCIAL ASSETS**

At December 31st, 2006 the Bank possessed a securities portfolio amounting to € 1.227,7 million that was divided into the following categories in accordance with the International Accounting Standards:

<b>FINANCIAL ASSETS</b> <i>(figures in millions of euros)</i>	<b>2006</b>
Available for sale	425,7
Held to maturity	60,4
Loans & receivables	741,6
<b>Total</b>	<b>1.227,7</b>

### **FINANCIAL ASSETS AVAILABLE FOR SALE**

The average value of this entry remained almost constant over the year. The extreme prudence of the management of the portfolio is reflected by the fact that V.A.R. at December 31st, 2006, calculated on a historical basis over a three-month period with a confidence gap of 99%, amounted to approximately € 0,8 million (whilst the average V.A.R. for the year was approximately € 2,3 million).

The strategy of progressive diversification of investments continued, away from Italian government securities to bonds issued by banks and financial institutions of the highest standing and towards shares and mutual funds.

At the end of the year the main categories of investment were:

- 40,2% government bonds from the euro area;
- 53,5% bonds issued by banks and financial institutions;

- 1,1% corporate bonds;
- 2,5% supranational bonds;
- 2,7% shares and investment funds.

Throughout the year the risk ratio was kept extremely small, with variable rate investments being preferred.

The Bank continued its extremely cautious policy towards country risk and the issuer's credit worthiness. This is reflected in the fact that apart from a bond of an emerging country with a rating speculative grade of approximately € 0,3 million, at December 31st, 2006 and throughout the year there were no other assets issued by emerging countries or by companies located in such countries.

Similarly, no assets denominated in foreign currency were acquired.

The average portfolio rating on the Moody's scale was Aa3 and was A+ on the S&P scale.

### **FINANCIAL ASSETS HELD TO MATURITY**

This entry comprises securities held as stable investments and meets the parameters of the guidelines set by the Board of directors.

At December 31st, 2006 the shares comprised in this category amounted to € 60,4 million and consisted of B.T.P. (long-term Italian treasury bonds) with a residual life comprised between 1,5 and 3 years.

### **FINANCIAL ASSETS LOANS & RECEIVABLES**

This entry comprises straight bonds and subordinate bonds issued by Group banks. These securities, which are issued by the banks of the network in order to match due dates of assets and liabilities at the individual level, will be held to maturity in accordance with the guidelines of the Board of Directors.

At December 31st, 2006 the securities in this category amounted to € 741,6 million.

## COMMERCIAL POLICIES

### EXTERNAL COMMUNICATION

In the hundred and twentieth year from the foundation of Banca Sella, the communication strategy and measures have focussed on the celebrations of this important anniversary. In particular, in order to celebrate this anniversary and draw useful tips for the future, a conference was organised at Biella on the topic "The Bank of the Future. A Sustainable Bank".

The debate and the interventions arose from a survey at the national level of a sample of savers, which was entrusted to the Doxa institute, to investigate the future sustainability of banks and their contributions to the economy in a world of strong growth of banks and financial institutions, fierce competition and an increasing technological component. Leading academics, economists, politicians and representatives of associations took part.

The milestone of 120 years and the conference in particular were widely reported in the national and local press, with interviews at the highest level dedicated to the history of the Bank and the Group, the tradition of values that are today the main inspiration for our commitment to banking.

During the year, products and services were launched for those customers who wish only to use online banking. These products and services thus complemented those that are already available from Sella.it with a new dedicated brand called "Websella" and were launched through a dedicated website, a press conference and an advertising campaign. The sole objective of the initiative was to meet a specific target customer who prefers to work only and exclusively online and does not require the physical presence of a branch to perform banking and financial operations.

Over the year the efforts continued and intensified to support the Group's commercial banks in their commercial development, in particular as regards credit cards. Direct marketing and the Sella.it and Websella.it sites in fact account for 4.600 current accounts held with the banks of the Group, about 10.000 credit cards and a further 12.800 products and services at the Group

level (POS, e-commerce, mobile phone services, home banking, TOL services, investment products). The e-mail sales channel developed especially strongly and accounted for approximately 40% of the total internet direct marketing sales.

In 2006 the Bank attended the Internet Trading Forum in Rimini and "Tol Expo" in Milan, the fairs that are dedicated to trading online, with the objective of confirming its leading position in the sector and conducting a focussed commercial activity.

### TRANSPARENCY OF BANKING OPERATIONS AND SERVICES

In 2006 the spot checks of sales transparency continued. They took the form of telephone calls to customers to check that operations in the bank complied with the guidelines on the required transparency.

As in 2005, in compliance with CICR decision of March 4th, 2003 regarding the supervision instructions issued by Banca d'Italia and with Legislative Decree 385 of September 1st, 1993, the Bank further refined the contracts in use and the information and advertising material to ensure ongoing compliance with regulations, in particular by monitoring the constant alignment of communications to customers, through its website, email and paper documents.

In 2006 the implementation and improvement operations continued regarding:

- procedural interventions for making communications to customers even more complete and clear;
- a new and more simple contractual structure for current-account products and accessory services, savings accounts and debit cards;
- abolishing charges for closing accounts in the interest of greater transparency towards customers.

One of the new developments in 2006 were the new rules for communications introduced by Legislative Decree 223/2006, converted by decree 248/2006; in compliance with the decree the Bank has:

- altered the procedures and communications with the customers of the Group banks by replacing the document "Variation document" with the document "Proposed unilateral modification of conditions";
- adapting contractual rules.

Last but not least, constant attention was devoted to familiarising the staff of the entire Group with the transparency law. Specific courses on the topic were held for new recruits, and people entering the labour market and for trainees in order to familiarise them with the main aspects of the standard and provide them with the specific skills required to apply the standard. Refresher courses were also held. In order to provide more training/information, the full versions of the Supervision Instructions for banks and the CICR decision of March 4th, 2003 were posted on the company Intranet

## SECURITY OF INFORMATION AND PROTECTION OF PRIVACY

Sella Holding Banca, in compliance with rule 26 of the Technical Regulations (Annex B) of the Data Protection Code (Legislative Decree 196 of June 30th, 2003), has from the start drafted and updated the "Programme Document on Information Security".

The object of this document, which was updated in March 2007, is to establish the organisational safety, physical and IT measures to be taken to ensure compliance with the provisions of Legislative Decree 196/03 regarding the protection of personal data and subsequent modifications and additions thereto.

## SERVICE LEVELS

The Risk Management and Group Controls department is responsible for monitoring "service levels" of all the operating structures to ensure an objective assessment based on clear calculation criteria shared with the individual business areas. This control makes use of the "Service Level Instrument Panel".

The service levels are measurable values of the daily tasks performed, the observation of which enables a quantitative and qualitative opinion on the services offered to customers.

In fact, the Group has long recognised quality to be one of the most important competitive factors and a distinctive element of the competition. In order to obtain quality, excellent service levels have to be provided that prevent faults that could cause poor service, complaints, refunds or drops in productivity; these service levels must protect the Group from risks in the widest sense.

In 2006 the total number of service levels subject to checks and assessments rose to approximately 1400 units as service levels per customer and per process were added to the pre-existing levels of service.

In order to make the service measurements homogeneous, over the year the Risk Management and Control department of the parent company carefully studied all the indicators so as to ensure their long-term comparability. Lastly, it set the aggregation criteria so as to identify just three concise indicators expressed graphically by the "Service Level Instrument Panel".

According to the above criteria, the Group's annual service level in 2006 was very close to 97%.

## INTERNET CHANNELS

### INTERNET AND MOBILE BANKING

The Internet Banking service continued to grow at a fast rate, both in terms of the number of customers and the number of transactions; in particular, transactions grew by 27% in 2006 to almost 1.524.000 transactions, comprising:

- 853.397 transfers (25.570 transfers abroad, up 112% on 2005);
- 211.869 mobile phone recharges;
- 185.660 F24 proxy payments (+ 66% up on 2005).

Recharges of prepaid cards also increased significantly (+ 79%).

The average monthly number of performing custom-

ers, i.e. those who have made at least 1 transaction , grew by 30%, from 30.105 in 2005 to 39.067 in 2006.

Information operations improved by 25%, whilst operative customers (i.e. those who perform at least one operation a month) grew by 13%.

The number of customers with an active code grew by 19%. At December 31st, 2006 the Bank had 139.141 positions, of these 26.841, i.e. about 10%, were Websella.it customers. This new product has a dedicated website and was launched in April exclusively for banking online customers.

In 2006 customers of the Group were sent almost 2.185.000 SMS. Owing to the success of the free SMS Memo Shop service launched in 2005 to receive directly on the mobile phone notification of transactions by credit card, prepaid card or Visa Electron and Cirrus Maestro. Volumes more than doubled compared with 2005. Also the number of customers subscribing to at least one service more than quadrupled from about 14.000 to 67.604. In order to manage the ever increasing volumes of SMS over the last quarter, preparatory work was performed to enable an Easynolo gateway for sending SMS to be opened. This is a more performing platform, is able to manage customisation of the service and was activated in February 2007. The mobile platform was also overhauled for trading online and will be made available to customers in the first six months of 2007.

An important new development in 2006 was the launch in April of the Websella.it proposal that has already been mentioned. It is a portal, current account and online option for customers who use only the Internet for their personal bank transactions and liaise with a dedicated virtual branch.

The multichannel strategy was thus supplemented by an "only Internet" offer with the objective of winning new customers and competing for persons who are strongly focussed on online transactions. The distinguishing features of Websella are a cost-free current account with excellent interest, a dedicated choice of products, excellent management of relations with In-

ternet customers and a new Internet site with a high degree of interactivity.

The Bank invested about € 0,5 million in advertising and promotional campaigns and acquired about 3.200 new customers in eight months.

## **CORPORATE BANKING**

Corporate Banking enables current-account transactions to be conducted electronically. In 2006 the department directed its activities in two directions: extending existing customer operations and searching for new customers (companies) that do not yet have this product. The volumes handled by this product were 30% up on the previous year on average.

In December the new technological platform was released, which finished in February 2007. This new infrastructure will ensure a greater level of service and provide more hours for "multibank" functions.

## **TELEPHONE SERVICES**

In 2006 the amount of telephone calls managed by the bank was almost the same as in 2005: but there was an increase in telephone calls to the call centre, in particular in connection with cards and POS and Internet Banking/Internet Customer Care.

These increases are due to:

- particular phenomena such as, for example, the increase in fraud in payment systems, the advertising campaign for activating the SMS Memo Shop, the migration of the POS apparatuses to the system with a microcircuit and, towards the end of the year, the obligation for holders of VAT numbers to pay taxes via the Internet;
- when new services were launched in April 2006 a number dedicated to the new Websella account was activated;
- structural phenomena such as the growth of customers, and in particular of online customers, the introduction in June 2006 of the periodic change of the secret login codes, the greater diffusion of revolving cards and the adoption of a freefone (toll free) number for some banks of the Group.

These increases influenced the degree of use of the customer care service, which increased for the holders of debit cards, for companies using remote banking services and for electronic customers.

The number of telephone calls reporting faults decreased slightly.

During the course of the year investments were made to update technologically the call centre and set it up to outsource certain customer care services to Romania: a new switchboard, a VOIP system (Voice Over Internet Protocol), recorders for VOIP and new telephone bar. This outsourcing will start with the Card service in 2007 and will continue throughout 2008.

Automation has been taken so far that customers can now use the Customer Service automatic responder (800.142.142) to independently find out the timetables, telephone numbers and addresses of the banks of the Group.

Over the year the operators of the call centre activated 9.332 SMS Memo Shop services.

The volumes of use of the Banca Telefonica service were the same as for the last months of 2005 (characterised by the decrease of telephone calls requesting information after the introduction of charges for using the freephone number). Telephone calls to perform transactions accounted for approximately 75,5% of the telephone calls managed by an operator (compared with 71,7% in 2005), TOL operations accounting for 62,1% of these calls.

In 2006 the Sella.it Borsino ("mini bourse") generated about € 0,9 million of commission (+15% more than forecast). The composition of the commission was different from expectations: the smaller brokerage fees were more than compensated for by the strong increase in commodity commission and by stock trading commissions. Sella.it also continued to offer trading services to institutional customers: in 2006 the volumes traded for Sella Gestioni were much less than in 2005 (due to the particular market trends), whilst the operations for Banca Patrimoni increased (particularly in the commodities sector).

In March the Centralised Help Desk was integrated inside the Online Channels Area in order to generate synergy between telephone services catering for internal and external customers and to enable the service to achieve economies of scope. The service first and foremost provides assistance to Group banks, mainly for the procedures used in branch offices of the banks. However, it also assists the remaining companies of the Group with computer and system questions.

In 2006 the Centralized Help Desk responded to 102.677 calls (+3% more than in 2005). These volumes were due to: company reorganisation, the activation of new procedures and the opening of 7 new branches. In 2006 the use of the Magic procedure increased (software used to optimise customer care management), which handled 40% of the calls.

## OPERATING PERFORMANCE IN MAIN AREAS OF ACTIVITY

### QUALITY OF THE LOANS PORTFOLIO

#### Non-performing loans

Net non-performing loans at the end of the year amounted to 56.000 euros and the net non-performing credits/cash loans ratio amounted to 0,001%. Over the period in question new non-performing loans amounted to € 0,3 million. Inflows from non-performing loans amounted to approximately 36.000 euros.

The number of non-performing loans amounted to 697, 99% of which were for amounts of less than € 50.000 (73% of the total in terms of volume).

90,9% were below the threshold of € 5.000.

#### Watchlist loans

Net watchlist loans (amounts overdue from parties whose temporary difficulties are likely to be overcome in an appropriate period of time), including capitalisation of interest, at the end of the year amounted to € 9.000.

New inflows over the year amounted to € 0,4 million.

### BANK INSURANCE

In 2006 products from accident insurance and life assurance products continued to be distributed.

Life assurance products were exclusively those of the Group companies CBA VITA and Sella Life. Accident insurance products of the following companies were sold: Toro Targa Assicurazioni, REM Assicurazioni, ALA Assicurazioni, Cardif Assurances Risques Divers S.A., HDI Assicurazioni.

In 2006 product quality policy was confirmed as being a fundamental part of the strategies for the brand "Sella Sicurezza e Protezione" ("Sella Safety and Protection"). As is traditionally the case, the sold policies were distinguished by transparency and quality. The Infortuni Protezione Più ("Accidents Protection Plus") was a new accident insurance product whilst CBA Scelta Multipla (CBA Multiple Choice) was a new multibranch life assurance product.

### MUTUAL INVESTMENT FUNDS AND OPEN-ENDED INVESTMENT COMPANIES (SICAVS)

Overall product profitability was maintained as the fall in revenues from the products of the Group was counterbalanced by the profits from the sale of products of third parties.

Italian funds continued to be reduced and investments in Luxembourg-based open-ended investment companies (SICAVS) continued to be increased.

In 2006 the private banking network of traditional banks opened up to third-party funds and open-ended investment companies (SICAVS), multibrand products prior to 2007 when these products will also be available from traditional high street banks.

The product range managed by the Group was rationalised. This affected Sella Gestioni at the level of collective products and the banks at the level of individual products. This rationalisation will also continue in 2007 and marks a change from current strategy as it involves specializing in a limited range of funds and open-ended investment companies (SICAVS) whilst the needs of customers for other products will be catered for by products of third parties.

### INVESTMENT SERVICES

In 2006 the new control procedure for monitoring the suitability of the operations on financial instruments (in accordance with in-house rules on asset management), and the customer profile procedure were implemented.

The implementations were also carried out in compliance with the protocol of the ninth ABI "Patti Chiari" initiative entitled "Comparison of Financial Investments".

Quality Assurance of the support given to customer investments by Group banks also continued in the following ways:

- Developing activities and initiatives to further assist the customers of the Group banks to familiarise themselves with the characteristics and the risks of investments in financial instruments and products.
- Updating the profiles of the customers of the Group banks in compliance with the requirements of the ninth "Patti Chiari" initiative. This information was

used in customer relations to optimise the quality of the sales process.

- Training staff of the Group banks in the financial instruments, in the risks, in the principles and in the rules established by the in-house rules on asset management and the contents and application of the ninth "Patti Chiari" initiative.
- Alerting the network and therefore also customers to situations in which the analysis of the economic and financial performance of corporates issuing securities shows an increase in the risk of holding the securities.
- Updating and extending the Risk Thermometer with new products and newly issued financial instruments with an increase, compared with 2005, in the number of financial instruments monitored by rating their degree of risk.
- Extending the Intranet section dedicated to customer investments by implementing new information and functions for a more complete and immediate view of their position.
- Further improvement to the services providing customers with information on their investments.

## **CUSTODIAN AND CORRESPONDENT BANK**

In 2006 the value of the OICRs managed by Sella

Gestioni of which Sella Holding Banca is the custodian fell by 10%. This, together with the reduction in the percentage of commission paid since April 2005 reduced the earnings from this service by 9% (- € 0,3 million).

The service of custodian of OICRs continued to be provided only to Group brokers.

Services to foreign-based OICRs increased further. 2005 earnings totalled € 0,7 million but in 2006 they grew to € 0,9 million (+49,8%). The proportion of the earnings that came from activities connected to OICRs and from investors who were not connected to the Group also grew (from 30% to 36% of the total). The range of OICRs on the platform was also extended, as were the services to investors (internet information service).

## **FINANCIAL BROKERAGE**

### **DEALING AND TRADING ON THE MARKETS**

The bank's trading on the market on its own account and for third parties (including trading online), gained the following market share at December 31st, 2006 and at December 31st, 2005:

	<b>2006</b>	<b>2005</b>
MTA	2,51%	3,98%
(in trading after hours)	(6,12%)	(6,96%)
SeDeX	0,31%	0,48%
IDEM - S&P/MIB Future	5,91%	6,48%
IDEM - MINIFuture	22,02%	21,79%
IDEM - S&P/MIB Option	13,51%	12,80%

(Source: Assosim data)

In 2006 market share fell compared with 2005 in the MTA and SeDeX and on the IDEM circuit for the S&P/MIB Future tool, whereas results grew on the IDEM – MiniFuture circuit and the S&P/MIB Option.

## **SECURITIES TRADING FOR THIRD PARTIES**

### **Traditional trading**

Traditional dealing connected with execution activities in the narrow sense has contracted compared with the previous year. The reduction was 9% by volumes and income compared with a constant trend relating to volumes and income from institutional customers and administered retail. The main reason for the year's trend was the reduction in the assets under management. The sectors mostly affected by the contraction in receipts were Italian stocks and foreign bonds. Fees from foreign stocks, on the other hand, increased. The Savings Law limited the tradability of new bonds.

In order to continue to maintain good profitability, recover efficiency and optimise processes, the year was characterised by:

- continuing the activity of centralising trading and standardising the modus operandi of all networks;
- monitoring average commission and attention to the pricing system for the services on offer;
- recovering productivity with automation of manual processes, which also enables operational risks to be handled better.

### **Trading On Line**

In 2006 Trading On Line Sella.it pursued its strategies of developing volumes, optimising and implementing new services and improving information to customers to improve their knowledge.

Transactions on Italian stocks markets increased by 22% and by 31% on foreign stocks markets. Income grew by 13% and 16% respectively.

Contracts traded in derivative financial instruments increased by 10%, with peaks of about 15% on the fu-

tures and options traded on the IDEM market. The 3% increase in income was affected by the decrease in average commission and the downward adjustment on commission proposed for the "Trader account" from April 2006. This move also eliminated charges for running accounts (charges were formerly applied below a certain level of operations) and interest was paid after more than 75 quarterly operations, which had a positive effect on net interest income.

Securities lending associated with short multiday activities led to a 65% increase in relative net interest income to approximately € 0,8 million. Short multiday operations grew by 8,5%.

Customers using the Sella Extreme professional platform grew by 8%, also due to the "Sellaextreme Click&Fly" prize competition.

The Bank increased its share of the Italian Stock market and S&Pmib future market but lost significant share of the miniS&P futures and Idem options market whilst its share of Dax futures remained fairly stable.

The following project activities should be mentioned:

- development of the new trading online web platform that will substitute the current platforms and will be handed over to customers in the first half of 2007;
- replacing the broker giving access to foreign Stock markets has significantly improved the level of service;
- direct access to trading on the Eurex derivatives market and online offer of weekly options on the same market;
- access to the MTA International market;
- computer and organisational activities within the context of Banca Sella Nord Est – Bovio Calderari projects and merger of Finanziaria Bonsel with Sella Holding Banca.

For more demanding customers the product Sella Extreme Remoting has been developed, an advanced data downloading tool that enables trading systems to be customized.

In order to supply even more comprehensive information, a service providing regular updates on derivatives operations has been set up. In addition to the traditional information it provides a detailed breakdown of all information on the derivatives transactions made over a time chosen by the customer.

In order to improve monitoring of customers' operations in derivative instruments a premium response simulator was devised that enables the effects on initial margins to be reproduced that are caused by the technical maturity of the derivatives contracts.

Direct access to the MOT market was developed through the proprietary system for sending orders to the market known as the "Sole Router" that enabled the transactions on this market to be automated.

Training remained a fundamental part of the offer to TOL customers: 66 days were devoted to training (as opposed to 53 in 2005) that involved 1.173 participants (853 in 2005) with a redemption in terms of new accounts opened amounting to 13,9% (11% in 2005) in 11 Italian towns. The topics related to trading techniques, technical analysis, the features of financial products and trading online platforms.

Direct contact with customers has distinguished commercial policy and culminated in attendance at the events of the "Italian Trading Forum in Rimini" and "TOL Expo in Milan". During the latter event the new platform for trading online 2007 was officially presented in a demo version.

## **TRADING WITH FINANCIAL INSTRUMENTS ON OWN BEHALF AND TREASURY ACTIVITIES**

In 2006 trading on the bank's own behalf provided a strong contribution to the growth of the income statement in terms of profits. The Bank maintained its status of Primary Dealer on the MTS (computerised market in government securities), with a market share amounting to 1,8% (1,7% in 2005) and with excellent income results, which were well up on the previous year. In 2006 the

Bank also started to deal directly on the secondary market for Greek government securities (HDAT). This made a very positive contribution to the operating result.

The total volumes traded on the computerised stock market (MTA) in 2006 produced a market share of 0,7% just from trading on the Bank's own account, which was significantly down on the previous year (2,1% in 2005), also because the strategy of the stocks desk had moved away from scalping to that of position with a longer time scale, although prevalently intraday. The income results from the stocks desk were still positive but were in decline.

The Bank traded only to a limited extent on Stock markets but its operations on derivatives products (as part of the trading activity on its own behalf) mainly concentrated on listed instruments on regulated markets such as IDEM (Italian Derivatives Market), Eurex and, to a lesser extent, the Liffe market. In general, dealings in derivatives instruments listed on regulated markets grew significantly compared with 2005.

In the IDEM market the Bank continued to be a primary market maker for the options of the S&P/MIB market and the MiniFuture market on the same Stock index. This activity consolidated the excellent income results recorded over the previous two years.

The operations on the forex markets of the spot and forward have confirmed the prevalence of the operations on the spot market with brokered values amounting to approximately € 82,4 billion, up on the previous year.

In the money market the Bank consolidated its operations on the interbank market for deposits (total volumes with counterparties outside the Group, on the e-MID and OTC market, amounting to € 76,2 billion) and increased its operations on the repurchase agreements market (total volumes on MTS PCT amounting to € 271,1 billion). There was less trading in the short-term derivatives markets. Overall, the Foreign Exchange and Money Market desks traded at a profit but did less business than in previous years.

The activities of the Group's Integrated Treasury continued to give better and more efficient management of

liquidity, better monitoring and control of interest rate and foreign exchange risks at the consolidated level and more careful Group ALM (Asset Liability Management).

## **PAYMENT SYSTEMS**

As to the P.O.S. (Point Of Sales) there has been an increase in the number of appliances installed and in relative volumes due to the offer of innovative products such as the value-added and customer loyalty services, including the electronic cinema voucher on P.O.S., electronic luncheon vouchers, fidelity cards and check guarantee cards. These services are offered by Easy Nolo, a Group company that specialises in the development of technologically innovative solutions.

The terminals have started to migrate to the new microcircuit technology, also in order to reduce the frauds arising from tampering with magnetic-tape terminals.

The number of credit and debit cards issued has increased significantly and they have generated a gratifying increase in spending. The business continued over

the year through the distribution channels aiming to increase the segment of products geared to companies (business, corporate and travel cards) and to individuals, in particular through the instalment and rechargeable prepaid cards.

The activity of developing the co-branded sector was also further developed in collaboration with commercial partners in order to win new customers who do not yet have an account with the Group.

The advertising campaigns to encourage customers to use the Memo Shop antifraud SMS service resulted in a considerable amount of subscriptions, with positive effects in terms of reductions in fraud at the expense of cardholders and the Bank.

In the e-commerce vector, owing to the success of the advanced Gestpay Server to Server service that is particularly appreciated by customers because of its easy of use comprehensive functions, satisfactory results were achieved in terms of growth in volume and income.

There was also significant growth in telephone recharging operations and credit-card withdrawals from ATMs.

## OPERATING STRUCTURE

### RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEM

In 2006, the parent company Sella Holding Banca, directed and coordinated the control of exposure to risks taken by the companies of the Group whilst conducting routine and special activities, delegating the operational aspects to the Risk Management and Control department. This department was assigned the objective of measuring, providing and supporting the management the entire Group's overall exposure to operational and marketing risk, having constant access to information and accounting and management data of all the subsidiaries, monitoring the risk-exposure combination in the different businesses.

Operational risk is defined as the risk of losses arising from the unsuitability or dysfunction of internal processes, persons or systems or of external events, or the risk of incurring losses arising from internal/external fraud, legal risks (failure to meet contractual obligations), shortcomings in internal controls or information systems, natural disasters.

An operational setback, on the other hand, is an isolated occurrence that is due to inefficiency or process malfunctions, systems or outside events that generates one or more operating losses.

The operating risk in fact refers to all the shortcomings of current activities of the companies of the Group that are not directly related to credit and market risks or exogenous factors that could harm the companies.

The Risk Management and Control department contributed directly to the diffusion of operating risk by the "Risk Tour" workshop that in 2006 involved 80% of the employees of the Group. The process was completed in the first quarter of 2007.

Continuous assessment and monitoring of exposure to operating risk connected with the business has led to improved data gathering on operating losses at the banking group level on an event\_type/business\_lines basis that has been specifically tailored and conforms to the indications specified in the last Basel Agreement using the web application "Faults Reporting", an operational

instrument designed to support the "Control Cycle". With such instrument the Bank complies with the minimum requirements to adhere to the D.I.P.O. consortium (Italian Operating Losses Database) promoted by A.B.I.

As for the gathering of the qualitative data for assessing the operational risk a process of Control Risk Self Assessment was defined and devised.

The Risk Management and Control department also implemented the processes for assessing and monitoring exposure to market risk regarding the finance and trading activities and securities portfolios of the Group, also running qualitative and quantitative checks on the management of individual and collective portfolios of the companies of the Group and assessing the risk/performance of distributed insurance products.

### INFORMATION TECHNOLOGY

Information technology applications continued to be developed, great attention being paid to honing the skills of staff, analysis and programming resources and the flexibility of the architecture of the information system.

The various activities include the following:

- creating operating environments and migration activities for Banca Sella Nord Est and through the merger through (reverse) incorporation between Finanziaria Bonsel and Sella Holding Banca;
- optimising the procedures for improving processes;
- improving and extending the tools required for providing better information to customers and better supervision of the managed portfolios;
- implementing the technological infrastructures of the new Press Centre together with the activities required for the new mass mailing methods;
- extending the automatic controls in the information procedures and "armour-plating" of specific types of messages and accounts; this task will be completed in 2007;
- maintaining and increasing the efficiency of the central infrastructures of the data centre in order to keep

them technologically up to date and make them suitable for supporting the growth of volumes;

- implementing the scoring procedure and extending the Operational Risks Alarms module to a new information system;
- start of the first “pilot” users of the “Lis Card”, an electronic currency institution devised in collaboration with Lottomatica;
- continuing the migration of the procedures of the information system to the new “open” technology based on three-level architecture that implements the concept of a “system of services” that can be reused generating operational efficiency;
- intensifying cooperation between the Bank and companies of the Group to centralise some systems in the structures of the parent company to control and coordinate them; we mention in particular the “technological area” for the centralised support of companies operating in Milan;
- collaboration with the University of Trento to train foreign staff, in particular Indian staff, scholarships being provided by the Bank to fund post-graduate degrees in Italy;
- extended use of the controls of analysis, architecture and code quality prescribed in the Development Process for the achievement of the MultiBanca System.

## RESEARCH AND DEVELOPMENT

The Bank did not conduct pure research and development but paid greater attention to innovation in the field of new products and new channels and technological innovation. It took part in working and research parties run by the Associazione Bancaria Italiana (Italian Banking Association), including the ABILAB Committee (which is involved in “technological research in a pre-competitive environment in the banking world” with specific reference to the group addressing data security and business continuity).

Operationally, the intensive introduction into pro-

duction operating environments of Open Source software; continued in the environments of: management and monitoring systems, tools for developing software, Office Automation application solutions.

## IMPROVING PRODUCTIVITY

In order to encourage the further improvement in Group productivity, the Organisation department has coordinated the actions and projects of each department/company aimed at automating administrative tasks and/or tasks with little added value in order to reduce significantly the weight and cost of such tasks.

We continued the process of outsourcing to service centres (especially abroad) administrative tasks in order to have more flexibility in achieving greater efficiency and in order to take advantage of the opportunities presented by distributing work on a global scale, also because our main foreign competitors use outsourcing widely. In general, the processes of the parent company and of the banks of the Group were outsourced as were for the first time some processes and tasks of other companies of the Group.

At the Group level over 40 administrative tasks were outsourced and we were able to assign the human resources that were released to new business and/or customer contact tasks and to reinforce teams and control activities. This also enabled us to pension off staff without replacing them wherever possible.

Virtually all the measures specified in the Strategic Plan for 2004 - 2006 to centralise activities in the parent company were completed. Only a small part of the project still needs to be completed, in particular the centralisation of general bookkeeping and technical real-estate activities need to be completed by the first six months of 2007.

The Banks and Networks continued to collaborate in organisational activities and projects to plan improvements to the efficiency of the distribution network in order to improve role specialisation, reorganisation of the layout of branches, installing new multifunction and

self-service apparatuses. In particular, the projects for the release of advanced ATMs and customer desk scanners are due to be completed in 2007.

## HUMAN RESOURCES

### MANAGING AND DEVELOPING HUMAN RESOURCES

At December 31st, 2006 the Bank had 1.105 employees, 158 more than the previous year, net of the employees that were involved on January 1st, 2006 in the transfer of the branch activity to Banca Sella (1.344). At December 31st, 2006, 35 employees were on unpaid leave and maternity leave.

The increases in the number of staff were due to:

- the incorporation of Finanziaria Bonsel;
- the strengthening of some headquarters facilities that required highly professional and skilled people to be hired who immediately raised the level of services and contributed to the development of employees;
- increase in staff to cope with the ongoing process of centralisation in the parent company of the activities of the companies of the Group.

240 new staff were hired over the year, 128 of whom

were hired from other companies of the Group. The new entries break down as follows: 16 professional apprenticeship contracts, 12 contracts for people entering the labour market, 76 fixed-term contracts and 136 permanent contracts. 81 people were shed (9 took early retirement, 2 were pensioned off and 18 transferred to other companies of the Group).

At the end of the year the average age of employees was 35 years and 4 months and they had 8 years' seniority on average: both figures are slightly higher than last year.

On the basis of the framework agreement signed on June 27th, 2005 between the parent company and the Trade Unions, which was implemented by Sella Holding Banca, for voluntary access to special contributions from the "Solidarity Fund to support income, employment, reconversion and professional retraining of staff in the finance industry"; 4 people took advantage of the Fund during 2006 in addition to the those (5) that took advantage at January 1st, 2006

Staff costs amounted to approximately 59,7 million, apart from the part arising from the demerger of Banca Sella. Part of the remuneration of many staff is also dependent on reaching set targets that are above all connected to completing assigned projects on time and maintaining service levels.

## EXPECTED DEVELOPMENTS

### THE OUTLOOK

It is expected that the world economy will remain at the same level as that of 2006 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 deriv-

ing 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, VOLUMES AND PROFITABILITY THE BANK-OVERVIEW OF STRATEGIC PLAN 2007 - 2009**

In view of the external outlook the Bank will have to follow the guidelines set by the Group's new Strategic Plan, pursuing excellence and a company philosophy that is based on strict ethics and codes of practice in or-

der to improve profitability and competitiveness. In particular, it must concentrate on:

- continuing its policy for growth, both in size and in number of customers, through:
- systematic development;
- constant product innovation, to provide high performance, also thanks to the opening of third-party funds;
- improving the organisation and control tools/bodies through:
- a compliance project, completing "armour-plating of foundations" projects;
- review and innovation of the organisation of credit management;
- further rationalisation to achieve specialisation;
- absolute excellence of processes, products, and behaviours; constant nurturing of Group's distinctive features:
- innovation in technology, products on offer, and in business lines with a further diversification of the same;
- quality, through the review and improvement of rules and greater planning capacity;
- investment and training and developing human resources; in fact, by increasing the professionalism and motivation of staff, the Bank aims at optimising its relations with customers thus winning their trust.

## **SIGNIFICANT EVENTS OCCURRED AFTER THE CLOSE OF THE FINANCIAL YEAR**

- On January 11th, 2007, the Board of Directors approved the new Strategic Plan 2007 - 2009;
- In January the inspection by the Banca d'Italia was completed , as part of its assigned important supervisory activities;
- on April 13th Moody's Investor Service published the new rating assigned to the parent company (described in the relevant chapter).

## **OWN SHARES AND SHARES OF THE PARENT COMPANY**

In 2006 the Bank did not hold, nor does it currently hold any shares of its own or of its parent companies.

## EQUITY INVESTMENTS AND DEALINGS WITH GROUP COMPANIES

The set up of Gruppo Banca Sella at December 31st, 2006, together with the main equity holdings, are shown in the Group chart on the first pages of these financial statements.

The value of the Bank's assets increased by € 331,4 million compared with 2005 following the transfer of the Italian branches to Banca Sella (which transaction in itself increased equity investments by € 293,5 million) and at the end of the year they amounted to € 647,2 million, of which € 636,0 million in Group companies (Banca Sella's assets amounted to € 300 million).

The most important changes to the Bank's equity investments portfolio up to December 31st, 2006, apart from the aforesaid transfer, were:

### Increases

- purchase of 2,800,000 C.B.A. Vita shares, amounting to 3,73% of company capital, with a consequent increase in our shareholding from 78,27% to 82,00%;
- purchase of 500,000 CartaLis shares, amounting to 5,00% of company capital, with a consequent increase in our shareholding from 10,00% to 15,00%;
- the purchase of 176,000 Selfid shares, amounting to 88,00% of company capital;
- underwriting of 1,00% of the share capital of Selgest, a Luxembourg management company set up to comply with UCITS III; the rest of the capital was subscribed to by Sella Bank Luxembourg S.A.;
- 29,00% underwriting of the share capital of S.C.P. VDP1, a Monte Carlo based company set up to acquire title to the building in which our affiliate Martin Marel Sella Banque Privée is located;
- underwriting of 4,11% of the share capital of PRO MAC, a company set up to create an alternative capital market aimed at small/medium Italian enterprises;
- assignment of 29,182 Mastercard Inc. (Class B) shares amounting to 0,00065% of company capital;
- underwriting (23,66%) of capital increase amounting in total to € 9 million decided by Sella Bank Luxembourg S.A. ,for the part relevant to the equity holding percentage of Sella Holding Banca;
- underwriting (76,84%) of capital increase amounting in total to 5,6 million euros in addition to € 19,7 million share premium, decided by Consel for the part relevant to the equity holding percentage of Sella Holding Banca;
- underwriting (84,44%) of capital increase amounting in total to 1 million decided by Easy Nolo;
- contribution to a future increase in the capital of the Immobiliare Lanificio Maurizio Sella, to fund expected real-estate investments amounting to € 10 million;
- interest-free loan to Immobiliare Sella, to fund expected real-estate investments amounting to € 3,3 million;
- underwriting of capital increase amounting in total to € 1,6 million decided by Asteimmobili.it; upon completion of this operation the Bank increased our shareholding from 1,12 % to 1,17 %;

### Reductions

### Capital operations

- reduction in shareholding in B.C. Finanziaria from 82,81% to 80,03% following the transfer of 2,78% of the capital as part of a project for extending the shareholders' base of certain companies of the Group Banca Sella;
- the sale of 479.000 shares of Borsa Italiana, amounting to 2,95% of company capital, with a consequent reduction in our shareholding from 6,16% to 3,21%;
- transfer of the entire shareholding (6,53%) of SIA;
- reduction in shareholding in MTS from 2,41% to 0,10% following the completion of the transfers started at the end of 2005;
- transfer of the entire shareholding (4,73%) in Banca-pulia;
- transfer of the entire shareholding (14,74%) in Private Wealth Management SGR;
- transfer of the entire shareholding (11,95%) in Biella Intraprendere;

### **Other operations**

- Following the incorporation of Fiduciaria Sella into Gestnord Fondi, which changed its name to Sella Gestioni, the Bank's shareholding was reduced from 86,05% to 74,65%;
- The company Selcre was wound up and its name deleted from the companies' register of Biella;
- Following Sella Holding Banca's takeover of Finanziaria Bansel, the parent company gained control (80,00%) of Secursel and 10% of the share capital of Mars 2600, a loan-securitisation company.

### **DEALINGS WITH GROUP COMPANIES**

In compliance with article 2497b of the Civil Code we disclose the following information on infragroup dealings.

The following dealings of Sella Holding Banca that had a significant economic impact:

- Banca Sella earned € 40,5 million from outsourcing fees. In accordance with the Strategic Plan the parent company has taken over all administrative, coordinating and control functions, the most important of which are:
  - finance (trading on own account, centralised Grouptreasury, management of own securities portfolio);

- trading;
  - Customer Desk;
  - Centralised Group treasury (credit card uses, including managing dealings and with and assignments to other banks and structural assignments to Group companies);
  - Payment systems and access to interbank networks;
  - Global Execution platform of trading orders (including back office and administrative services);
  - Acting as a custodian and correspondent bank of open-ended investment companies and mutual funds;
  - Online services platform (trading on line, internet banking, call centres);
  - Delivery of banking information system;
  - Real-estate management, technical and security management.
- receipt of costs of seconded staff amounting to € 2.998 million;
  - recovery of costs, mainly of persons seconded from the Bank to companies of the Group, amounting to a total of € 4.035 million.

The following tables list the dealings between the parent company and the other companies of the Group in terms of equity and income:

**Sella Holding Banca business activity with companies in the Group: balance sheet** (euro million)

Company	Financial assets held for trading	Due from banks	Customer loans	Other assets	Due to banks	Securities on issue	Financial liabilities held for trading	Other liabilities
SELLAGESTIONI S.G.R.S.p.A.	-	-	4	192	-	-	-	11
SELLA CONSULT Sim.p.A.	-	-	9	436	-	-	-	612
SELLA CAPITAL MANAGEMENT SGR.p.A.	-	-	2	55	-	-	-	198
BIELLA LEASING S.p.A.	208	-	623.065	72	-	-	393	-
SELLA CORPORATE FINANCE S.p.A.	-	-	1	153	-	-	-	86
SELFOFT DIRECT MARKETING S.p.A.*	-	-	-	2	-	-	-	32
SELFID S.p.A.	-	-	-	65	-	-	-	-
BANCA SELLA NORD-EST-BOVIO CALDERARI S.p.A.	393	149.912	-	127	3.702	-	538	1.001
SELLA SOUTH HOLDING S.p.A.	-	-	5.986	-	-	-	-	-
SELLA BANK AG	25	685	-	48	2.720	-	44	-
SELLA SYNERGY INDIA LTD	-	-	-	2	-	-	-	280
BANCA DI PALERMO S.p.A.	747	30.479	-	253	30.238	-	1.011	672
SELLA HOLDING NV	-	-	23.433	-	-	-	-	-
SELLA BANK LUXEMBOURG S.A.	101	6.033	-	298	339.804	-	4.866	-
CONSEL S.p.A.	4.792	-	545.637	-	-	-	4.792	-
INTERNATIONAL CAPITAL HOLDING	-	-	-	1	-	-	-	-
SECURSEL S.R.L.	-	-	-	3	-	-	-	-
BANCA ARDITI GALATI S.p.A.	65	4.527	-	289	36.404	-	108	836
BANCA PATRIMONI S.p.A.	165	441	-	1.151	145.842	-	391	105
EASY NOLO S.p.A.	-	-	-	140	-	-	-	771
BROSEL S.p.A.	-	-	-	13	-	-	-	-
C.B.A. VITA S.p.A.	-	-	2	4	-	-	-	304
SELLA LIFE LTD	-	-	-	46	-	-	-	-
SELIR	-	-	-	4	-	-	-	257
BANCA SELLA S.p.A.	2.401	965.452	-	12.628	2.095.874	1.219	10.319	8.350
SELGEST	-	-	-	4	-	-	-	-
<b>Total</b>	<b>8.897</b>	<b>1.157.529</b>	<b>1.198.139</b>	<b>15.986</b>	<b>2.654.584</b>	<b>1.219</b>	<b>22.462</b>	<b>13.515</b>

\*being liquidated

**Sella Holding Banca business activity with companies in the Group: income statement** (euro million)

Company	interest payable and similar expenses	interest payable and similar expenses	Commis- sion income	Commis- sion expenses	Net income from trading activities	Admini- stration expenses	Staff expenses	Other operating costs	Other operating income
SELLAGESTIONI S.G.R.S.p.A.	-	-	17	-	-	(75)	481	-	509
SELLA CONSULT Sim.p.A.	-	-	-	(1.051)	-	8	432	(1)	468
SELLA CAPITAL MANAGEMENT SGR.p.A.	-	-	-	(159)	-	4	59	-	137
BIELLA LEASING S.p.A.	20.508	-	-	-	261	3	211	-	438
SELLA CORPORATE FINANCE S.p.A.	-	-	-	-	-	(411)	357	-	28
IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	-	-	-	-	-	(485)	-	-	115
IMMOBILIARE SELLA S.p.A.	-	-	-	-	-	-	-	-	61
SELISOFT DIRECT MARKETING S.p.A. *	-	-	-	(300)	-	-	4	-	1
BC FINANZIARIA	-	-	-	-	-	-	-	-	8
SELFID S.p.A.	-	-	-	-	-	4	177	-	16
BANCA SELLA NORD-EST-BOVIO CALDERARI S.p.A.	2.318	(150)	325	(671)	(5)	(49)	(729)	(30)	2.171
SELLA SOUTH HOLDING S.p.A.	272	-	-	-	-	-	-	-	32
SELLA BANK AG	13	(78)	-	-	-	1	2	-	73
SELLA CAPITAL MARKETS S.p.A. *	-	-	-	-	-	-	-	-	2
SELLA SYNERGY INDIA LTD	-	-	-	-	-	-	-	-	54
BANCA DI PALERMO S.p.A.	377	(180)	255	(469)	(126)	13	(304)	(18)	1.381
SELLA HOLDING NV	777	-	-	-	-	-	-	-	-
SELLA BANK LUXEMBOURG S.A.	688	(11.591)	167	-	7	5	48	-	217
CONSEL S.p.A.	15.730	-	-	-	330	-	-	-	253
INTERNATIONAL CAPITAL HOLDING SECURSEL S.R.L.	-	-	-	-	-	-	-	-	2
BANCA ARDITI GALATI S.p.A.	123	(1.170)	333	(732)	55	-	(370)	(34)	2.202
BANCA PATRIMONI S.p.A.	252	(4.656)	867	(98)	(3)	(72)	95	(54)	3.388
EASY NOLO S.p.A.	-	-	-	-	-	(3.230)	418	-	355
BROSEL S.p.A.	-	-	-	-	-	-	-	-	34
C.B.A. VITA S.p.A.	-	-	-	-	-	(250)	(291)	-	139
SELLA LIFE LTD	-	-	-	-	-	1	43	-	29
SELIR	-	-	-	-	-	(156)	-	-	57
BANCA SELLA S.p.A.	31.769	(54.574)	14.609	(7.171)	1.220	15	393	(604)	43.409
SELGEST	-	-	-	-	-	-	11	-	4
<b>Total</b>	<b>72.827</b>	<b>(72.399)</b>	<b>16.573</b>	<b>(10.651)</b>	<b>1.739</b>	<b>(4.674)</b>	<b>1.037</b>	<b>(741)</b>	<b>55.589</b>

\*being liquidated

## PROFITS DISTRIBUTION POLICY

Dear Shareholders,

The balance sheet and the income statement for the year ended at December 31st, 2006 were stated in euros in compliance with current legislation ac-

ording to the normal caution criteria and after the necessary write-downs and allocations to provisions showed a net result of € 7.907.634,02, which we propose to distribute as follows:

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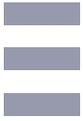
Operating result	euro	7.907.634,02
- to the "Statutory reserve"	euro	3.163.053,61
Rest	euro	4.744.580,41
to shareholders:		
- dividend of 2,875 cents for each of the 160.000.000 shares	euro	4.600.000,00
And the rest to the "Extraordinary reserve"	euro	144.580,41

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Biella, April 2<sup>nd</sup>, 2007

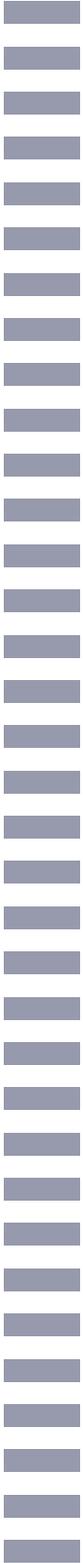
In the name of and on behalf  
of the Board of Directors  
The Chairman of the Board of directors  
(Dr Maurizio Sella)





# REPORT OF BOARD OF STATUTORY AUDITORS

On the financial statements as at 31 December 2006



# REPORT OF BOARD OF STATUTORY AUDITORS

Pursuant to article 2429 of the Civil Code

Dear Shareholders,

Your Company, which changed its name on January 1<sup>st</sup>, 2006 to Sella Holding Banca, is a provider of services such as payment systems, custody, finance and online services to all the banks and other companies of the Group.

On January 1<sup>st</sup>, 2006 – only after obtaining the necessary authorisation from the Banca d'Italia- were the Italian distribution network of your Company and the activities of asset management and private banking transferred to a new bank within the Group (set up on September 8<sup>th</sup>, 2005 under the name Sella Distribuzione), which acquired, alongside the above activities, also the historical name of Banca Sella S.p.A..

On July 10<sup>th</sup>, 2006 through the “reverse merger”, your Company incorporated its holding company Finanziaria Bansel S.p.A., by deed drawn up by notary Ghirlanda, which was registered in the companies' register of the Chamber of Commerce of Biella on July 13<sup>th</sup>, 2006, which also entailed the acquisition of the status as parent company of Gruppo Banca Sella.

As a result, your Company has to draw up the financial statements according to the international IAS/IFRS accounting standards and as it engages in banking activities, also its own financial statements; the financial statements in question, like those for the year ended December 31<sup>st</sup>, 2005 supplied for comparative purposes, are presented on the basis of IAS/IFRS and of the instructions contained in Memorandum 262 of December 22<sup>nd</sup>, 2005 of Banca d'Italia.

\* \* \*

In 2006, the Board of Statutory Auditors performed its duty of supervision and monitoring of the business of the company, with particular reference to the aspects concerning the various rules that regulate company and banking law.

Over the course of the eleven sessions, we carried out the supervision specified by law. Further, and in particular:

- we attended the twenty meetings of the Board of Directors (of the two companies) held in 2006; we obtained reports from the directors at least once a month on the activities performed and on the most important economic, financial and equity operations performed by the Company, ensuring that the operations decided and carried out complied with the law and the articles of association and were not clearly imprudent, hazardous, or in potential conflict of interest – and that, if they were, the parties involved abstained from them – or in conflict with the motions passed by the Shareholders' Meeting;
- we also attended the six meetings of the Audit Committee and the five shareholders' meetings (of the two companies);
- we have familiarised ourselves and monitored to the best of our ability the appropriacy of the organisational structure of the Company and expect further improvement in this respect and have monitored compliance with correct management, with particular attention to the application of anti money-laundering regulations, through direct observations, gathering information from heads of departments and meetings with the independent auditing company and with Internal Auditing, for the purposes of an exchange of data and relevant information;
- we have assessed and monitored the appropriacy of the internal audit system and of the bookkeeping and accounting system and the reliability of the latter for reporting the financial statements by obtaining information and an examination of Company documents;
- we have had no news of filing of complaints pursuant to article 2408 of the Civil Code;
- we ascertained that the capital adequacy ratio requi-

red for the purposes of supervision was calculated in compliance with the conditions set by Banca d'Italia and is higher than the prescribed ratios as the Tier 1 capital adequacy ratio of 12,98% and the total capital adequacy ratio of 21,64% are much greater than the prescribed minimum of 7%.

No events emerged that are such as to require reporting to the supervisory and control organs or mention in this report.

\* \* \*

The financial statements for 2006 were reported in accordance with IAS/IFRS accounting standards and the year finished with a net result of € 7.907.634.

In the Notes to the Financial Statements the directors provide the information required by law and the other information regarding the features of the business and the sector of activity. The directors' approach in our opinion meets cognitive requirements and appropriately reflects the events that gave rise to the financial movements and their influence on the liquidity and solvency of the Company.

In their report the directors illustrate the performance of the Company over the year and likely future developments in the light of known facts and rationally foreseeable facts and other information expressly requested by law.

In their annual report the directors have appropriately illustrated infragroup dealings and dealings with third parties, underlining that they were carried out according to the relevant specialisation and in compliance with current legislation and on the basis of assessments of mutual economic benefit.

The independent auditors Reconta Ernst & Young S.p.A. – entrusted with the audit pursuant to article

2409b of the Civil Code – have informed us in the course of today's meeting in which our respective activities relating to the year 2006 were collated, that on the basis of the work conducted today, they will issue a favourable opinion on the financial statements for the year 2006 without comments and will draw attention to the known Luxembourg incident.

The structure and contents of the Balance Sheet, of the Income Statement, of the explanatory notes (Notes to the Financial Statements), of the financial results and the statement of variations in shareholders' equity are in our opinion appropriate as the directors indicate that the international accounting standards and Memorandum 262 of December 22nd, 2005 of the Banca d'Italia have been complied with.

We confirm that we approve the reporting of costs as assets in the Balance Sheet and agree with the reasons for the depreciation method explained by the directors in the Notes to the Financial Statements.

With reference to the main options specified by the IFRS 1-First-time Adoption of the International Financial Reporting Standard- for the first application we report that:

- the Company took the option of using, as the original accounting value at the transition date, the fair value of the real estate owned at December 31st, 2003 (1/1/2004), as a replacement cost; the fair value of the asset is counterbalanced by the shareholder's equity;
- the Company did not take advantage of the option provided for in IAS 19 – Employee Benefits – not to report part of actuarial gains and losses when the variation compared with the previous year is less than 10 percent; all gains and losses have therefore been reported;
- the derivative contracts declared for hedging contracts according to previous accounting standards

which did not comply with the conditions specified by IAS 39 on the date of adoption of IAS/IFRS, were reclassified as “trading contracts”.

\* \* \*

Our investigation of the reporting and structure of

the financial statements and the favourable opinion of the independent auditors lead us to consider that the financial statements are a true and fair account of the economic and financial situation of the Company and that they can be approved together with the proposal of the directors regarding the use of the operating result.

Biella, April 10<sup>th</sup>, 2007

**The statutory auditors**

Alessandro Rayneri

Paolo Piccatti

Alberto Rizzo



## FINANCIAL STATEMENTS AT 31 DECEMBER 2006

As the Company operations described in the chapter "strategic issues and state of progress of the strategic plan" relate to the transfer of the Italian distribution network, asset management and private banking activities of the current Banca Sella the comparison between the two years is not significant.



## BALANCE SHEET

ASSETS (euro)	31/12/2006	31/12/2005
10. Cash and available liquidity	4.532	62.466.003
20. Financial assets held for trading	469.591.505	890.148.887
40. Financial assets available for sale	50.618.426	44.246.482
50. Financial assets held to maturity	60.404.325	60.256.281
60. Due from banks	2.364.035.894	1.373.385.845
70. Customers loans	1.288.569.359	4.521.493.489
80. Hedge derivatives	1.699.780	1.698.132
100. Shareholdings	636.593.134	285.357.368
110. Tangible assets	61.346.442	65.144.738
120. Intangible assets	17.431.296	16.901.201
of which:		
- goodwill	-	3.775.496
130. Tax assets	49.176.087	68.931.272
a) current	43.939.258	29.964.015
b) prepaid	5.236.829	38.967.257
150. Other assets	131.188.869	234.218.911
<b>Total assets</b>	<b>5.130.659.649</b>	<b>7.624.248.609</b>

<b>LIABILITIES AND NET ASSETS</b> <i>(euro)</i>	<b>31/12/2006</b>	<b>31/12/2005</b>
10. Due to banks	2.931.622.028	1.008.617.419
20. Due to customers	225.725.224	4.885.321.453
30. Securities in issue	1.281.235.319	943.316.647
40. Financial liabilities held for trading	44.176.821	33.863.092
60. Hedge derivatives	226.739	10.694.489
80. Tax liabilities	2.244.622	42.416.653
a) current	2.244.622	34.419.820
b) deferred	-	7.996.833
100. Other liabilities	161.940.093	269.448.020
110. Employee severance payment fund	14.481.573	30.419.682
120. Provisions for risks and charges:	47.477.343	20.327.746
a) pension fund	-	-
b) other provisions	47.477.343	20.327.746
130. Valuation reserves	55.566.248	21.347.681
160. Reserves	228.642.492	206.346.912
170. Share premium	49.413.513	49.413.513
180. Share Capital	80.000.000	80.000.000
200. Profit for the year	7.907.634	22.715.302
<b>Total liabilities</b>	<b>5.130.659.649</b>	<b>7.624.248.609</b>

## INCOME STATEMENT

ITEMS (euro)	31/12/2006	31/12/2005
10. Interest payable and similar expenses	168.446.404	253.622.228
20. Interest payable and similar expenses	(163.845.517)	(116.598.755)
<b>30. Net interest income</b>	<b>4.600.887</b>	<b>137.023.473</b>
40. Commission income	90.988.364	195.102.071
50. Commission expenses	(54.543.542)	(69.679.766)
<b>60. Net commissions</b>	<b>36.444.822</b>	<b>125.422.305</b>
70. Dividends and similar income	14.958.421	7.214.404
80. Net income from trading	8.075.287	11.340.343
90. Net income from hedging	(140.601)	(114.921)
100. Income from sale or repurchase of:	46.568.245	8.272.260
a) loans	-	-
b) financial assets available for sale	46.912.426	8.329.697
c) financial assets held to maturity	-	-
d) financial liabilities	(344.181)	(57.437)
<b>120. Operating revenues</b>	<b>110.507.061</b>	<b>289.157.864</b>
130. Net adjustments for impairment of:	(104.575)	(30.520.419)
a) loans	(104.575)	(30.394.900)
b) financial assets available for sale	-	(125.519)
c) financial assets held to maturity	-	-
d) other financial transactions	-	-
<b>140. Net income for banking activity</b>	<b>110.402.486</b>	<b>258.637.445</b>
150. Net premiums	(104.176.881)	(203.576.629)
a) staff expenses	(59.448.534)	(98.816.424)
b) other administrative expenses	(44.728.347)	(104.760.205)
160. Net allocations to provisions for risks and charges	(39.364.275)	(18.683.695)
170. Net adjustment to tangible assets	(6.116.835)	(7.717.979)
180. Net adjustments to intangible assets	(6.519.813)	(7.453.953)
190. Other operating expenses/income	55.704.306	25.409.842
<b>200. Operating costs</b>	<b>(100.473.498)</b>	<b>(212.022.414)</b>
210. Income/losses of equity investments	-	(6.442.329)
240. Income (losses) from sale of investments	(26.341)	522.005
<b>250. Pre-tax income (losses) from current operations</b>	<b>9.902.647</b>	<b>40.694.707</b>
260. Income taxes for the year on current operations	(1.995.013)	(17.979.405)
<b>270. After-tax income for the year on current operations</b>	<b>7.907.634</b>	<b>22.715.302</b>
<b>290. Profits (loss) for the year</b>	<b>7.907.634</b>	<b>22.715.302</b>

# CASH-FLOW STATEMENT

Direct method

<b>A. OPERATING ACTIVITY</b> (euro)	<b>31/12/2006</b>	<b>31/12/2005</b>
<b>1. Operations</b>	<b>(3.480.902)</b>	<b>74.807.869</b>
interest income collected (+)	168.446.404	253.622.228
interest expenses paid (-)	(163.845.517)	(116.598.755)
dividends and similar income	4.913.981	3.515.299
net commissions (+/-)	36.444.822	125.422.305
staff expenses	(58.421.538)	(93.823.440)
other costs (-)	(44.728.347)	(104.760.205)
other revenues (+)	55.704.306	25.409.842
taxes (-)	(1.995.013)	(17.979.405)
<b>2. Liquidity generated (absorbed) by financial assets</b>	<b>2.850.024.391</b>	<b>(717.485.178)</b>
financial assets held for trading	428.632.669	(2.506.339)
financial assets available for sale	76.482.466	10.216.669
customers loans	3.232.819.555	(587.548.208)
due from banks	(990.650.049)	(116.993.774)
other assets	102.739.750	(20.653.526)
<b>3. Liquidity generated (absorbed) by financial liabilities</b>	<b>(3.670.570.289)</b>	<b>661.360.154</b>
due to banks	806.713.166	88.158.780
due to customers	(4.614.285.252)	620.274.415
securities on issue	292.263.513	(77.637.832)
financial liabilities held for trading	10.313.729	(1.245.872)
other liabilities	(165.575.445)	31.810.663
<b>Net liquidity generated (absorbed) by operating activity</b>	<b>(824.026.800)</b>	<b>18.682.845</b>
<b>B. INVESTMENT ACTIVITIES</b>	<b>31/12/2006</b>	<b>31/12/2005</b>
<b>1. Liquidity generated by:</b>	<b>1.136.465.329</b>	<b>53.363.985</b>
sale of shareholdings	2.668.234	46.659.092
dividends collected on shareholdings	10.044.440	3.699.105
sales/redemptions of financial assets held to maturity	-	-
sales of tangible assets	4.267.120	1.652.937
sales of intangible assets	3.194.092	1.352.851
sales of subsidiaries and company branches	1.116.291.443	-
<b>2. Liquidity (absorbed) by:</b>	<b>(370.760.000)</b>	<b>(80.464.910)</b>
purchases of shareholdings	(353.904.000)	(61.703.929)
purchases of financial assets held to maturity	-	-
purchases of tangible assets	(6.612.000)	(8.497.678)
purchases of intangible assets	(10.244.000)	(10.263.303)
purchases of subsidiaries and company branches	-	-
<b>Net liquidity generated (absorbed) by investment activity</b>	<b>765.705.329</b>	<b>(27.100.925)</b>
<b>C. FINANCING ACTIVITIES</b>	<b>31/12/2006</b>	<b>31/12/2005</b>
issue/purchase of own shares	-	-
issue/purchase of capital instruments	-	-
distribution of dividends and other destinations	(4.140.000)	(9.140.000)
<b>Net liquidity generated (absorbed) by financing activities</b>	<b>(4.140.000)</b>	<b>(9.140.000)</b>
<b>NET LIQUIDITY GENERATED (ABSORBED) IN THE PERIOD</b>	<b>(62.461.471)</b>	<b>(17.558.080)</b>
<b>RECONCILIATION</b>	<b>31/12/2006</b>	<b>31/12/2005</b>
<b>Cash and available liquidity at the start of the period</b>	<b>62.466.003</b>	<b>80.024.083</b>
Total net liquidity generated (absorbed) for the period	(62.461.471)	(17.558.080)
<b>Cash and available liquidity at the end of the period</b>	<b>4.532</b>	<b>62.466.003</b>

## STATEMENT OF CHANGES IN NET SHAREHOLDERS' EQUITY 2005

### STATEMENT OF CHANGES IN NET SHAREHOLDERS' EQUITY 2005 (euro)

	Balance on 31/12/04	Change in opening balance	Balance on 01/01/05	Allocation of income from previous period	
				Reserves	Dividends and other distributions
Share capital:					
a) ordinary shares	80.000.000	-	80.000.000	-	-
b) other shares	-	-	-	-	-
Issue premiums	49.413.513	-	49.413.513	-	-
Reserves:					
a) profits	211.179.797	-	211.179.797	22.724.214	-
b) other	-	(28.012.334)	(28.012.334)	-	-
Valuation reserves:					
a) held for sale	-	-	-	-	-
b) cash flow Hedging	-	-	-	-	-
c) special revaluation law	8.894.624	5.509.218	14.403.842	-	-
Capital instruments	-	-	-	-	-
Own shares	-	-	-	-	-
Profits (losses) for year	26.864.214	-	26.864.214	(22.724.214)	(4.140.000)
Net equity	376.352.148	(22.503.116)	353.849.032	-	(4.140.000)

	Changes in period							Year-end profit on 31/12/05	Net Shareholders' Equity on 31/12/05
	Change in reserves	Net shareholders' equity operations							
	New shares issued	Own shares purchased	Distribution of extraordinary dividends	Change in capital instruments	Derivatives on own shares	Stock options			
Share capital:									
a) ordinary shares	-	-	-	-	-	-	-	- 80.000.000	
b) other shares	-	-	-	-	-	-	-	-	
Issue premiums	-	-	-	-	-	-	-	- 49.413.513	
Reserves:									
a) profits	(2.472.216)	-	(5.000.000)	-	-	-	-	- 226.431.795	
b) other	7.927.451	-	-	-	-	-	-	- (20.084.883)	
Valuation reserves:									
a) held for sale	3.689.122	-	-	-	-	-	-	- 3.689.122	
b) cash flow Hedging	-	-	-	-	-	-	-	-	
c) special revaluation law	3.254.717	-	-	-	-	-	-	- 17.658.559	
Capital instruments	-	-	-	-	-	-	-	-	
Own shares	-	-	-	-	-	-	-	-	
Profits (losses) for year	-	-	-	-	-	-	- 22.715.302	22.715.302	
Net equity	12.399.074	-	(5.000.000)	-	-	-	- 22.715.302	379.823.408	

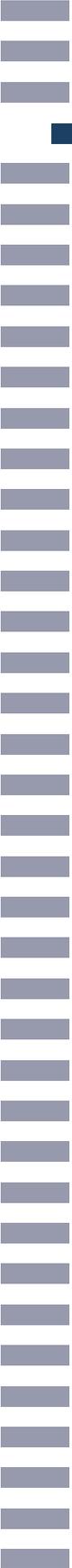
## STATEMENT OF CHANGES IN NET SHAREHOLDERS' EQUITY 2006

### STATEMENT OF CHANGES IN NET SHAREHOLDERS' EQUITY 2006 (euro)

	Balance on 31/12/05	Change in opening balance	Balance on 01/01/06	Allocation of income from previous period	
				Reserves	Dividends and other distributions
Share capital:					
a) ordinary shares	80.000.000	-	80.000.000	-	-
b) other shares	-	-	-	-	-
Issue premiums	49.413.513	-	49.413.513	-	-
Reserves:					
a) profits	226.431.795	-	226.431.795	18.575.302	-
b) other	(20.084.883)	-	(20.084.883)	-	-
Valuation reserves:					
a) held for sale	3.689.122	-	3.689.122	-	-
b) cash flow Hedging	-	-	-	-	-
c) special revaluation law	17.658.559	-	17.658.559	-	-
Capital instruments	-	-	-	-	-
Own shares	-	-	-	-	-
Profits (losses) for year	22.715.302	-	22.715.302	(18.575.302)	(4.140.000)
Net equity	379.823.408	-	379.823.408	-	(4.140.000)

	Changes in period							Year-end profit on 31/12/06	Net Shareholders' Equity on 31/12/06
	Change in reserves	Net shareholders' equity operations							
	New shares issued	Own shares purchased	Distribution of extraordinary dividends	Change in capital instruments	Derivatives on own shares	Stock options			
Share capital:									
a) ordinary shares	-	-	-	-	-	-	-	80.000.000	
b) other shares	-	-	-	-	-	-	-	-	
Issue premiums	-	-	-	-	-	-	-	49.413.513	
Reserves:									
a) profits	3.864.278	-	-	-	-	-	-	248.871.375	
b) other	(144.000)	-	-	-	-	-	-	(20.228.883)	
Valuation reserves:									
a) held for sale	34.218.567	-	-	-	-	-	-	37.907.689	
b) cash flow Hedging	-	-	-	-	-	-	-	-	
c) special revaluation law	-	-	-	-	-	-	-	17.658.559	
Capital instruments	-	-	-	-	-	-	-	-	
Own shares	-	-	-	-	-	-	-	-	
Profits (losses) for year	-	-	-	-	-	-	7.907.634	7.907.634	
Net equity	37.938.845	-	-	-	-	-	7.907.634	421.529.887	





## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As the Company operations described in the chapter "strategic issues and state of progress of the strategic plan" relate to the transfer of the Italian distribution network, asset management and private banking activities of the current Banca Sella the comparison between the two years is not significant.







**ADOPTION OF INTERNATIONAL ACCOUNTING  
STANDARDS / INTERNATIONAL FINANCIAL  
REPORTING STANDARDS**



## **ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS / INTERNATIONAL FINANCIAL REPORTING STANDARDS**

### **ADOPTION OF IAS/IFRS IN ITALY AND REFERENCE LEGISLATION**

With Commission Regulation CE 1606/2002 the European Union established that the IAS/IFRS international accounting standards must be applied to the consolidated financial statements of listed companies as from January 1st, 2005. Nevertheless, this Regulation leaves member states the freedom to extend this obligation (or option) to the individual financial statements of listed and unlisted companies. The options granted by the Regulation have been exercised by Italian legislators through law 306/2004, and particularly article 25, which delegates the Government to adopt a special Legislative Decree setting out guidelines. For this purpose, on February 28th, 2005, the Italian Government issued Legislative Decree 38 regulating the sphere of application IAS in Italy. This decree extended the sphere of application of IAS/IFRS standards, on an optional basis for 2005 and on a mandatory basis for 2006, to also include individual financial accounts of listed companies, banks and other supervised financial institutions and other supervised institutions, while it provided for the mandatory application, starting from the 2005 accounts, for the consolidated accounts of banks and other supervised financial institutions and of unlisted insurance companies. Furthermore, article 9 of the Decree states that the power to define the layout and format of the financial statements remains with Banca d'Italia. Regarding this matter, the Supervisory Authorities issued Memorandum 262 on December 22nd, 2005 governing the minimum content of the layouts of the financial statements, explanatory notes, and report on operations.

### **FIRST-TIME APPLICATION OF IAS/IFRS BY GRUPPO BANCA SELLA AND SELLA HOLDING BANCA**

In accordance with the requirements specified in the previous paragraph Gruppo Banca Sella has drawn up the first consolidated financial statements for the year ended at December 31st, 2005 in compliance with IAS/IFRS international accounting standards on

the basis of the statements provided by the parent company and by the other companies of the Group, which statements have been fully consolidated or have been consolidated using the shareholders' equity method.

However, Sella Holding Banca, which is obliged to draft the financial statements in compliance with IAS/IFRS from 2006, did not use the option provided for by article 4, paragraph 2 of Legislative Decree 38 of February 28th, 2005 "Exercising the options provided for article 5 of Regulation (EC) 1606/2002 regarding international accounting standards", to draft the financial statements for 2005 in compliance with IFRS/IAS international accounting standards.

Sella Holding Banca is therefore using the new standards for the first time in the financial statements for 2006, using the date of January 1st, 2005 as the date of the first-time application. In compliance with the provisions of paragraph 24 (a) of IFRS 1 the Bank drafted the statement of assets and liabilities on the transition date by reporting its assets and liabilities on the same basis as those reported in the IFRS/IAS consolidated financial statements of Gruppo Banca Sella.

These financial statements have therefore been drafted in compliance with the IAS/IFRS standards approved by the International Accounting Standards Board (IASB) and as approved by the European Commission on December 31st, 2006 and in compliance with the instructions contained in Memorandum 262 of December 22nd, 2005 of the Banca d'Italia.

With reference to the main options provided for by IFRS 1 for the first-time application, we make the following points:

- the Company took advantage of the option to use as a "deemed cost" the fair value of the property at January 1st, 2004 instead of the historical cost. The decision to use this fair value enabled the asset to be valued at cost. The fair value of the asset on the transition date is counterbalanced by the shareholders' equity;
- the Company did not take advantage of the option provided for in IAS 19 ("Employee benefits") to use

the "corridor" method, so all actuarial gains and losses were reported.

The standards governing the reporting of financial statements have applied since January 1st, 2005.

The Bank drew up the initial Balance Sheet at the transition date in compliance with IAS/IFRS. The international accounting standards used for the financial statements are different from those used in the financial statements for the year ended at December 31st, 2004. The adjustment of the opening assets and liabilities balance to the new standards net of the corresponding fiscal effect was stated directly at shareholders' equity as a specific "First Time Adoption (FTA)" reserve.

In compliance with IFRS 1, the financial statements were drawn up in such a way as to ensure that yearly statements could be compared on the basis of IAS/IFRS.

In order to illustrate the effects of the change from previous accounting standards to IAS/IFRS on the statement of assets and liabilities, and the income statement of the Bank the reconciliations specified by IFRS 1 have been drawn up.

### **ILLUSTRATION OF THE MAIN EFFECT OF THE APPLICATION OF IAS/IFRS ON SHAREHOLDERS' EQUITY AT JANUARY 1ST, 2005 AND AT DECEMBER 31ST, 2005**

The main differences between the international accounting standards and the previously applied standards will be illustrated below together with the consequent adjustments reported directly as variations on the shareholders' equity as stated at January 1st, 2005. As mentioned in the introduction, the Bank reported the assets and liabilities as at the transition date, reporting its assets and liabilities with continuity of values with those reported in the IFRS/IAS consolidated financial statements of Gruppo Banca Sella.

#### **Tangible fixed assets**

As previously indicated the Bank elected that the "deemed cost" should be the fair value of the property

at January 1st, 2004, the transition date of the Parent Company, in substitution of the historical cost. Thus, starting from this date, the written-up amount of the asset becomes the base value of the cost model ("revaluation" model as defined by IAS 16).

The international standards, and more precisely IAS 16, require that assets should be depreciated on the basis of their useful life or the useful life of the individual components that make them up if these have different useful lives. With specific reference to property, this approach requires that buildings and the land on which they are built be dealt with separately. Indeed, whereas buildings have a limited useful life, land is normally considered not to undergo natural deterioration and thus its historical cost must not be subject to depreciation according to international accounting standards. According to the previous principles, the historical cost of the land on which the buildings were built was depreciated jointly with the historical cost of the actual building, on the basis of the building's useful life. Thus in order to apply IAS/IFRS standards it was necessary to separate the value attributable to the land from the value of the building.

Adoption of the fair value as the starting book value as from January 1st, 2004 and the other changes to the reporting of tangible fixed assets arising from the application of the new principles have led to an increase in equity net of the small depreciations for the year 2004 and net of the tax liability amounting to € 6,2 million at transition date and € 8,8 million at December 31st, 2005.

#### **Intangible fixed assets**

IAS 38 allows costs incurred acquiring or generating intangible fixed assets to be recorded as assets only if they are identifiable, if it is possible that the assets may generate future economic benefits and if the cost is measurable in a reliable manner. It is also not possible to depreciate intangible fixed assets that have an unlimited useful life. If an intangible fixed asset does not meet these requirements and more generally all those specifically described by IAS 38, the expenses

incurred for acquiring or generating the intangible asset under examination must be charged to the income statement for the year in which it was incurred.

The international accounting standards require verification that the intangible fixed assets have undergone a long-term reduction in value by comparing their book value with their recoverable value each year and whenever there is an indication of a possible reduction in the long-term value. These checks must be conducted according to the procedures prescribed by IAS 36.

The previously applied accounting standards set partially different and basically less restrictive requirements for reporting an intangible fixed asset as shareholders' equity. Owing to these differences, when the IAS/IFRS procedures were applied for the first time, the residual accounting values of the intangible fixed assets as recorded in the balance Sheet as at January 1st, 2004 which did not meet the requirements of IAS 38 were cancelled.

The described adjustments and the other changes to reporting intangible fixed assets arising from the application of the new standards decreased shareholders' equity net of the different depreciations for the year 2004 and net of the effects of taxation amounting to € 0,9 million at the date of the application for the first time and amounting to 0,1 million euros at December 31st, 2005.

### **Goodwill**

As mentioned in the preceding paragraph, IAS 38 does not allow depreciation of intangible fixed assets whose useful life is unlimited (including goodwill), and furthermore requires also for goodwill verification that every year and whenever necessary that these intangible fixed assets have undergone a long-term reduction in value. These checks must be made according to the procedures laid out in IAS 36.

On the other hand the previous accounting principles required systematic depreciation of the value of goodwill.

The cancellation of the depreciation of goodwill in-

creased shareholders' equity, net of tax amounting to € 0,6 million at the transition date and amounting to € 1,2 million at December 31st, 2005.

### **Actuarial values of commitments for the disbursement of staff severance indemnities (TFR)**

IAS 19 governs the accounting for employee benefits by employers. In the area of post-employment benefits the standard defines procedures for differentiated disclosure for "defined contribution plans" and "defined benefit plans". Commitments to payment of staff severance indemnities were taken to be a "defined benefit plan". According to IAS 19 disclosure of the obligation and cost related to a defined benefit plan requires an actuarial estimation of the amount that the company would have to pay the employee when the employment contract terminates. The reference international accounting standard particularly requires future projection of the amount of the already matured sums of which employees are beneficiaries on the basis of estimated demographic and financial variables in order to determine the amount that will presumably be paid when employment ceases. Thus calculated, this obligation must be discounted back to take account of the time that is likely to pass before the payment is actually made to the employees. With the previous accounting principles the liabilities and costs of staff severance indemnities were determined by assuming that the staff severance indemnities would be paid to all employees at the reference date of the financial statements. As previously stated, the Bank did not take advantage of the option provided for by IAS 19; all actuarial gains and losses were therefore disclosed in the Income Statement.

The adjustments described reduced shareholders' equity, net of taxation, amounting to € 0,4 million at the date of the first-time application of IAS/IFRS and amounting to € 0,9 million at 31st, December 2005.

### **Eliminating and discounting back provisions for risks and charges and other liabilities and assets**

IAS 37 allows provisions to be allocated only when they refer to present obligations deriving from past events from which the company deems a commitment of economic resources to be probable and for which a reasonable estimate of the amount can be made. The amount of the provisions will therefore be the current value of the expenses that are considered will be necessary to meet the obligations: the provisions will thus be discounted if this effect is significant.

The previous accounting principles set less restrictive requirements for disclosing provisions for future risks and charges. Furthermore, the time factor was not considered for determining the amount to be set aside.

Owing to these differences, when IAS/IFRS was applied for the first time the liabilities reported in the financial statements for the year ended December 31st, 2003 that were deemed to be incompatible with the stricter requirements of the international accounting standards had to be eliminated. The amount of the residual liabilities was adjusted in order to align it on the current value of the charges that will probably have to be borne in order to meet the obligation.

The adjustments described increased shareholders' equity, net of taxation, to € 11,3 million at the date first-time application of IAS/IFRS and to € 8,5 million at December 31st, 2005.

### **Analytical valuation of impaired loans**

According to the previous accounting principles loans were valued at the expected realisation value.

IAS 39, on the contrary, prescribes that impaired loans be valued analytically, also taking into account the recovery times of credit exposure. Unlike for the years up to the financial statements for 2005 this means determining the current value of expected recovery.

According to the requirements of IFRS 1 expected recovery flows are the same as those used to draw up the financial statements for the year ended at December 31st, 2004 and drafted in compliance with national accounting standards. In order to apply the international accounting standards correctly these flows have been discounted back.

As it was impossible to determine the exact rate of interest at the time of the changeover of non performing loans existing at December 31st, 2004 to impaired loans, on first application, the discounted rate applied was the nominal rate recorded in the archives of the Bank. This rate was later reduced to the usury limit threshold rate at 31 December 2004 or was replaced by the legal rate for those positions that had a nominal rate of nought.

The adjustments described brought a decrease in consolidated equity, net of taxation, amounting to € 8,4 million at January 1st, 2005 and amounting to € 9,4 million at December 31st, 2005.

### **Collective valuation of performing loans**

IAS 39 states that loans that present no anomalies must be valued "collectively" by dividing them into uniform categories characterised by similar levels of credit risk. The loans must be devalued only when there is objective evidence of a reduction in their value.

With reference to performing loans, it is believed that this evidence is demonstrated by a worsening of two fundamental parameters, PD (Probability of Default) and LGD (Loss Given Default). The maximum synergy was sought with the "New Capital Accord (Basel II)" in the definition of the modalities to determine such parameters.

At first application of the standard, as the data for these parameters were not available at the time of disbursement, in order to value the performing loans, the future cash flows were depreciated by the product of the two parameters measured at December 31st, 2004. The method differs from the one used in application of the previous accounting principles. Application of the new methods decreased shareholders' equity, gross of taxation, amounting to € 18,2 million at January 1st, 2005 and amounting to € 20,5 million at December 31st, 2005.

### **Other effects of credit valuation**

The other effects of valuation include those arising from the application of the "amortised cost" method

prescribed in IAS 39 as a valuation criterion for loans after initial disclosure at fair value.

Amortised cost is defined by IAS 39 as being the value at initial recognition plus/minus principal repayments, adjustments and amortisation of the difference between the amount disbursed and the sum repayable at maturity. This difference is typically due to charges/revenues incurred/collected in advance and attributable to the granted loan.

The actual interest rate is defined as the rate that makes the current value of future credit flows, for principal and interest, equal the amount disbursed, adjusted for charges/revenues incurred/collected in advance and attributable to the loan that is being valued.

In financial terms, this method of disclosure enables distribution of the economic effect of the charges/revenues incurred/collected in advance across the expected residual life of the loan.

According to the previous accounting principles loans were disclosed at their nominal value and the charges/revenues incurred/collected in advance, even though attributable to the granted loan, were fully and immediately debited/credited to the income statement.

Application of the new amortised cost method brought an overall decrease in shareholders' equity, net of taxation, amounting to € 1,9 million at January 1st, 2005 and amounting to € 1,9 million at December 31st, 2005.

### **Valuation of financial assets held for trading**

Securities classified under "Financial assets held for trading" are assessed at fair value. For first application the bonds held in the portfolio at December 31st, 2005 were reclassified in this category.

This portfolio also includes financial derivative instruments for trading represented among the assets or liabilities on the basis of their positive or negative fair value.

Owing to the fact that from 2004 listed non-fixed financial instruments were valued at spot price and this valuation criterion is a reliable fair value for the

financial instruments, the application of the new principles has decreased shareholders' equity, net of taxation, by € 0,3 million as at January 1st, 2005 and by € 0,1 million at December 31st, 2005, due to the trading derivatives.

### **Hedging derivative contracts: valuation at fair value of hedging derivative contracts and hedged instruments**

According to the previous accounting principles applied to hedging, valuation coherence was "guided" by the valuation criterion of financial hedged assets or liabilities. In other words, the hedging derivative contracts were valued using the same principle used for hedged financial assets/liabilities. The current value of future cash flows that had not matured by the date for the reference financial statements for the hedging derivative contracts of issued bonded loans or of granted credit was not therefore disclosed in the statements.

Conversely, international accounting standards state that for fair value hedging the principle of valuation coherence is satisfied by applying the valuation criterion of the derivative contracts (valuation at fair value) also to hedged financial assets/liabilities. Although IAS 39 does not require a perfect inverse correlation between the hedging derivative contract and the hedged financial assets/liabilities, it nevertheless imposes more restrictive requisites for defining a hedging relationship than the accounting standards that were previously applied.

The ensuing adjustment to the various ways of disclosing financial assets and liabilities, for which there is a fair value hedge relationship with other financial instruments, in the first application increased shareholders' equity net of taxation by € 0,3 million at the transition date and by € 0,2 million at December 31st, 2005.

### **Valuation of financial assets available for sale**

After the initial recognition, IAS 39 requires all financial assets that are classified as being available for sale to be assessed at fair value. For first application of

the international accounting standards in this category were reclassified the shareholdings that cannot be qualified as control, cross-shareholding, or joint control.

With the previous accounting principles this type of security was valued at cost and was depreciated only in the case of long-term loss of value.

As these are capital instruments that do not have a market price listed on an active market, so that it is not possible to determine a credible fair value for them, they have been maintained at cost and depreciated if long-term loss of value was ascertained. Consequently, the application of the new accounting standards did not lead to differences in shareholders' equity as at January 1st, 2005.

During 2005, the shareholding in MTS S.p.A. was on the other hand reported as the fair value, intended as the agreed price for the transfer to third parties, inasmuch as such transfers, for which formal agreements were in place, were completed in the first few months of 2006. This entry increased shareholders' equity by € 3,7 million.

### **Taxation of adjustments made necessary as a result of application of IAS/IFRS**

The previously described adjustments demanded an analysis from the point of view of taxation. Legislative Decree 38 of February 28th, 2005 amended Presidential Decree 917 of December 22nd, 1986, 917 and Legislative Decree 46 of December 15th, 1997. These changes were needed to define the procedures for dealing with the effects of introducing IAS/IFRS on current fiscal legislation regarding IRES (Corporation Tax) and IRAP (Regional Trade Tax). The new tax regulations are generally geared to neutralising the effects of the application of the IAS/IFRS standards on determining taxable income. They establish that adjustments entered directly as changes to shareholders' equity during first application must increase/decrease the taxable income determined by article 83 of Presidential Decree 917/1986.

In the light of the above standard, during first-time application, disclosure was made of the assets and lia-

bilities of prepaid and deferred taxes for the specific gross adjustments credited/debited directly to the reserve components of shareholders' equity.

The overall taxation effect on the aforesaid adjustments has already been included in the individual effects described above.

### **Summary of the impact of first-time application of the international accounting standards on shareholders' equity**

The first-time application of the international accounting standards reduced shareholders' equity as at January 1st, 2005 by a total of € 22,5 million. The total impact on shareholders' equity as at December 31st, 2005 was negative and amounted to € 23,9 million.

### **Illustration of the main impacts of IAS/IFRS on the operating result for 2005**

The differences between the previous accounting principles and the international accounting standards have had an impact of the operating result for the year 2005, details of which are provided in the summary of reconciliation between the operating result determined using the previous accounting principles and the result achieved using the IAS/IFRS.

Application of the international accounting standards caused an overall negative adjustment of the operating result for the year 2005 amounting to € 4,9 million.

### **Reconciliation tables prescribed by IFRS 1**

The reconciliation tables follow that have been drawn up in accordance with IFRS 1 and supplement the illustration of the impact of first-time application of the international accounting standards:

- reconciliation between shareholders' equity determined according to Legislative Decree 87/1992 (previous accounting principles) and shareholders' equity determined according to IAS/IFRS, with reference to the dates of January 1st, 2005 and December 31st, 2005;
- reconciliation between the net profit determined

according to Legislative Decree 87/1992 (previous accounting principles) and the net profit determined according to IAS/IFRS with reference to the entire financial year 2005;

impact of the adjustments made necessary by the adoption of the international accounting standards on the entries of reclassified balance sheet reported according to the previous accounting principles with reference to the dates of January 1st, 2005 and December 31st, 2005;

impact of the adjustments made necessary by the adoption of the international accounting standards on the entries of reclassified income statement reported according to the previous accounting principles with reference to the date of December 31st, 2005;

impact of the adjustments made necessary by the adoption of the international accounting standards on the summary of the movements of shareholders' equity with reference to the entire financial year 2005.

**RECONCILIATION BETWEEN NET EQUITY ACCORDING TO PREVIOUSLY APPLIED ACCOUNTING PRINCIPLES AND THOSE IN COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS** (euro)

	01/01/2005 Effect of transition to IAS/IFRS	31/12/2005 Effect of transition to IAS/IFRS
<b>Net equity as per Leg. Decree 87/1992</b>	<b>376.352.150</b>	<b>403.731.878</b>
<b>Tangible and intangible assets</b>		
Revaluation of land and buildings	5.503.603	8.434.413
Removal of uncapitalized intangible assets	(1.491.453)	(1.504.748)
Reversal of goodwill amortization	647.325	1.187.482
Recalculation of depreciation on buildings	(549.821)	(839.413)
Reversal of land amortization	1.222.653	1.222.653
Recalculation of depreciation on furniture and equipment	775.140	1.108.184
Recalculation of amortization on intangible assets	622.827	1.415.794
Reversal of tax revaluation	-	(11.353.135)
<b>Liabilities provisions</b>		
Updating the employees' severance pay fund	(363.231)	(907.474)
Updating liabilities provisions	617.602	694.509
Elimination of liabilities provisions	10.673.277	8.001.775
<b>Loans</b>		
Application of amortized cost to loans	(1.862.204)	(1.851.313)
Write-down of default interest on impaired loans	(3.758.444)	(3.271.825)
Updating future cash flows of impaired loans	(8.355.054)	(9.414.280)
Collective valuation of performing loans and guarantees	(18.193.093)	(20.459.700)
<b>Financial assets and hedge derivatives</b>		
Valuation of financial assets and liabilities held for trading	(335.293)	(63.701)
Fair value valuation of derivative hedging contracts and hedged instruments	270.861	198.748
Valuation of financial assets available for sale	-	3.689.121
<b>Other adjustments</b>		
Elimination of reacquired own securities from liabilities	4.953	13.079
Updating of other assets and other liabilities	-	(203.324)
<b>Tax effect</b>		
Recognition of deferred taxes on differential between book value and tax value of material assets as per Law 218/1990	(7.932.766)	(5.315)
<b>Total effect of application of IAS/IFRS standards, net of tax effect</b>	<b>(22.503.118)</b>	<b>(23.908.470)</b>
<b>Net equity as per IAS/IFRS</b>	<b>353.849.032</b>	<b>379.823.408</b>

**RECONCILIATION BETWEEN NET PROFIT ACCORDING TO PREVIOUSLY APPLIED ACCOUNTING PRINCIPLES AND THOSE IN COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS** (euro)

2005  
Effect of transition  
to IAS/IFRS

<b>Net profit as per Leg. Decree 87/1992</b>	<b>27.638.810</b>
<b>Tangible and intangible assets</b>	
Revaluation of land and buildings	(323.908)
Removal of uncapitalized intangible assets	(13.295)
Reversal of goodwill amortization	540.156
Recalculation of depreciation on buildings	(289.593)
Recalculation of depreciation on furniture and equipment	333.043
Recalculation of amortization on intangible assets	792.968
<b>Liabilities provisions</b>	
Updating the employees' severance pay fund	(544.243)
Updating liabilities provisions	76.906
Elimination of liabilities provisions	(2.671.500)
<b>Loans</b>	
Application of amortized cost to loans	10.891
Write-down of default interest on impaired loans	486.620
Updating future cash flows of impaired loans	(1.059.227)
Collective valuation of performing loans and guarantees	(2.266.607)
<b>Financial assets and hedge derivatives</b>	
Valuation of financial assets and liabilities held for trading	271.592
Fair value valuation of derivative hedging contracts and hedged instruments	(72.113)
<b>Other adjustments</b>	
Elimination of reacquired own securities from liabilities	8.126
Updating of other assets and other liabilities	(203.324)
<b>Total effect of application of IAS/IFRS standards</b>	<b>(4.923.508)</b>
<b>Net profit as per IAS/IFRS</b>	<b>22.715.302</b>

**ADJUSTMENTS MADE NECESSARY BY THE ADOPTION OF INTERNATIONAL ACCOUNTING PRINCIPLES TO THE ITEMS OF THE RECLASSIFIED BALANCE SHEET OF 31 DECEMBER 2004, WHICH WAS DRAWN UP ACCORDING TO THE ACCOUNTING PRINCIPLES IN FORCE AT THAT TIME** (euro)

	31/12/2004	Effect of transition to IAS/IFRS	01/01/2005 IAS/IFRS
Cash on hand and deposits with central banks and post offices	80.066.659	(42.577)	80.024.082
Due from banks	1.244.324.736	11.798.445	1.256.123.181
Customer loans	3.957.261.452	7.078.729	3.964.340.181
Securities	912.883.283	38.408.353	951.291.636
Shareholdings	310.003.486	(33.248.626)	276.754.860
Tangible assets	54.928.459	10.882.075	65.810.534
Intangible assets	18.644.572	(3.184.048)	15.460.524
Other assets	313.088.774	(21.602.959)	291.485.815
<b>Total assets</b>	<b>6.891.201.421</b>	<b>10.089.392</b>	<b>6.901.290.813</b>

	31/12/2004	Effect of transition to IAS/IFRS	01/01/2005 IAS/IFRS
Due to banks	919.639.627	898.077	920.537.704
Due to customers, securities issued and subordinated liabilities	5.278.670.171	7.273.911	5.285.944.082
Liability provisions	72.137.045	(13.002.873)	59.134.172
Other liabilities	244.402.430	5.195.119	249.597.549
Net shareholders' equity:	376.352.148	9.725.158	386.077.306
- Capital, reserves, general banking risk provisions	349.487.934	8.589.871	358.077.805
- Operating profit	26.864.214	1.135.287	27.999.501
<b>Total liabilities and net equity</b>	<b>6.891.201.421</b>	<b>10.089.392</b>	<b>6.901.290.813</b>

**ADJUSTMENTS MADE NECESSARY BY THE ADOPTION OF INTERNATIONAL ACCOUNTING PRINCIPLES TO THE ITEMS OF THE RECLASSIFIED BALANCE SHEET OF 31 DECEMBER 2005, WHICH WAS DRAWN UP ACCORDING TO THE ACCOUNTING PRINCIPLES IN FORCE AT THAT TIME (euro)**

	31/12/2005	Effect of transition to IAS/IFRS	01/01/2006 IAS/IFRS
Cash on hand and deposits with central banks and post offices	62.500.249	(34.246)	62.466.003
Due from banks	1.357.573.012	15.790.587	1.373.363.599
Customer loans	4.294.270.628	227.222.227	4.521.492.855
Securities	918.075.128	40.325.009	958.400.137
Shareholdings	315.782.648	(30.425.280)	285.357.368
Tangible assets	67.386.459	(2.241.721)	65.144.738
Intangible assets	18.015.462	(1.086.399)	16.929.063
Other assets	350.543.590	(9.448.743)	341.094.847
<b>Total assets</b>	<b>7.384.147.176</b>	<b>240.101.434</b>	<b>7.624.248.610</b>

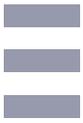
	31/12/2005	Effect of transition to IAS/IFRS	01/01/2006 IAS/IFRS
Due to banks	1.007.158.698	1.469.561	1.008.628.259
Due to customers, securitites issued and subordinated liabilities	5.573.418.970	255.218.226	5.828.637.196
Liability provisions	94.631.638	(3.006.256)	91.625.382
Other liabilities	305.205.992	10.328.373	315.534.365
Net equity:	403.731.878	(23.908.470)	379.823.408
- Capital, reserves, general banking risk provisions	376.093.068	(18.984.962)	357.108.106
- Operating profit	27.638.810	(4.923.508)	22.715.302
<b>Total liabilities and net equity</b>	<b>7.384.147.176</b>	<b>240.101.434</b>	<b>7.624.248.610</b>

**ADJUSTMENTS MADE NECESSARY BY THE ADOPTION OF INTERNATIONAL ACCOUNTING PRINCIPLES TO THE ITEMS OF THE RECLASSIFIED INCOME STATEMENT OF FISCAL YEAR 2005, WHICH WAS DRAWN UP ACCORDING TO THE ACCOUNTING PRINCIPLES IN FORCE AT THAT TIME** (euro)

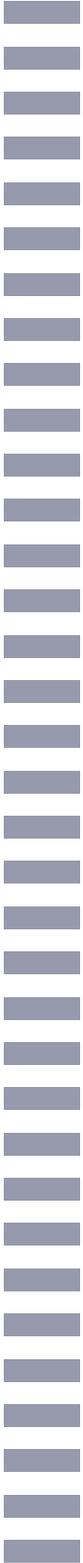
	2005	Effect of transition to IAS/IFRS	2005 IAS/IFRS
Net interest income	135.406.936	16.255	135.423.191
Net commissions	125.807.922	-	125.807.922
Dividends	7.214.403	-	7.214.403
Profits from financial operations	11.303.243	517.365	11.820.608
<b>Operating revenue</b>	<b>279.732.504</b>	<b>533.620</b>	<b>280.266.124</b>
Net adjustments for devaluation of loans	(27.569.455)	(4.465.523)	(32.034.978)
<b>Net income for banking activity</b>	<b>252.163.049</b>	<b>(3.931.903)</b>	<b>248.231.146</b>
Staff expenses	(111.825.574)	(812.303)	(112.637.877)
Other administrative expenses	(108.151.684)	(21.187)	(108.172.871)
Provisions for contingencies and charges	(16.801.338)	(3.674.845)	(20.476.183)
Adjustments to the value of tangible and intangible assets	(18.169.235)	1.635.768	(16.533.467)
Other operating expenses/income	55.249.093	(373.501)	54.875.592
<b>Operating costs</b>	<b>(199.698.738)</b>	<b>(3.246.068)</b>	<b>(202.944.806)</b>
<b>Profits on ordinary operations</b>	<b>52.464.311</b>	<b>(7.177.971)</b>	<b>45.286.340</b>
Adjustments to the value of financial assets	(6.567.848)	-	(6.567.848)
Extraordinary profits (losses)	1.701.998	-	1.701.998
Income taxes for the period	(19.959.651)	2.254.463	(17.705.188)
<b>Operating profit</b>	<b>27.638.810</b>	<b>(4.923.508)</b>	<b>22.715.302</b>

**SUMMARY OF CHANGES IN NET SHAREHOLDERS' EQUITY, HIGHLIGHTING THE IMPACT OF THE CHANGES MADE NECESSARY BY THE ADOPTION OF INTERNATIONAL ACCOUNTING PRINCIPLES (euro)**

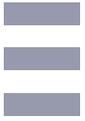
	Net equity on 01/01/2005	Dividends and other distributions	Changes in reserves	Operating profit 2005	Net equity on 31/12/2005	IAS/IFRS adjustments	Net equity on 01/01/2006
Share capital:							
a) ordinary shares	80.000.000	-	-	-	80.000.000	-	80.000.000
b) other shares	-	-	-	-	-	-	-
Issue premiums	49.413.513	-	-	-	49.413.513	-	49.413.513
Reserves:							
a) profits	182.032.176	(7.472.216)	23.859.501	-	198.419.461	7.927.451	206.346.912
b) other	-	(140.000)	140.000	-	-	-	-
Valuation reserves:							
a) assets available for sale	-	-	-	-	-	3.689.122	3.689.122
b) cash flow hedge	-	-	-	-	-	-	-
c) other (special legal reserves)	14.403.842	-	11.353.135	-	25.756.977	(8.098.418)	17.658.559
Capital instruments	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-
Operating profit	27.999.501	(4.000.000)	(23.999.501)	27.638.810	27.638.810	(4.923.508)	22.715.302
<b>Net equity</b>	<b>353.849.032</b>	<b>(11.612.216)</b>	<b>11.353.135</b>	<b>27.638.810</b>	<b>381.228.761</b>	<b>(1.405.353)</b>	<b>379.823.408</b>



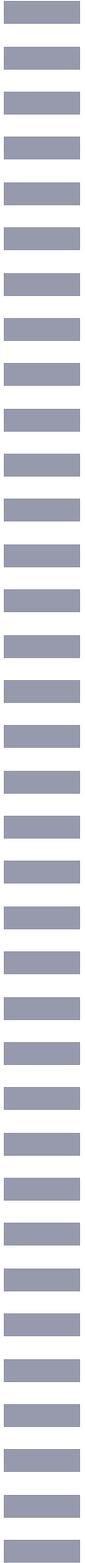
## **■ PART A - ACCOUNTING POLICIES**







**A.1 GENERAL SECTION**



## SECTION 1 DECLARATION OF CONFORMITY TO INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been drafted according to the International Financial Reporting Standards and the International Accounting Standards (referred to hereinafter as "Ifrs" or "IAS" or international accounting standards) validated by the European Union and in force at the moment of their approval.

The financial statements reflect the economic and equitystanding of Sella HoldingBanca.

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

### Accounting principles IAS/IFRS

Accounting Principles	Titolo
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 closing date 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

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**Interpretations**

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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 statements consist of the Balance Sheet, the Income Statement, the statement of changes in shareholders' equity, the cash-flow statement and these Notes to the Financial Statements, and the attached Board of Directors' Report on accounts on the year and on the global situation of the companies included in the consolidation.

The financial statements are drawn up in thousands of euros.

The financial statements have been drawn up clearly and represent truthfully and correctly the equity situation, the financial situation and the net profit for the year.

If the information required by the international

accounting standards and by the provisions of Banca d'Italia memorandum 262 of December 22nd, 2005 are not sufficient to give a truthful and correct representation, the additional information required for this purpose will be provided in the Explanatory Notes.

If, in exceptional circumstances, the application of a disposition which is foreseen by the international accounting standards is incompatible with the truthful and correct representation of the equity situation, the financial situation and of the net profit, it will not be applied. In the Explanatory Notes the reasons are given for the derogation and its influence on the representation of the patrimonial situation, the financial situation and of the operating result.

### **SECTION 3**

## **SIGNIFICANT EVENTS OCCURRED AFTER THE CLOSE OF THE FINANCIAL YEAR**

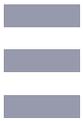
There are no remarkable events to disclosed.

### **SECTION 4**

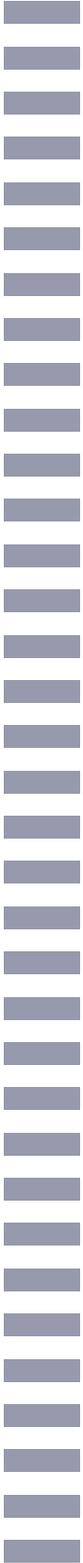
## **OTHER ASPECTS**

There are no significant other aspects to report.





## **A.2 MAIN ENTRIES OF THE FINANCIAL STATEMENTS**



## 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

ble 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 and the loss is recorded in the income statement. These losses cannot be written up even if the reasons for the loss of value cease to apply due to an event that takes place after the loss has been reported.

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 UNTIL 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, 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 ASSESSED AT FAIR VALUE**

For the 2006 Financial Statements Sella Holding Banca 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, Sella Holding Banca has carried out exclusively fair value hedge type coverage.

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 is 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 - INTANGIBLE FIXED ASSETS**

The intangible fixed assets include software applications for long-term use. They are entered at cost, including any additional charges only if it is likely that the future economic benefits attributable to the asset will actually occur and if the cost of the asset can be reliably determined. Otherwise, the cost of the intangible fixed asset is charged to the income statement for the year in which it was incurred.

The cost of intangible fixed assets is depreciated with the straight-line method over their useful life. At each financial statements closure, in the presence of evident impairment, an estimate of the recovery va-

lue 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**

Sella Holding Banca is not conducting any sale operations.

## **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 embed-

ded 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 VALUED AT FAIR VALUE**

For the 2006 Financial Statements Sella Holding Banca 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 - OTHER INFORMATION**

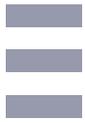
### **Benefits for Employees**

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.

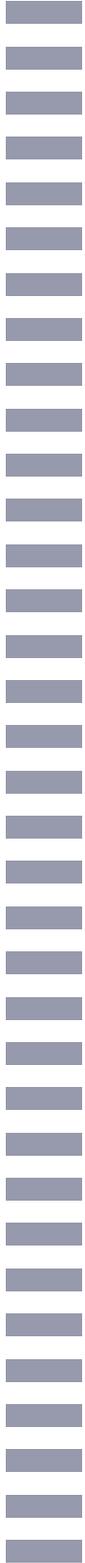
### **Dividends and revenue recognition**

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.





**PART B - INFORMATION ON THE BALANCE SHEET**



**ASSETS**



## SECTION 1 CASH AND LIQUIDITIES - ITEM 10

### 1.1 Cash and available liquidity: breakdown

	Total 31/12/2006	Total 31/12/2005
a) Cash	5	62.466
b) Deposits at Central Banks	-	-
<b>Total</b>	<b>5</b>	<b>62.466</b>

## SECTION 2 FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

### 2.1 Financial assets held for trading: product breakdown

Item/Value	Total 31/12/2006			Total 31/12/2005		
	Listed	Unlisted	Total	Listed	Unlisted	Total
<b>A. Cash assets</b>						
1. Debt securities	402.801	11.162	<b>413.963</b>	497.036	36.436	<b>533.472</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other securities	402.801	11.162	<b>413.963</b>	497.036	36.436	<b>533.472</b>
2. Equities	1.030	-	<b>1.030</b>	2.501	-	<b>2.501</b>
3. Units in O.I.C.R	10.173	-	<b>10.173</b>	2.618	-	<b>2.618</b>
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
5. Impaired assets	411	-	<b>411</b>	-	-	-
6. Assets sold but not eliminated	99	-	<b>99</b>	315.307	-	<b>315.307</b>
<b>Total A</b>	<b>414.514</b>	<b>11.162</b>	<b>425.676</b>	<b>817.462</b>	<b>36.436</b>	<b>853.898</b>
<b>B. Derivative instruments</b>						
1. Financial derivatives:	632	43.283	<b>43.915</b>	1.371	32.189	<b>33.560</b>
1.1 trading	632	41.562	<b>42.194</b>	1.371	32.189	<b>33.560</b>
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	1.721	<b>1.721</b>	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
<b>Total B</b>	<b>632</b>	<b>43.283</b>	<b>43.915</b>	<b>1.371</b>	<b>32.189</b>	<b>33.560</b>
<b>Total (A+B)</b>	<b>415.146</b>	<b>54.445</b>	<b>469.591</b>	<b>818.833</b>	<b>68.625</b>	<b>887.458</b>

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

Item/Value	Total 31/12/2006	Total 31/12/2005
<b>A. CASH ASSETS</b>		
<b>1. Debt securities</b>	<b>413.963</b>	<b>533.472</b>
a) Governments and central banks	107.404	203.058
b) Other public entities	63.187	760
c) Banks	157.193	163.172
d) Other issuers	86.179	166.482
<b>2. Equities</b>	<b>1.030</b>	<b>2.501</b>
a) Banks	-	-
b) Other issuers:	1.030	2.501
- insurance companies	582	-
- financial companies	2	-
- non-financial companies	446	2.501
- other	-	-
<b>3. Units in O.I.C.R.</b>	<b>10.173</b>	<b>2.618</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>5. Impaired assets</b>	<b>411</b>	<b>-</b>
a) Governments and central banks	387	-
b) Other public entities	-	-
c) Banks	24	-
d) Other entities	-	-
<b>6. Assets sold but not eliminated</b>	<b>99</b>	<b>315.307</b>
a) Governments and central banks	99	315.307
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total A</b>	<b>425.676</b>	<b>853.898</b>
<b>B. DERIVATIVE INSTRUMENTS</b>		
a) Banks	15.691	23.047
b) Customers	28.224	13.204
<b>Total B</b>	<b>43.915</b>	<b>36.251</b>
<b>Total (A + B)</b>	<b>469.591</b>	<b>890.149</b>

### 2.3 Financial assets held for trading: derivative trading instruments

Type of underlying assets/derivatives	Interest rates	Currencies and gold	Equities	Loans	Other	Total 31/12/2006	Total 31/12/2005
<b>A) Listed derivatives</b>							
<b>1. Financial derivatives:</b>	-	-	<b>632</b>	-	-	<b>632</b>	<b>1.371</b>
• With exchange of capital	-	-	-	-	-	-	1.371
- Options purchased	-	-	-	-	-	-	1.276
- Other derivatives	-	-	-	-	-	-	95
• Without exchange of capital	-	-	632	-	-	632	-
- Options purchased	-	-	632	-	-	632	-
- Other derivatives	-	-	-	-	-	-	-
<b>2. Credit derivatives</b>	-	-	-	-	-	-	-
• With exchange of capital	-	-	-	-	-	-	-
• Without exchange of capital	-	-	-	-	-	-	-
<b>Total A</b>	-	-	<b>632</b>	-	-	<b>632</b>	<b>1.371</b>
<b>B) Derivatives Unlisted</b>							
<b>1. Financial derivatives:</b>	<b>23.739</b>	<b>17.823</b>	<b>1.721</b>	-	-	<b>43.283</b>	<b>34.880</b>
• With exchange of capital	-	17.561	-	-	-	17.561	16.644
- Options purchased	-	3.198	-	-	-	3.198	4.272
- Other derivatives	-	14.363	-	-	-	14.363	12.372
• Without exchange of capital	23.739	262	1.721	-	-	25.722	18.236
- Options purchased	3.690	-	1.721	-	-	5.411	6.078
- Other derivatives	20.049	262	-	-	-	20.311	12.158
<b>2. Credit derivatives</b>	-	-	-	-	-	-	-
• With exchange of capital	-	-	-	-	-	-	-
• Without exchange of capital	-	-	-	-	-	-	-
<b>Total B</b>	<b>23.739</b>	<b>17.823</b>	<b>1.721</b>	-	-	<b>43.283</b>	<b>34.880</b>
<b>Total (A+B)</b>	<b>23.739</b>	<b>17.823</b>	<b>2.353</b>	-	-	<b>43.915</b>	<b>36.251</b>

### 2.4 Financial cash assets held for trading, different from those sold and not eliminated, and different from those impaired: annual changes

	Debt securities	Equities	Units in O.I.C.R.	Loans	Total 31/12/2006
<b>A. Initial balance</b>	<b>533.472</b>	<b>2.501</b>	<b>2.618</b>	-	<b>538.591</b>
<b>B. Increases</b>	<b>61.506.202</b>	<b>9.645.768</b>	<b>14.299</b>	-	<b>71.166.269</b>
B1. Purchases	61.491.863	9.640.233	13.867	-	71.145.963
B2. Positive changes in fair value	-	-	-	-	-
B3. Other changes*	14.339	5.535	432	-	20.306
<b>C. Decreases</b>	<b>61.625.711</b>	<b>9.647.239</b>	<b>6.744</b>	-	<b>71.279.694</b>
C1. Sales	61.487.473	9.646.789	6.360	-	71.140.622
C2. Redemptions	68.749	-	47	-	68.796
C3. Negative changes in fair value	-	-	-	-	-
C4. Other changes*	69.489	450	337	-	70.276
<b>D. Final balance</b>	<b>413.963</b>	<b>1.030</b>	<b>10.173</b>	-	<b>425.166</b>

\*The ITEM "Other changes" includes assets sold as part of transfer of company branch to Banca Sella. For further information regarding said operation, see the 2006 Year-End Report on Operations.

## SECTION 4 FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

### 4.1 Financial assets available for sale: product breakdown

Item/Value	Total 31/12/2006		Total 31/12/2005	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	-	-	-	9.743
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	-	-	9.743
2. Equities	-	50.618	-	34.504
2.1 assessed at fair value	-	47.388	-	6.478
2.2 assessed at cost	-	3.230	-	28.026
3. Units in O.I.C.R.	-	-	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated	-	-	-	-
<b>Total</b>	-	<b>50.618</b>	-	<b>44.247</b>

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

Item/Values	Total 31/12/2006	Total 31/12/2005
<b>1. Debt securities</b>	-	<b>9.743</b>
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	9.743
<b>2. Equities</b>	<b>50.618</b>	<b>34.504</b>
a) Banks	8	4.544
b) Other issuers:	50.610	29.960
- Insurance companies	-	-
- Financial companies	49.299	1.826
- Non-financial companies	1.311	28.084
- Other	-	50
<b>3. Units in O.I.C.R.</b>	-	-
<b>4. Loans</b>	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>5. Impaired assets</b>	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>6. Assets sold but not eliminated</b>	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total</b>	<b>50.618</b>	<b>44.247</b>

**4.5 Financial assets available for sale, different from those sold but not eliminated and from those impaired: annual changes**

	Debt securities	Debt securities	Units in O.I.C.R.	Loans	Total
<b>A. Initial balance</b>	<b>9.743</b>	<b>34.504</b>	-	-	<b>44.247</b>
<b>B. Increases</b>	-	<b>47.790</b>	-	-	<b>47.790</b>
B.1 Purchases	-	7.769	-	-	7.769
B.2 Positive changes in fair value	-	40.021	-	-	40.021
B.3 Write-backs	-	-	-	-	-
- charged to income statement	-	-	-	-	-
- charged to net equity	-	-	-	-	-
B.4 Transferred from other portfolios	-	-	-	-	-
B.5 Other changes*	-	-	-	-	-
<b>C. Decreases</b>	<b>9.743</b>	<b>31.676</b>	-	-	<b>41.419</b>
C.1 Sales	-	31.676	-	-	31.676
C.2 Redemptions	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-
C.4 Devaluation from impairment	-	-	-	-	-
- charged to income statement	-	-	-	-	-
- charged to net equity	-	-	-	-	-
C.5 Transferred to other portfolios	-	-	-	-	-
C.6 Other changes*	9.743	-	-	-	9.743
<b>D. Final balance</b>	-	<b>50.618</b>	-	-	<b>50.618</b>

\* The ITEM "Other changes" includes assets sold as part of transfer of company branch to Banca Sella. For further information regarding said operation, see the 2006 Year-End Report on Operations.

## SECTION 5 FINANCIAL ASSETS HELD UNTIL MATURITY - ITEM 50

### 5.1 Financial assets held until maturity: product breakdown

Type of operation/Values	Total 31/12/2006		Total 31/12/2005	
	Book value	Fair value	Book value	Fair value
1. Debt securities	60.404	61.539	60.257	64.461
1.1 Structured	-	-	-	-
1.2 Other debt securities	60.404	61.539	60.257	64.461
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not eliminated	-	-	-	-
<b>Total</b>	<b>60.404</b>	<b>61.539</b>	<b>60.257</b>	<b>64.461</b>

### 5.2 Financial assets held until maturity: debtors/issuers

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
<b>1. Debt securities</b>	<b>60.404</b>	<b>60.257</b>
a) Governments and central banks	60.404	60.257
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>2. Loans</b>	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>3. Impaired assets</b>	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>4. Assets sold but not eliminated</b>	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>60.404</b>	<b>60.257</b>

**5.4 Assets held until maturity, different from those sold but not eliminated, and from those impaired: annual changes**

	Debt securities	Loans	Total
<b>A. Initial balance</b>	<b>60.257</b>	-	<b>60.257</b>
<b>B. Increases</b>	<b>147</b>	-	<b>147</b>
B1. Purchases	-	-	-
B2. Write-backs	-	-	-
B3. Trasferred from other portfolios	-	-	-
B4. Other changes *	147	-	147
<b>C. Decreases</b>	-	-	-
C1. Sales	-	-	-
C2. Redemptions	-	-	-
C3. Values adjustments	-	-	-
C4. Trasferred to other portfolios	-	-	-
C5. Other changes*	-	-	-
<b>D. Final balance</b>	<b>60.404</b>	-	<b>60.404</b>

(\*) The ITEM "Other changes" includes assets sold as part of transfer of company branch to Banca Sella. For further information regarding said operation, see the 2006 Year-End Report on Operations.

## SECTION 6 DUE FROM BANKS - ITEM 60

### 6.1 Due from banks: product breakdown

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
<b>A) Due from central banks</b>	<b>6.400</b>	<b>204.322</b>
1. Savings accounts	-	-
2. Mandatory reserve	6.400	204.322
3. Repurchase agreements	-	-
4. Other	-	-
<b>B) Due from banks</b>	<b>2.357.636</b>	<b>1.169.064</b>
1. Current accounts and demand deposits	131.613	256.871
2. Savings accounts	794.005	413.230
3. Other Loans	690.283	493.707
3.1 repurchase agreements	650.327	493.444
3.2 Finance leasing	-	-
3.3 other	39.956	263
4. Debt securities	741.589	5.025
4.1 structured	-	-
4.2 other	741.589	5.025
5. Impaired assets	146	231
6. Assets sold but not eliminated	-	-
<b>Total (book value)</b>	<b>2.364.036</b>	<b>1.373.386</b>
<b>Total (fair value)</b>	<b>2.364.036</b>	<b>1.373.386</b>

## SECTION 7 DUE FROM CUSTOMER - ITEM 70

### 7.1 Due from customer: product breakdown

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
1. Current accounts	321.492	994.048
2. Repurchase agreements	-	-
3. Mortgages	504.666	1.630.786
4. Credit cards, personal loans and "fifth of salary" loans	69.056	239.333
5. Finance leasing	-	-
6. Factoring	-	-
7. Other transactions	393.290	1.303.920
8. Debt securities	-	-
8.1 Structured	-	-
8.2 Other debt securities	-	-
9. Impaired assets	65	95.111
10. Assets sold but not eliminated	-	258.295
<b>Total (book value)</b>	<b>1.288.569</b>	<b>4.521.493</b>
<b>Total (fair value)</b>	<b>1.288.569</b>	<b>4.521.493</b>

## 7.2 Due from customer: breakdown by debtors/issuers

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
<b>1. Debt securities issued by:</b>	-	-
a) Governments	-	-
b) Other public entities	-	-
c) Other issuers	-	-
- Non-financial companies	-	-
- Financial companies	-	-
- Insurance companies	-	-
- Other	-	-
<b>2. Loans to:</b>	<b>1.288.504</b>	<b>4.168.087</b>
a) Governments	-	713
b) Other public entities	2	11.500
c) Other entities	1.288.502	4.155.874
- Non-financial companies	8.339	1.658.324
- Financial companies	1.219.127	1.347.017
- Insurance companies	9	-
- Other	61.027	1.150.533
<b>3. Impaired assets:</b>	<b>65</b>	<b>95.111</b>
a) Governments	-	-
b) Other public entities	-	-
c) Other entities	65	95.111
- Non-financial companies	52	66.939
- Financial companies	-	203
- Insurance companies	-	-
- Other	13	27.969
<b>4. Assets sold but not eliminated:</b>	<b>-</b>	<b>258.295</b>
a) Governments	-	-
b) Other public entities	-	-
c) Other entities	-	258.295
- Non-financial companies	-	-
- Financial companies	-	-
- Insurance companies	-	-
- Other	-	258.295
<b>Total</b>	<b>1.288.569</b>	<b>4.521.493</b>

## SECTION 8 HEDGING DERIVATIVES - ITEM 80

### 8.1 Hedging derivatives: breakdown by contract type and underlying assets

Derivative type/underlying asset	Interest rates	Currencies and gold	Equities	Loans	Other	Total 31/12/2006
<b>A. Listed</b>						
<b>1. Financial derivatives</b>	-	-	-	-	-	-
• with exchange of capital						
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without exchange of capital						
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
<b>2. Credit derivatives</b>	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
<b>Total A</b>	-	-	-	-	-	-
<b>B) Unlisted</b>						
<b>1. Financial derivatives</b>	<b>1.700</b>	-	-	-	-	<b>1.700</b>
• with exchange of capital						
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without exchange of capital						
- options purchased	-	-	-	-	-	-
- other derivatives	1.700	-	-	-	-	1.700
<b>2. Credit derivatives</b>	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
<b>Total B</b>	<b>1.700</b>	-	-	-	-	<b>1.700</b>
<b>Total (A+B) 31/12/2006</b>	<b>1.700</b>	-	-	-	-	<b>1.700</b>
<b>Total (A+B) 31/12/2005</b>	<b>1.698</b>	-	-	-	-	<b>1.698</b>

### 8.2 Hedging derivatives: breakdown by hedged portfolios and type of cover

Operation/Type of cover	Fair Value					Cash flow		
	Specific					Generic	Specific	Generic
	Interest rate risk	Exchange rate risk	Credit di risk	Price risk	Multiple risk			
1. Financial assets available for sale	-	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
<b>Total assets</b>	-	-	-	-	-	-	-	-
1. Financial liabilities	1.700	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1.700</b>	-	-	-	-	-	-	-

## SECTION 10 EQUITY INVESTMENTS - ITEM 100

### 10.1 Shareholdings in controlled companies, either jointly owned or subject to significant influence: information on shareholding relationships

Company name	Headquarters	Stake (in %)	Voting power (in %)
<b>A. Companies wholly or jointly owned</b>			
B.C. Finanziaria S.p.A.	Biella	80,03	80,03
Banca Patrimoni S.p.A.	Torino	56,11	56,11
Banca Sella S.p.A.	Biella	100,00	100,00
Biella Leasing S.p.A.	Biella	76,84	76,84
Brosel S.p.A.	Biella	60,50	60,50
C.B.A. Vita S.p.A.	Milano	82,00	82,00
Consel S.p.A.	Torino	76,84	76,84
Easy Nolo S.p.A.	Biella	84,44	84,44
Immobiliare Lanificio M.Sella S.p.A.	Biella	100,00	100,00
Immobiliare Sella S.p.A.	Biella	100,00	100,00
Secursel S.p.A.	Biella	80,00	80,00
Selfid S.p.A.	Biella	88,00	88,00
Sella Bank Luxembourg S.A.	Lussemburgo	23,66	23,66
Sella Capital Management SGR. S.p.A.	Milano	85,93	85,93
Sella Capital Markets SIM.p.a. (in liquidazione)	Milano	80,01	80,01
Sella Consult SIM.p.a.	Biella	79,01	79,01
Sella Corporate Finance S.p.A.	Biella	99,50	99,50
Sella Gestioni SGR S.p.A.	Milano	74,65	74,65
Sella Holding N.V.	Olanda	100,00	100,00
Sella South Holding S.p.A.	Biella	100,00	100,00
Selsoft Direct marketing S.p.A. (in liquidazione)	Biella	100,00	100,00
<b>C. Companies subject to significant influence</b>			
S.C.P. VDP1	Principato di Monaco	29,00	29,00

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

Company name	Total assets	Total revenues	Profit (loss)	Net equity	book value	Fair value
<b>A. Companies wholly or jointly owned</b>						
B.C. Finanziaria S.p.A.	40.256	626	564	36.877	43.217	-
Banca Patrimoni S.p.A.	426.782	47.251	2.012	44.763	19.156	-
Banca Sella S.p.A.	6.436.615	447.450	35.460	337.834	300.000	-
Biella Leasing S.p.A.	900.471	49.043	6.433	42.358	15.718	-
Brosel S.p.A.	3.935	3.233	559	2.051	499	-
C.B.A. Vita S.p.A.	697.533	183.007	4.073	44.371	49.057	-
Consel S.p.A.	631.279	49.537	2.097	40.967	24.988	-
Easy Nolo S.p.A.	6.247	8.596	274	3.109	1.627	-
Immobiliare Lanificio M.Sella S.p.A.	31.818	1.162	(568)	29.961	25.083	-
Immobiliare Sella S.p.A.	7.326	1.317	(83)	3.782	6.637	-
Secursel S.p.A.	78	41	-	13	8	-
Selfid S.p.A.	1.646	696	132	1.174	1.364	-
Sella Bank Luxembourg S.A.	540.253	11.919	(3.963)	21.295	5.608	-
Sella Capital Management SGR. S.p.A.	8.601	5.959	442	6.485	4.561	-
Sella Capital Markets SIM.p.a. (in liquidazione)	9.495	260	51	9.398	7.372	-
Sella Consult SIM.p.a.	15.836	22.332	1.387	7.110	6.536	-
Sella Corporate Finance S.p.A.	1.065	689	102	773	514	-
Sella Gestioni SGR S.p.A.	43.706	40.306	1.403	32.798	24.591	-
Sella Holding N.V.	58.440	1.469	9	28.064	47.274	-
Sella South Holding S.p.A.	63.181	1.427	985	56.992	51.659	-
Selsoft Direct marketing S.p.A. (in liquidazione)	581	625	135	459	544	-
<b>C. Companies subject to significant influence</b>						
S.C.P. VDP1	5.935	65.757	(26)	1.974	580	-
<b>Total</b>	<b>9.931.079</b>	<b>942.702</b>	<b>51.478</b>	<b>752.608</b>	<b>636.593</b>	<b>-</b>

## 10.3 Shareholdings: annual changes

	Total 31/12/2006	Total 31/12/2005
<b>A. Initial balance</b>	<b>285.357</b>	<b>276.765</b>
<b>B. Increases</b>	<b>353.353</b>	<b>61.704</b>
B.1 Purchases	353.353	61.704
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
<b>C. Decreases</b>	<b>2.117</b>	<b>53.112</b>
C.1 Sales	2.117	46.670
C.2 Values adjustments	-	6.442
C.4 Other changes	-	-
<b>D. Final balance</b>	<b>636.593</b>	<b>285.357</b>
<b>E. Total revaluations</b>	<b>-</b>	<b>-</b>
<b>F. Total Values adjustments</b>	<b>24.410</b>	<b>24.410</b>

## SECTION 11 TANGIBLE FIXED ASSETS - ITEM 110

### 11.1 Tangible fixed assets: breakdown of assets valued at cost

Asset/Values	Total 31/12/2006	Total 31/12/2005
<b>A. Operational assets</b>		
<b>1.1 owned</b>	<b>59.117</b>	<b>61.777</b>
a) land	10.268	10.255
b) buildings	39.064	39.067
c) furniture	208	301
d) electronic equipment	9.577	12.154
e) other	-	-
<b>1.2 Acquired through financial leasing</b>	<b>-</b>	<b>-</b>
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
<b>Total A</b>	<b>59.117</b>	<b>61.777</b>
<b>B. Assets for investment purposes</b>		
<b>2.1 owned</b>	<b>2.229</b>	<b>3.368</b>
a) land	932	945
b) buildings	1.297	2.423
<b>2.2 leased</b>	<b>-</b>	<b>-</b>
a) land	-	-
b) buildings	-	-
<b>Total B</b>	<b>2.229</b>	<b>3.368</b>
<b>Total (A+B)</b>	<b>61.346</b>	<b>65.145</b>

### 11.3 Tangible fixed assets for operational use: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
<b>A. Gross initial balance</b>	<b>10.255</b>	<b>49.623</b>	<b>9.743</b>	<b>108.277</b>	-	<b>177.898</b>
A.1 Net reductions in total Values	-	10.556	9.442	96.123	-	116.121
<b>A.2 Net initial balance</b>	<b>10.255</b>	<b>39.067</b>	<b>301</b>	<b>12.154</b>	-	<b>61.777</b>
<b>B. Increases:</b>	<b>13</b>	<b>1.532</b>	<b>452</b>	<b>5.962</b>	-	<b>7.959</b>
B.1 Purchases	-	527	119	5.962	-	6.608
B.2 Capitalized improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value, charged to:	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transferred from properties held for investment purposes	13	1.004	-	-	-	1.017
B.7 Other changes*	-	1	333	-	-	334
<b>C. Decreases:</b>	-	<b>1.535</b>	<b>545</b>	<b>8.539</b>	-	<b>10.619</b>
C.1 Sales	-	-	-	61	-	61
C.2 Depreciation	-	1.535	77	4.454	-	6.066
C.3 Write-downs for impairment, charged to:	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value, charged to:	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transferred to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets to be written off	-	-	-	-	-	-
C.7 Other changes*	-	-	468	4.024	-	4.492
<b>D. Net final balance</b>	<b>10.268</b>	<b>39.064</b>	<b>208</b>	<b>9.577</b>	-	<b>59.117</b>
D.1 Net reductions in total Values	-	12.450	2.504	72.661	-	87.512
<b>D.2 Gross final balance</b>	<b>10.268</b>	<b>51.514</b>	<b>2.712</b>	<b>82.238</b>	-	<b>146.629</b>
<b>E. Assessment at cost</b>	<b>10.268</b>	<b>39.064</b>	<b>208</b>	<b>9.577</b>	-	<b>59.117</b>

\* The ITEM "Other changes" includes assets sold as part of transfer of company branch to Banca Sella. For further information regarding said operation, see the 2006 Year-End Report on Operations.

#### 11.4 Tangible fixed assets held for investment purposes: annual changes

	Land	Total	Buildings
<b>A. Initial balance</b>	<b>945</b>		<b>2.423</b>
<b>B. Increases</b>	<b>-</b>		<b>4</b>
B.1 Purchases	-		4
B.2 Capitalized improvement costs	-		-
B.3 Net positive changes in fair value	-		-
B.4 Write-backs	-		-
B.5 Exchange gains	-		-
B.6 Transferred from properties held for investment purposes	-		-
B.7 Other changes*	-		-
<b>C. Decreases</b>	<b>13</b>		<b>1.130</b>
C.1 Sales	-		-
C.2 Depreciation	-		51
C.3 Net negative changes in fair value	-		-
C.4 Write-downs for impairment	-		-
C.5 Exchange losses	-		-
C.6 Transferred from other asset portfolios	13		1.004
a) operational properties	13		1.004
b) non-current assets to be written off	-		-
C.7 Other changes*	-		75
<b>D. Final balance</b>	<b>932</b>		<b>1.297</b>
<b>E. Assessment at fair value</b>	<b>932</b>		<b>1.297</b>

\* The ITEM "Other changes" includes assets sold as part of transfer of company branch to Banca Sella. For further information regarding said operation, see the 2006 Year-End Report on Operations.

## SECTION 12 INTANGIBLE FIXED ASSETS - ITEM 120

### 12.1 Intangible fixed assets: breakdown by asset type

Asset/Values	Total 31/12/2006		Total 31/12/2005	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill:	-	-	-	3.775
A.1.1 pertaining to group	-	-	-	3.775
A.1.2 pertaining to minority interests	-	-	-	-
A.2 Other intangible fixed assets:	17.431	-	13.126	-
A.2.1 Assets valued at cost	17.431	-	13.126	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	17.431	-	13.126	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible fixed assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>17.431</b>	<b>-</b>	<b>13.126</b>	<b>3.775</b>

### 12.2 Intangible fixed assets: annual changes

	Goodwill	Other intangible fixed assets: generated internally		Other intangible fixed assets: other		Total
		Lim.	Unlim.	Lim.	Unlim.	
<b>A. Gross initial balance</b>	<b>6.473</b>	-	-	<b>80.244</b>	-	<b>86.717</b>
A.1 Net total reductions in Values	2.698	-	-	67.118	-	69.816
<b>A.2 Net initial balance</b>	<b>3.775</b>	-	-	<b>13.126</b>	-	<b>16.901</b>
<b>B. Increases</b>	-	-	-	<b>10.956</b>	-	<b>10.956</b>
B.1 Purchases	-	-	-	10.244	-	10.244
B.2 Increases in internal intangible fixed assets	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes *	-	-	-	712	-	712
<b>C. Decreases</b>	<b>3.775</b>	-	-	<b>6.651</b>	-	<b>10.426</b>
C.1 Sales	-	-	-	50	-	50
C.2 Values adjustments	-	-	-	6.520	-	6.520
- Depreciation	-	-	-	6.520	-	6.520
- Write-downs	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.4 Transferred to non-current assets to be written off	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes*	3.775	-	-	81	-	3.856
<b>D. Net final balance</b>	-	-	-	<b>17.431</b>	-	<b>17.431</b>
D.1 Net total values adjustments	-	-	-	73.638	-	73.638
<b>E. Gross final balance</b>	-	-	-	<b>91.069</b>	-	<b>91.069</b>
<b>F. Assessment at cost</b>	-	-	-	<b>17.431</b>	-	<b>17.431</b>

\*The ITEM "Other changes" includes assets sold as part of transfer of company branch to Banca Sella. For further information regarding said operation, see the 2006 Year-End Report on Operations.

## SECTION 13 TAX ASSETS AND LIABILITIES - ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

### 13.1 - Prepaid tax assets: breakdown

	Ires	Irap	Total
Losses on credits	4.735	206	4.941
Provisions for contingencies and charges of a different nature	1.061	33	1.094
Depreciation on properties	2.453	292	2.745
Write-down of shareholdings	979	-	979
Miscellaneous administrative expenses	812	29	841
Other assets	543	46	589
Personnel costs	276	-	276
<b>Total prepaid taxes (balancing entry in income statement)</b>	<b>10.859</b>	<b>606</b>	<b>11.465</b>

### 13.2 - Deferred tax liabilities: breakdown

	Ires	Irap	Total
Write-downs on credits	1.320	-	1.320
Different calculation for depreciation on tangible assets	1.306	168	1.474
Other liabilities	535	49	584
Different calculation for depreciation on intangible assets	314	40	354
Contributions on training costs	213	-	213
Discounted provisions for contingencies and charges of a different nature	156	14	170
<b>Total deferred taxes (balancing entry in income statement)</b>	<b>3.844</b>	<b>271</b>	<b>4.115</b>
Assessment of financial assets available for sale	2.113	-	2.113
<b>Total deferred taxes (balancing entry in net equity)</b>	<b>2.113</b>	<b>-</b>	<b>2.113</b>

### Information on the matched reporting of assets and liabilities for prepaid and deferred taxes

	Ires	Irap	Total
Total prepaid taxes (balancing entry in income statement)	10.859	117	11.465
Total deferred taxes (balancing entry in income statement)	(761)	(47)	(4.115)
Total deferred taxes (balancing entry in net equity)	(2.113)	-	(2.113)
<b>Total tax assets - prepaid (ITEM 130 b. in Balance Sheet assets)</b>	<b>7.985</b>	<b>70</b>	<b>5.237</b>

### 13.3 - Changes in prepaid taxes (balancing entry in income statement)

	Total 31/12/2006	Total 31/12/2005
<b>1. Initial balance</b>	<b>38.967</b>	<b>9.997</b>
<b>2. Increases</b>	<b>4.864</b>	<b>33.572</b>
2.1 Prepaid taxes recorded during the year	1.849	31.856
a) relative to previous years	-	-
b) due to changes in accounting policies	-	15.337
c) write-backs	-	-
d) other	1.849	16.519
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3.015	1.716
<b>3. Decreases</b>	<b>32.366</b>	<b>4.602</b>
3.1 Prepaid taxes paid during the year	-	4.362
a) reversals	11.142	4.362
b) write-downs for irrecoverability	-	-
c) due to changes in accounting policies	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	21.224	240
<b>4. Final balance</b>	<b>11.465</b>	<b>38.967</b>

### 13.4 - Changes in deferred taxes (balancing entry in income statement)

	Total 31/12/2006	Total 31/12/2005
<b>1. Initial balance</b>	<b>7.997</b>	<b>12.567</b>
<b>2. Increases</b>	<b>4.004</b>	<b>6.967</b>
2.1 Deferred taxes recorded during the year	1.968	2.725
a) relative to previous years	-	-
b) due to changes in accounting policies	-	971
c) other	1.968	1.754
2.2 New taxes or increases in tax rates	-	-
2.3 Other Increases	2.036	4.242
<b>3. Decreases</b>	<b>7.886</b>	<b>11.537</b>
3.1 Deferred taxes paid during the year	7.886	11.537
a) reversals	5.103	11.537
b) due to changes in accounting policies	-	-
c) other	2.783	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Final balance</b>	<b>4.115</b>	<b>7.997</b>

### 13.6 - Changes in deferred taxes (balancing entry in net equity)

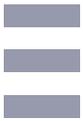
	Total 31/12/2006	Total 31/12/2005
<b>1. Initial balance</b>	<b>95</b>	<b>-</b>
<b>2. Increases</b>	<b>2.113</b>	<b>95</b>
2.1 Deferred taxes recorded during the year	2.113	-
a) relative to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	2.113	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	95
<b>3. Decreases</b>	<b>95</b>	<b>-</b>
3.1 Deferred taxes paid during the year	95	-
a) reversals	95	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Final balance</b>	<b>2.113</b>	<b>95</b>

## SECTION 15 OTHER ASSETS - ITEM 150

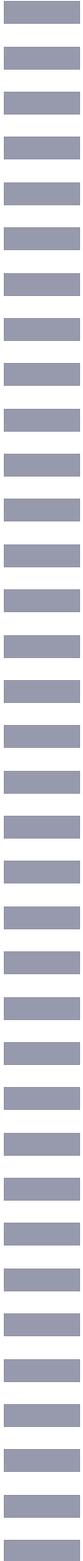
### 15.1 Other assets: breakdown

	Total 31/12/2006	Total 31/12/2005
Assets in transit	1.115	530
Bills and other securities for collection	-	142
Current account cheques drawn on third parties	72	31.890
Current account cheques drawn on the bank	12.826	15.951
Matured securities and coupons to be traded	10.001	57
Daily margins on derivative contracts transacted in regulated markets undergoing regulation	54.560	23.998
Commissions to be debited	23.277	28.414
Payment orders to be debited	14.042	60.246
Pensions recognized to beneficiaries awaiting to be credited by INPS	-	52.468
Costs for improvements to third-party assets	89	2.264
Warehouse forms	157	471
Accrued income and deferred expenses	2.059	4.436
Advances and credits/suppliers	13	1.784
Other	12.978	11.568
<b>Total</b>	<b>131.189</b>	<b>234.219</b>





**PART B - INFORMATION ON THE BALANCE SHEET**



**LIABILITIES**



## SECTION 1 DUE TO BANKS - ITEM 10

### 1.1 Due to banks: product breakdown

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
<b>1. Due to central banks</b>	<b>9.997</b>	<b>-</b>
<b>2. Due to banks</b>	<b>2.921.625</b>	<b>1.008.617</b>
2.1 Current accounts and demand deposits	1.694.411	433.194
2.2 Savings accounts (including time deposits)	798.948	478.937
2.3. Loans	23.875	23.667
2.3.1 Finance leasing	-	-
2.3.2 Other	23.875	23.667
2.4 Commitments to buy back own capital instruments	-	-
2.5. Liabilities from assets sold but not eliminated from the balance sheet	110	-
2.5.1 Repurchase agreements	110	-
2.5.2 Other	-	-
2.6 Other payables	404.281	72.819
2.6.1 Other payables - Repurchase agreements	404.281	72.819
2.6.2 Other payables - Other	-	-
<b>Total</b>	<b>2.931.622</b>	<b>1.008.617</b>
<b>Fair value</b>	<b>2.931.622</b>	<b>1.008.617</b>

## SECTION 2 DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: product breakdown

Type of operation/Values	Total 31/12/2006	Total 31/12/2005
1. Current accounts and demand deposits	159.222	3.752.023
2. Savings accounts and time deposits	19.619	128.153
3. Third-party funds under administration	-	15.690
4. Loans	-	-
4.1 Finance leasing	-	-
4.2 Other	-	-
5. Commitments to buy back own capital instruments	-	-
6. Liabilities from assets sold but not eliminated from the balance sheet	-	559.907
6.1 Repurchase agreements	-	306.329
6.2 Other	-	253.578
7. Other payables	46.884	430.916
7.1 Repurchase Agreements PCT	-	354.026
7.2 Other	46.884	76.890
<b>Total</b>	<b>225.725</b>	<b>4.886.689</b>
<b>Fair value</b>	<b>225.725</b>	<b>4.885.238</b>

## SECTION 3 OUTSTANDING SECURITIES - ITEM 30

### 3.1 Outstanding securities: product breakdown

Type of security/Values	Total 31/12/2006		Total 31/12/2005	
	Book value	Fair value	Book value	Fair value
<b>A. Listed securities</b>	<b>854.770</b>	<b>853.836</b>	<b>501.688</b>	<b>501.688</b>
1. Bonds	854.770	853.836	501.688	501.688
1.1 structured	-	-	-	-
1.2 other	854.770	853.836	501.688	501.688
2. Other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
<b>B. Unlisted securities</b>	<b>426.465</b>	<b>427.244</b>	<b>440.261</b>	<b>440.261</b>
1. Bonds	426.465	427.244	437.046	437.046
1.1 structured	14.883	14.939	24.906	24.906
1.2 other	411.582	412.305	412.140	412.140
2. Other securities	-	-	3.215	3.215
2.1 structured	-	-	-	-
2.2 other	-	-	3.215	3.215
<b>Total</b>	<b>1.281.235</b>	<b>1.281.080</b>	<b>941.949</b>	<b>941.949</b>

### 3.2 Breakdown of Items 30, "Outstanding securities": subordinated Notes

	Total 31/12/2006	Total 31/12/2005
- subordinated notes	268.257	220.024
<b>Total</b>	<b>268.257</b>	<b>220.024</b>

### 3.3 Outstanding securities: securities subject to micro - hedging

	Total 31/12/2006	Total 31/12/2005
1. Securities with fair value micro-hedging	-	-
a) interest rate risks	24.086	34.650
b) exchange risks	-	-
c) other risks	-	-
2. Securities with cash flows micro-hedging	-	-
a) interest rate risks	-	-
b) exchange risks	-	-
c) other	-	-

## SECTION 4 TRADING FINANCIAL LIABILITIES - ITEM 40

### 4.1 Trading financial liabilities: product breakdown

Type of operation/Values	Total 31/12/2006			Total 31/12/2005			
	NV	FV		FV*	NV	FV	
		L	UL			L	UL
<b>A. Cash liabilities</b>							
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	-	-	-	-	-	-	-
<b>Total A</b>	-	-	-	-	-	-	-
<b>B. Derivative instruments</b>							
1. Financial derivatives	-	2.203	41.399	-	-	1.807	37.153
1.1 used for trading activities	-	1.802	41.399	-	-	1.807	31.474
1.2 associated with fair value option	-	-	-	-	-	-	-
1.3 Other	-	401	-	-	-	-	5.679
2. Credit derivatives	-	-	574	-	-	-	582
2.1 used for trading activities	-	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-	-
2.3 Other	-	-	574	-	-	-	582
<b>Total B</b>	-	<b>2.203</b>	<b>41.973</b>	-	-	<b>1.807</b>	<b>37.735</b>
<b>Total (A+B)</b>	-	<b>2.203</b>	<b>41.973</b>	-	-	<b>1.807</b>	<b>37.735</b>

Legend:

FV = Fair value

FV\* = fair value calculated excluding changes in Values due to changes in the issuer's credit rating after the issue date.

NV = nominal or notional Values

L = listed

UL = unlisted

#### 4.4 Trading financial liabilities: derivatives

Type of derivatives/Underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Totale 31/12/2006	Totale 31/12/2005
<b>A) Listed derivatives</b>							
<b>1. Financial derivatives:</b>	-	-	<b>2.203</b>	-	-	<b>2.203</b>	<b>1.807</b>
• with exchange of capital	-	-	-	-	-	-	80
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	80
• without exchange of capital	-	-	2.203	-	-	2.203	1.727
- options issued	-	-	2.203	-	-	1.920	1.703
- other derivatives	-	-	-	-	-	283	24
<b>2. Credit derivatives:</b>	-	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-	-
<b>Total A</b>	-	-	<b>2.203</b>	-	-	<b>2.203</b>	<b>1.807</b>
<b>B) Unlisted derivatives</b>							
<b>1. Financial derivatives:</b>	<b>22.793</b>	<b>16.885</b>	<b>1.721</b>	-	-	<b>41.399</b>	<b>31.475</b>
• with exchange of capital	-	16.496	-	-	-	16.496	12.656
- options issued	-	2.797	-	-	-	2.797	4.272
- other derivatives	-	13.699	-	-	-	13.699	8.384
• without exchange of capital	22.793	389	1.721	-	-	24.903	18.819
- options issued	3.665	-	1.721	-	-	5.386	3.505
- other derivatives	19.128	389	-	-	-	19.517	15.314
<b>2. Credit derivatives:</b>	-	-	-	<b>574</b>	-	<b>574</b>	<b>581</b>
• with exchange of capital	-	-	-	574	-	574	581
• without exchange of capital	-	-	-	-	-	-	-
<b>Total B</b>	<b>22.793</b>	<b>16.885</b>	<b>1.721</b>	<b>574</b>	-	<b>41.973</b>	<b>32.056</b>
<b>Total (A+B)</b>	<b>22.793</b>	<b>16.885</b>	<b>3.924</b>	<b>574</b>	-	<b>44.176</b>	<b>33.863</b>

## SECTION 6 HEDGING DERIVATIVES - ITEM 60

### 6.1 Hedging derivatives: breakdown by type of contract and underlying assets

Type of derivative/underlying asset	Interest rates	Currencies and gold	Equities	Crediti	Other	Total
<b>A) Listed</b>						
<b>1) Financial derivatives</b>	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
<b>2) Credit derivatives</b>	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
<b>Total A</b>	-	-	-	-	-	-
<b>B) Unlisted</b>						
<b>1) Financial derivatives</b>	<b>227</b>	-	-	-	-	<b>227</b>
• with exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without exchange of capital	227	-	-	-	-	227
- options issued	-	-	-	-	-	-
- other derivatives	227	-	-	-	-	227
<b>2) Credit derivatives</b>	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
<b>Total B</b>	<b>227</b>	-	-	-	-	<b>227</b>
<b>Total (A+B) 31/12/2006</b>	<b>227</b>	-	-	-	-	<b>227</b>
<b>Total (A+B) 31/12/2005</b>	<b>10.694</b>	-	-	-	-	<b>10.694</b>

### 6.2 Hedging derivatives: breakdown by hedged portfolio and type of cover

Operation/Type of cover	Fair value hedge					Cash flow hedge		
	Micro					Macro	Micro	Macro
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risk			
1. Financial assets available for sale	-	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
<b>Total assets</b>	-	-	-	-	-	-	-	-
1. Financial liabilities	227	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>227</b>	-	-	-	-	-	-	-

## SECTION 10 OTHER LIABILITIES - ITEM 100

### 10.1 Other liabilities: breakdown

Items	Total 31/12/2006	Total 31/12/2005
Liabilities in transit	1.142	-
Amounts payable to tax authorities on behalf of third parties	1.461	8.187
Illiquid Items in portfolio	27.289	74.064
Sums available to customers	10.275	42.905
Payment orders and other payments to make	73.533	87.235
Due to suppliers	31.510	25.415
Provisions for personnel costs (including payments to make to Inland Revenue and to Social Security)	2.375	17.039
Tax contributions due to different institutions	383	53
Accrued expenses and deferred income	311	1.320
Guarantees and commitments	-	2.483
Other liabilities	13.661	10.747
<b>Total</b>	<b>161.940</b>	<b>269.448</b>

## SECTION 11 STAFF SEVERANCE - ITEM 110

### 11.1 Staff severance: annual changes

	Total 31/12/2006	Total 31/12/2005
<b>A. Initial balance</b>	<b>30.420</b>	<b>27.844</b>
<b>B. Increases</b>	<b>2.740</b>	<b>4.209</b>
B.1 Amount set aside	1.776	3.681
B.2 Other increases*	964	528
<b>C. Decreases</b>	<b>18.678</b>	<b>1.633</b>
C.1 Settlement payments made	622	524
C.2 Other decreases*	18.056	1.109
<b>D. Final balance</b>	<b>14.482</b>	<b>30.420</b>

\*The Items "Other increases" and "Other decreases" include Severance amounts transferred as part of transfer of company branch to Banca Sella. For further information regarding said operation, see the 2006 Year-End Report on Operations.

## SECTION 12 PROVISIONS FOR RISKS AND CHARGES - ITEM 120

### 12.1 Provisions for risks and charges: breakdown

Items/Values	Total 31/12/2006	Total 31/12/2005
1. Company pension funds	-	-
2. Other provisions for contingencies and charges	47.477	20.328
2.1 Legal disputes and customer complaints	1.487	11.768
2.2 Operating risks	45.446	6.749
2.3 Personnel charges	40	1.185
2.4 Agency severance pay fund	94	64
2.5 Other	410	562
<b>Total</b>	<b>47.477</b>	<b>20.328</b>

Sella Bank Luxembourg has received complaints and been involved in legal disputes, some of which were started in previous fiscal years, including two assignations brought by two Luxembourg SICAVs, all related to activities and facts connected with former company management, who were replaced following inspections carried out in November 2003, as reported in previous year-end reports. The total amount is equal to some 105 million Euro.

The Bank, together with its subsidiary, Sella Bank Luxembourg, has given to a number of leading law firms the task of carrying out further investigations and taking necessary legal and defensive action.

In relation to the aforementioned issue and for any related costs, the Bank, which directly and indirectly controls Sella Bank Luxembourg, has renewed its commitment to ensure the latter's indemnity by the necessary financial support for the purposes of complying with minimum capital requirements.

For the purposes of evaluating the potential liabilities connected with said commitment, the Bank has received specific legal opinions from legal experts, ordered inspections by resources belonging to the Group and by outside auditing firms, and arranged meetings with representatives of the claimants.

The outcome of the aforementioned activities has led us to consider appropriate the amount listed in the balance sheet item "Provisions for risks and charges".

### 12.2 Provisions for risks and charges: annual changes

	Pension funds	Legal disputes and customer complaints	Operating risks	Personnel charges	Agency severance pay fund	Other
<b>A. Initial balance</b>	-	<b>11.768</b>	<b>6.749</b>	<b>1.185</b>	<b>64</b>	<b>562</b>
<b>B. Increases</b>	-	<b>746</b>	<b>38.755</b>	<b>1</b>	<b>30</b>	-
B.1 Amount set aside in the year	-	733	38.755	1	30	-
B.2 Changes over time	-	13	-	-	-	-
B.3 Due to changes in discount rate	-	-	-	-	-	-
B.4 Other changes*	-	-	-	-	-	-
- company merger operations (+)	-	-	-	-	-	-
- exchange differences (+)	-	-	-	-	-	-
- other (+)	-	-	-	-	-	-
<b>C. Decreases</b>	-	<b>11.027</b>	<b>58</b>	<b>1.146</b>	-	<b>152</b>
C.1 Amount used in the year	-	587	-	461	-	71
C.2 Due to changes in discount rate	-	6	58	2	-	-
C.3 Other changes *	-	10.434	-	683	-	81
- company merger operations (-)	-	-	-	-	-	-
- exchange differences (-)	-	-	-	-	-	-
- other (-)	-	10.434	-	683	-	81
<b>D. Final balance</b>	-	<b>1.487</b>	<b>45.446</b>	<b>40</b>	<b>94</b>	<b>410</b>

\* The Items "Other changes" includes funds transferred as part of transfer of company branch to Banca Sella. For further information regarding said operation, see the 2006 Year-End Report on Operations.

## SECTION 14 CORPORATE EQUITY - ITEMS 130, 150, 160, 170, 180, 190, 200

### 14.1 Corporate equity: breakdown

Items/Values	Amount on 31/12/2006	Amount on 31/12/2005
1. Share capital	80.000	80.000
2. Issue premiums	49.414	49.414
3. Reserves	228.642	206.347
4. (Own shares)	-	-
5. Valuation reserves	55.566	21.348
6. Capital instruments	-	-
7. Profit (loss) for the year	7.908	22.715
<b>Total</b>	<b>421.530</b>	<b>379.824</b>

### 14.2 "Share capital" and "Own shares": breakdown

	Shares issued	Subscribed, not fully paid-up shares	Total 31/12/2006	Total 31/12/2005
<b>A. Share capital</b>				
A.1 ordinary shares	80.000	-	80.000	-
A.2 preferred shares	-	-	-	-
A.3 other shares	-	-	-	-
<b>Total</b>	<b>80.000</b>	<b>-</b>	<b>80.000</b>	<b>-</b>
<b>B. Own shares</b>				
B.1 ordinary shares	-	-	-	-
B.2 preferred shares	-	-	-	-
B.3 othershares	-	-	-	-
<b>Totale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*It is hereby noted that, following the merger by incorporation of Finanziaria Bansei, the tax relief restrictions on the corporate capital of said company were transferred onto the corporate capital of Sella Holding Banca. In particular, the tax relief restrictions on corporate capital amount to:*

- Euro 88,668 for the former Monetary Adjustment Reserve, as per Law 576 on 2/12/1975;
- Euro 3,034,607 for the former Monetary Adjustment Reserve, as per Law 72 on 19/3/1983.

### 14.3 Share capital - number of shares: annual changes

Items/Type	Ordinary	Other	Total
<b>A. Total shares at start of year</b>	<b>160.000.000</b>	-	<b>160.000.000</b>
- fully paid-up	160.000.000	-	160.000.000
- not full paid-up	-	-	-
A.1 Own shares (-)	-	-	-
<b>A.2 Outstanding shares: initial balance</b>	<b>160.000.000</b>	-	<b>160.000.000</b>
<b>B. Increases</b>	-	-	-
B.1 New issues	-	-	-
- for cash:	-	-	-
- company merger operations	-	-	-
- conversion of bonds	-	-	-
- exercise of warrants	-	-	-
- other	-	-	-
- free of charge:	-	-	-
- for employees	-	-	-
- for company directors	-	-	-
- other	-	-	-
B.2 Sale of own shares	-	-	-
B.3 Other increases	-	-	-
<b>C. Decreases</b>	-	-	-
C.1 Cancellation	-	-	-
C.2 Acquisition of own shares	-	-	-
C.3 Sale/transfer of businesses	-	-	-
C.4 Other decreases	-	-	-
<b>D. Outstanding shares: final balance</b>	<b>160.000.000</b>	-	<b>160.000.000</b>
D.1 Own shares (+)	-	-	-
D.2 Total shares at end of year	160.000.000	-	160.000.000
- fully paid-up	160.000.000	-	160.000.000
- not full paid-up	-	-	-

### 14.5 Profit reserves: other information

	Total 31/12/2006	Total 31/12/2005
1. Legal reserve	28.759	25.443
2. Statutory reserve	30.706	84.809
3. Extraordinary reserve	97.508	78.992
3.1 Unrestricted	94.919	76.403
3.2 Restricted, in compliance with Law 266/05, art. 1, paragraph 469	2.589	2.589
4. Reserve for compliance with Leg. Decree 41/95, art. 3, parag. 3	74.943	10.495
5. Reserve for compliance with Law 266/05, art. 1, parag. 469	18.344	18.809
6. Reserve for compliance with Law 218/90, art. 7	2.586	2.586
7. Reserve for reinvested capital gains	710	-
8. Special reserve for compliance with Leg. Decree 124/93, art. 13	238	238
9. Special reserve for compliance with Leg. Decree 153/99, art. 23	-	5.059
9. Reserve for adoption of IAS/IFRS standards	(21.220)	(21.220)
10. Reserve for acquisition of corporate branch from Group company	(144)	-
11. Profits/Losses carried forward after adoption of IAS/IFRS standards	(3.788)	1.136
<b>Total</b>	<b>228.642</b>	<b>206.347</b>

### 14.7 Valuation reserves: breakdown

	Total 31/12/2006	Total 31/12/2005
1. Financial assets available for sale	37.907	3.689
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Foreign investment Hedging	-	-
5. Cash flow Hedging	-	-
6. Exchange differences	-	-
7. Non-current assets to be written off	-	-
8. Special revaluation laws	17.659	17.659
8.1 Revaluation as per Law 342/00	8.895	8.895
8.2 Revaluation of intangibles after adopting IAS/IFRS policies (allocated in accordance with Law 266/05, article 1, paragraph 469)	8.764	8.764
<b>Total</b>	<b>55.566</b>	<b>21.348</b>

Valuation Reserves, as per Law 266/05, amounting to Euro 11,353,135 on the Balance Sheet of 31/12/2005, were divided as follows: Euro 8.763.936 Intangible Valuation Reserves, following adoption of IAS/IFRS accounting policies, and Euro 2,589,199 to Extraordinary Reserves, with allocation of said reserves in accordance with revaluation Law 266/06, article 1, paragraph 469 et seq.

### 14.8 Valuation reserves: annual changes

	Financial assets available for sale	Tangible assets	Intangible assets	Foreign investment Hedging	Cash flow Hedging	Exchange differences	Non-current assets to be written off	Special revaluation laws
<b>A. Initial balance</b>	<b>3.689</b>	-	-	-	-	-	-	<b>17.659</b>
<b>B. Increases</b>	<b>37.907</b>	-	-	-	-	-	-	-
B.1 Increases in fair value	37.907	-	-	-	-	-	-	-
B.2 Other increases	-	-	-	-	-	-	-	-
<b>C. Decreases</b>	<b>3.689</b>	-	-	-	-	-	-	-
C.1 Decreases in fair value	-	-	-	-	-	-	-	-
C.2 Other decreases	3.689	-	-	-	-	-	-	-
<b>D. Final balance</b>	<b>37.907</b>	-	-	-	-	-	-	<b>17.659</b>

### 14.9 Valuation reserve for financial assets available for sale: breakdown

Asset/Values	Total 31/12/2006		Total 31/12/2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equities	37.907	-	3.689	-
3. Units in O.I.C.R.	-	-	-	-
4. Loans	-	-	-	-
<b>Total</b>	<b>37.907</b>	-	<b>3.689</b>	-

#### 14.10 Valuation reserve for financial assets available for sale: annual changes

	Debt securities	Equities	Units in O.I.C.R.	Loans
<b>1. Initial balance</b>	-	<b>3.689</b>	-	-
<b>2. Increases</b>	-	<b>37.907</b>	-	-
2.1 Increases in fair value	-	37.907	-	-
2.2 Transfer of negative reserves to income statement	-	-	-	-
- from impairment	-	-	-	-
- from sale/transfer	-	-	-	-
2.3 Other increases	-	-	-	-
<b>3. Decreases</b>	-	<b>3.689</b>	-	-
3.1 Decreases in fair value	-	-	-	-
3.2 From impairment	-	-	-	-
3.3 Transfer of positive reserves to income statement: from sale/transfer	-	3.689	-	-
3.4 Other decreases	-	-	-	-
<b>4. Final balance</b>	-	<b>37.907</b>	-	-

### Breakdown of reserve utilizations (drawn up as per Art. 2427 par. 7bis of the Italian Civil Code)

Type/Description	Amount	Possible utilization *	Distributable amount	Summary of utilizations in the three previous years	
				For loss coverage	For other reasons
<b>Share capital</b>	<b>80.000</b>				
<b>Capital reserve</b>					
Share premium reserve	49.414	A - B - C	49.414		
<b>Retained earnings</b>					
Legal reserve	28.759	B			
Statutory reserve	30.706	B			
Extraordinary reserve	94.918	A - B <sup>(1)</sup> -C <sup>(2)</sup>	94.918		5.000
Extraordinary tied reserve as per Law 266/05 art. 1 par. 469	2.589	A - B - C <sup>(2)</sup>	2.589		
Reserve as per Legislative Decree 41/95 art. 25 par. 3	74.943	A <sup>(3)</sup> -B <sup>(1)</sup> - C <sup>(3)</sup>	74.943		
Reserve from realignment as per Law 266/05 art. 1 par. 469	18.344	A - B - C <sup>(2)</sup>	18.344		
Reserve as per Law 218/90 art. 7	2.586	A - B -C <sup>(2)</sup>	2.586		
Reserve from reinvested appreciations	710	A - B - C <sup>(2)</sup>	710		
Special reserve as per Legislative Decree 124/93 art. 13	239	A - B - C <sup>(2)</sup>	239		
<b>Reserve from first-time adoption of IAS/IFRS</b>					
Reserve from adoption of IAS/IFRS as per Legislative Decree 38/05 art. 7 par. 3	148	A - B - C	148		
Reserve from adoption of IAS/IFRS as per Legislative Decree 38/05 art. 7 par. 4	1.223	A - B - C	1.223		
Reserve from adoption of IAS/IFRS as per Legislative Decree 38/05 art. 7 par. 5	8.002	A - B - C	8.002		
Reserve from adoption of IAS/IFRS as per Legislative Decree 38/05 art. 7 par. 7	-34.381	---	-34.381		
<b>Valuation reserves</b>					
Revaluation reserve as per Law 342/00	8.895	A-B <sup>(1)</sup> - C <sup>(2)</sup>	8.895		
Revaluation reserve from the adoption of IAS/IFRS as per Legislative Decree 38/05 art. 7 par. 6 <sup>(5)</sup>	8.764	A-B <sup>(1)</sup> - C <sup>(2)</sup>	8.764		
Reserve from evaluation of assets available for sale as per Legislative Decree 38/05 art. 7 par. 2	37.907	--- <sup>(4)</sup>			
<b>Other reserves</b>					
Reserve from the purchase of divisions of Group's companies	-144	---	-144		
<b>Total</b>	<b>413.622</b>		<b>236.250</b>		
Non distributable amount as per art 2426 n.5 of the Italian Civil Code					
Remainder of distributable amount			236.250		

Legend: A: for capital increase B: for loss coverage C: for distribution to shareholders

A: per aumento di capitale

B: per copertura perdite

C: per distribuzione ai soci

<sup>(1)</sup> If used to cover losses (B) profits cannot be distributed until the reserve is increased or decreased in the same amount. The decrease must be authorised by a resolution of the extraordinary meeting, without compliance with paragraphs II and III of art. 2445 of the Italian Civil Code.

<sup>(2)</sup> If not charged to equity the reserve can be decreased only complying with paragraphs II and III of art. 2445 of the Italian Civil Code. If distributed to shareholders it takes part in the formation of the company's taxable income.

<sup>(3)</sup> If charged to equity or distributed to shareholders the reserve takes part in the formation of the company's taxable income.

<sup>(4)</sup> The reserve is unavailable as per art. 6 of Legislative Decree 38/2005.

<sup>(5)</sup> The reserve is tied as per Law 266/05 art. 1 par. 469.

## OTHER INFORMATION

### 1. Guarantees given and commitments

Transactions	Total 31/12/2006	Total 31/12/2005
1) Guarantees of a financial nature	4.000	46.257
a) banks	4.000	-
b) customers	-	46.257
2) Guarantees of a commercial nature	41.471	297.750
a) banks	41.390	43.577
b) customers	81	254.173
3) Irrevocable commitments to lend funds	269.145	137.252
a) banks	187.070	48.292
i) certain to be called on	187.070	48.292
ii) not certain to be called on	-	-
b) customers	82.075	88.960
i) certain to be called on	78.197	69.817
ii) not certain to be called on	3.878	19.143
4) Commitments underlying credit derivatives: protection sales	61.600	67.600
5) Assets given as collateral for third-party obligations	78.172	82.804
6) Other commitments*	137.700	55.792
<b>Total</b>	<b>592.088</b>	<b>687.455</b>

\*The Items represents, apart from commitments to controlled companies to cover operating risks, commitments related to agreements made with minority shareholders of controlled companies, with the aim of placing their share packages with third-party buyers. Some of these agreements expired during the course of fiscal 2006. The remaining agreements still in effect as of 31 December 2006 were, by mutual agreement between the parties, terminated in the first few months of 2007.

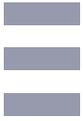
### 2. Assets given as collateral for own liabilities and commitments

Portfolios	Total 31/12/2006	Total 31/12/2005
Financial assets held for trading	39.219	412.026
Financial assets at fair value	-	-
Financial assets available for sale	-	-
Financial assets held until maturity	57.905	34.689
Due from banks	-	-
Due from customers	-	-
Tangible assets	-	-

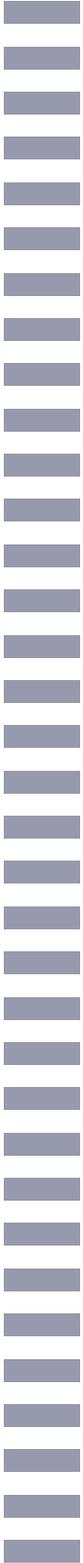
#### 4. Administration and brokerage for third parties

Typen of service	Amount
<b>1. Financial instrument trading on behalf of third parties</b>	<b>167.052.763</b>
a) Acquisitions	82.434.296
1. Settled	82.127.203
2. Not settled	307.093
b) Sales	84.618.467
1. Settled	84.268.080
2. Not settled	350.387
<b>2. Discretionary accounts</b>	<b>-</b>
a) Individual	-
b) Group	-
<b>3. Security custody and administration</b>	<b>31.042.257</b>
a) Third-party securities deposited: connected with duties of custodian bank (excluding discretionary accounts)	2.177.251
1. securities issued by companies included in consolidation	-
2. other securities	2.177.251
b) Third-party securities deposited (excluding discretionary accounts): Other	13.625.824
1. securities issued by companies included in consolidation	294.640
2. other securities	13.331.184
c) Third-party securities deposited with third parties	13.902.929
d) Own securities deposited with third parties	1.336.253
<b>4. Other transactions</b>	<b>-</b>





**PART C - INFORMATION ON THE INCOME STATEMENT**



## SECTION 1 INTEREST - ITEMS 10 AND 20

### 1.1 Interest payable and similar revenue: breakdown

Items/Technical forms	Performing financial assets		Non-perf. financial assets	Other assets	Total 31/12/2006	Total 31/12/2005
	Debt Securities	Loans				
1. Financial assets held for trading	17.654	-	-	17.622	<b>35.276</b>	<b>38.404</b>
2. Financial assets measured at fair Values	-	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-	<b>1.524</b>
4. Financial assets held to maturity	2.783	-	-	-	<b>2.783</b>	-
5. Due from banks	20.889	67.840	-	-	<b>88.729</b>	<b>35.952</b>
6. Due from customers	-	39.891	-	-	<b>39.891</b>	<b>176.213</b>
7. Hedging derivative	X	X	X	533	<b>533</b>	<b>1.228</b>
8. Assets sold but not derecognised:	373	-	-	-	<b>373</b>	-
9. Other assets	X	X	X	861	<b>861</b>	<b>301</b>
<b>Total</b>	<b>41.699</b>	<b>107.731</b>	<b>-</b>	<b>19.016</b>	<b>168.446</b>	<b>253.622</b>

### 1.3.1 Interest payable and similar expenses: other information

	Total 31/12/2006	Total 31/12/2005
Interest on financial assets in foreign currencies	40.639	31.833
<b>Total</b>	<b>40.639</b>	<b>31.833</b>

### 1.4 Interest payable and similar expenses: breakdown

Items/Technical forms	Accounts payable	Securities	Other liabilities	Total 31/12/2006	Total 31/12/2005
1. Due to banks	96.453	X	-	96.453	35.789
2. Due to customers	3.837	X	-	3.837	44.533
3. Outstanding securities	X	35.231	-	35.231	22.979
4. Financial trading liabilities	-	-	14.635	14.635	8.691
5. Financial assets measured at fair Values	-	-	-	-	-
6. Financial liabilities from assets sold but not derecognised	5.110	-	-	5.110	-
7. Other liabilities and provisions	X	X	-	-	22
8. Hedging derivative	X	X	8.580	8.580	4.585
<b>Total</b>	<b>105.400</b>	<b>35.231</b>	<b>23.215</b>	<b>163.846</b>	<b>116.599</b>

### 1.5 Interest and similar expenses: hedging differentials

Items/Values	Total 31/12/2006	Total 31/12/2005
<b>A. Positive differentials on:</b>		
A.1 Fair Values micro-hedging of assets	-	476
A.2 Fair Values micro-hedging of liabilities	533	752
A.3 Interest rate risk macro-hedging	-	-
A.4 Cash flow micro-hedging of assets	-	-
A.5 Cash flow micro-hedging of liabilities	-	-
A.6. Cash flow micro-hedging	-	-
<b>Total positive differentials (A)</b>	<b>533</b>	<b>1.228</b>
<b>B. Negative differentials on:</b>		
B.1 Fair Values micro-hedging of assets	-	252
B.2 Fair Values micro-hedging of liabilities	8.580	4.333
B.3 Interest rate risk macro-hedging	-	-
B.4 Cash flow micro-hedging of assets	-	-
B.5 Cash flow micro-hedging of liabilities	-	-
B.6. Cash flow micro-hedging	-	-
<b>Total negative differentials (B)</b>	<b>8.580</b>	<b>4.585</b>
<b>C. Balance (A-B)</b>	<b>(8.047)</b>	<b>(3.357)</b>

### 1.6.1 Interest payable and similar expenses: other information

	Total 31/12/2006	Total 31/12/2005
Interest on liabilities in foreign currencies	29.768	20.566
<b>Total</b>	<b>29.768</b>	<b>20.566</b>

## SECTION 2 COMMISSIONS - ITEMS 40 AND 50

### 2.1 Commission: breakdown

Type of services/Values	Total 31/12/2006	Total 31/12/2005
a) guarantees pledged	29	2.126
b) credit derivatives	143	77
c) management, brokerage and consulting services	20.011	71.294
1. trading of financial instruments	11.394	22.179
2. trading of foreign currencies	42	1.136
3. asset management	-	13.430
3.1. individuals	-	13.430
3.2. groups	-	-
4. Custody and management of securities	1.187	1.035
5. custodian bank	3.180	3.510
6. placement of securities	1.023	20.476
7. collection of orders	2.956	4.575
8. consulting	50	1
9. distribution of third-party services	179	4.952
9.1. asset management	-	-
9.1.1. Individuals	-	-
9.1.2. Groups	-	-
9.2. insurance products	-	-
9.3. other products	179	-
d) collection and payment services	61.771	87.563
e) servicing for securitisation operations	-	539
f) factoring services	-	-
g) collection and receiving	-	-
h) other services	9.034	33.503
1. credit and debit cards	7.509	8.740
2. recovery of postal charges, printouts, etc...	1.500	4.918
3. recovery of costs on loans granted to customers	-	11.591
4. recovery of commission on loans granted to customers	-	6.046
5. fees and commission on relationships with credit institutions	1	44
6. other	25	2.164
<b>Total</b>	<b>90.988</b>	<b>195.102</b>

## 2.2 Commission: distribution channels for products and services

Channels/Values	Total 31/12/2006	Total 31/12/2005
<b>a) own branches:</b>	<b>825</b>	<b>37.343</b>
1. asset management	-	12.478
2. placement of securities	825	19.913
3. Third-party products and services	-	4.952
<b>b) out-of-branch services:</b>	<b>179</b>	<b>952</b>
1. asset management	-	952
2. placement of securities	-	-
3. Third-party products and services	179	-
<b>c) other distribution channels:</b>	<b>198</b>	<b>563</b>
1. asset management	-	-
2. placement of securities	198	563
3. Third-party products and services	-	-

## 2.3 Commission expenses: breakdown

Services/Values	Total 31/12/2006	Total 31/12/2005
<b>a) Guarantees received</b>	-	-
<b>b) Credit derivatives</b>	-	-
<b>c) Management, brokerage and consulting services</b>	<b>9.332</b>	<b>17.161</b>
1. trading of financial instruments	4.384	4.026
2. trading of foreign currencies	6	5
3. asset management	-	-
3.1. own portfolio	-	-
3.2. third-party portfolio	-	-
4. Custody and management of securities	1.347	1.457
5. trading of financial instruments	176	187
6. Out-of-branch provision of financial instruments, products and services	3.419	11.486
<b>d) Collection and payment services</b>	<b>41.839</b>	<b>48.750</b>
<b>e) Other services</b>	<b>3.373</b>	<b>3.769</b>
<b>Total</b>	<b>54.544</b>	<b>69.680</b>

## SECTION 3 DIVIDENDS AND SIMILAR INCOME - ITEM 70

### 3.1 Dividends and similar income: breakdown

Items/Income	Total 31/12/2006		Total 31/12/2005	
	Dividends	Income from investment funds	Dividends	Income from investment funds
A. Financial assets held for trading	1.795	-	3.515	-
B. Financial assets available for sale - other	3.119	-	2.263	-
C. Financial assets measured at fair value - other	-	-	-	-
D. Shareholdings	10.044	-	1.436	-
<b>Total</b>	<b>14.958</b>	<b>-</b>	<b>7.214</b>	<b>-</b>

## SECTION 4 RESULT OF TRADING ACTIVITY - ITEM 80

### 4.1 Result of trading activity: breakdown

Income operations/components	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading losses (D)	Net result (A+B)-(C+D)
<b>1. Financial trading assets</b>	<b>842</b>	<b>13.408</b>	<b>5.085</b>	<b>3.708</b>	<b>5.457</b>
1.1 Debt securities	298	8.213	5.058	3.286	167
1.2 Capital securities	112	5.085	27	422	4.748
1.3 Investment fund units	432	1	-	-	433
1.4 Loans	-	-	-	-	-
1.5 Other	-	109	-	-	109
<b>2. Financial trading liabilities</b>	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Accounts payable	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Other financial assets and liabilities: Exchange rate differences</b>	-	-	-	-	<b>52</b>
<b>4. Derivative instruments</b>	<b>10.421</b>	<b>42.903</b>	<b>10.013</b>	<b>40.387</b>	<b>2.566</b>
4.1 Financial derivatives:	10.414	42.903	10.013	40.387	2.559
- on debt securities and interest rates	8.806	13.654	7.896	12.837	1.727
- on capital securities and stock indexes	1.608	29.249	2.117	27.550	1.190
- on foreign currencies and gold	-	-	-	-	(358)
- others	-	-	-	-	-
4.2 Credit derivatives	7	-	-	-	7
<b>Total</b>	<b>11.263</b>	<b>56.311</b>	<b>15.098</b>	<b>44.095</b>	<b>8.075</b>

## SECTION 5 RESULT OF HEDGING ACTIVITY - ITEM 90

### 5.1 Net income from hedging: breakdown

Income components/Values	Total 31/12/2006	Total 31/12/2005
<b>A. Income from:</b>		
A.1 Fair value hedging derivatives	7.765	699
A.2 Hedging financial assets (fair value)	-	8.019
A.3 Hedging financial liabilities (fair Values)	300	-
A.4 Cash flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
<b>Total income from hedging activity (A)</b>	<b>8.065</b>	<b>8.718</b>
<b>B. Charges for:</b>		
B.1 Fair value hedging derivatives	205	8.312
B.2 Hedging financial assets (fair value)	7.740	-
B.3 Hedging financial liabilities (fair value)	261	521
B.4 Cash flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
<b>Total charges for hedging activity (B)</b>	<b>8.206</b>	<b>8.833</b>
<b>C. Net income from hedging (A-B)</b>	<b>(141)</b>	<b>(115)</b>

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

### 6.1 Profits (losses) from dismissal/buy-backs: breakdown

Income Items/components	Total 31/12/2006			Total 31/12/2005		
	Profits	Losses	Net profit	Profits	Losses	Net profit
<b>Financial assets</b>						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	46.920	8	46.912	8.541	211	8.330
3.1 Debt securities	-	-	-	-	-	-
3.2 Capital securities	46.920	8	46.912	8.541	211	8.330
3.3 Investment fund units.	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
<b>Total assets</b>	<b>46.920</b>	<b>8</b>	<b>46.912</b>	<b>8.541</b>	<b>211</b>	<b>8.330</b>
<b>Financial liabilities</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	6	350	(344)	397	455	(58)
<b>Total liabilities</b>	<b>6</b>	<b>350</b>	<b>(344)</b>	<b>397</b>	<b>455</b>	<b>(58)</b>

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

### 8.1 Net write-down for debt write-off: breakdown

Income operations/components	Values adjustments			Write-backs				Total 31/12/2006	Total 31/12/2005
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Due from banks	-	-	-	-	-	-	-	-	
B. Due from customers	12	429	-	-	56	-	280	(105) (30.395)	
<b>C. Total</b>	<b>12</b>	<b>429</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>-</b>	<b>280</b>	<b>(105) (30.395)</b>	

Legend

A = from interest

B = Other companies

### 8.2 Net write-down for due to impairment of financial assets available for sale: breakdown

Income operations/components	Values adjustments		Write-backs		Total 31/12/2006	Total 31/12/2005
	Specific		Specific			
	Write-offs	Others	from interest	Other adjust.		
A. Debt securities	-	-	-	-	-	-
B. Equities	-	-	-	-	-	(126)
C. Investment fund units	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
<b>F. Total</b>						<b>(126)</b>

## SECTION 9 ADMINISTRATIVE EXPENSES - ITEM 150

### 9.1 Staff expenses: breakdown

Type of expenses/Values	Total 31/12/2006	Total 31/12/2005
1) Salaried employees	52.345	96.320
a) Wages and Salaries	37.792	65.636
b) Social security charges	11.801	22.398
c) Employee severance pay	35	117
d) Social security expenses	-	-
e) Allocations to the employee severance fund	1.027	4.993
f) Allocations to the provision for superannuation and similar:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
g) Payments to external complementary social security provisions:	1.450	2.704
- defined-contribution	1.450	2.704
- defined-benefit	-	-
h) Costs deriving from payment agreements based on own equity instruments	-	-
i) Other benefits in favour of employees	240	472
2) Other staff expenses	4.759	1.960
3) Directors	2.345	536
<b>Total</b>	<b>59.449</b>	<b>98.816</b>

### 9.2 Average number of employees by category

	Total 31/12/2006	Total 31/12/2005
Salaried employees:	1.042	1.867
a) executives	19	13
b) total managers	186	350
- 3rd and 4th level	73	156
c) remaining salaried employees	837	1.504
Other staff	14	11
<b>Total</b>	<b>1.056</b>	<b>1.878</b>

## 9.5 Other administrative expenses: breakdown

	Total 31/12/2006	Total 31/12/2005
1) Indirect taxes	1.533	18.020
- Stamp duty and stock exchange contract taxes	941	16.077
- Substitute tax pursuant to Presidential Decree 601/73	-	1.134
- Municipal real estate taxes	304	301
- Other indirect taxes	288	508
2) Property rental	1.065	10.053
3) Legal fees	1.426	2.481
4) Computer assistance and miscellaneous advisory services	4.654	4.240
5) Printouts and stationery	349	836
6) Leases on electronic machinery and software	3.404	3.173
7) Various rental charges and fees	16.799	36.794
8) Telecom subscriptions fees for data transmission	1.260	2.704
9) Miscellaneous materials for data processing centre	44	77
10) Postal and telegraph charges	1.413	4.588
11) Telephone	1.270	1.810
12) Transport expenses	390	532
13) Cleaning	212	935
14) Security	454	1.833
15) Electricity and heating	1.506	3.026
16) Maintenance and repairs	3.311	4.244
17) Miscellaneous insurance	449	1.133
18) Advertising, publicity and entertainment	1.159	2.005
19) Endowments and donations	82	135
20) Association subscription fees	336	614
21) Newspapers, journals and books	55	123
22) Gifts to personnel	244	212
23) Personnel studies	796	654
24) Information and surveys	144	1.226
25) Travel expenses	920	1.029
26) Interbank service expenses	240	647
27) Remuneration of statutory auditors	196	48
28) Other	1.017	1.588
<b>Total</b>	<b>44.728</b>	<b>104.760</b>

## SECTION 10 NET ALLOCATION TO PROVISIONS FOR RISKS AND CHARGES - ITEM 160

### 10.1 Net allocation to provisions for risks and charges: breakdown

	Total 31/12/2006
Risk fund for bankruptcy revocation	(56)
Risk fund for judicial action	(286)
Risk fund for claims and disputes	(399)
Operating risk fund	(38.697)
Personnel expenses fund	104
Agency termination goodwill compensation fund	(30)
<b>Total</b>	<b>(39.364)</b>

## SECTION 11 NET WRITE-DOWNS/WRITE-UPS FOR TANGIBLE FIXED ASSETS - VOCE 170

### 11.1 Net write-downs for tangible fixed assets: breakdown

Income operations/components	Amortisation (a)	Values adjustments due to impairment (b)	Write-backs (c)	Net result (a+b-c) 31/12/2006	Net result (a+b-c) 31/12/2005
A. Tangible fixed assets					
A.1 Owned	6.117	-	-	<b>6.117</b>	<b>7.718</b>
- for functional use	6.066	-	-	<b>6.066</b>	<b>7.718</b>
- for investment	51	-	-	<b>51</b>	-
A.2 Acquired through financial leasing	-	-	-	-	-
- for functional use	-	-	-	-	-
- for investment	-	-	-	-	-
<b>Total</b>	<b>6.117</b>	-	-	<b>6.117</b>	<b>7.718</b>

## SECTION 12 NET WRITE-DOWNS/WRITE-UPS FOR INTANGIBLE FIXED ASSETS - ITEM 180

### 12.1 Net write-downs for intangible fixed assets: breakdown

Income operations/components	Amortisation (a)	Values adjustments due to impairment (b)	Write-backs (c)	Net result (a+b-c) 31/12/2006	Net result (a+b-c) 31/12/2005
A. Intangible fixed assets					
A.1 Owned	6.520	-	-	6.520	7.454
- Generated within the company	-	-	-	-	-
- Others	6.520	-	-	6.520	7.454
A.2 Acquired through financial leasing	-	-	-	-	-
<b>Total</b>	<b>6.520</b>	<b>-</b>	<b>-</b>	<b>6.520</b>	<b>7.454</b>

## SECTION 13 OTHER OPERATING CHARGES/INCOME - ITEM 190

### 13.1 Other operating charges: breakdown

	Total 31/12/2006	Total 31/12/2005
Amortisation of expenses for leasehold improvements	20	1.562
Losses related to operating risks	1.577	6.715
Refund of interest on collections and payments	595	1.522
Derivative contract charges	205	745
Penalties for contract infringements - outsourcing	626	-
Other charges	649	4.735
<b>Total</b>	<b>3.672</b>	<b>15.279</b>

### 13.2 Other operating income: breakdown

	Total 31/12/2006	Total 31/12/2005
Rental and leasing fees	2.302	2.078
Charges to third parties	137	16.157
- tax credits	137	16.157
- insurance premiums	-	-
Recovery of expenses and other revenue on deposits and bank accounts	285	8.100
Income of IT services	29.002	7.814
Income of administration services	23.501	201
Income from derivative contracts	221	240
Recovery of interest on collections and payments	547	906
Recovery of legal expenses	920	956
Recovery of social security contributions	233	450
Other income	2.228	3.787
<b>Total</b>	<b>59.376</b>	<b>40.689</b>

## SECTION 14 INCOME (LOSSES) OF EQUITY INVESTMENTS - ITEM 210

### 14.1 Income (losses) of equity investments: breakdown

Income components/Values	Total 31/12/2006	Total 31/12/2005
A. Income	-	-
1. Revaluations	-	-
2. Profits from sale	-	-
3. Write-backs	-	-
4. Other increases	-	-
B. Charges	-	6.442
1. Write-downs	-	6.442
2. Values adjustments for impairment	-	-
3. Losses from sale	-	-
4. Other reductions	-	-
<b>Net profit</b>	<b>-</b>	<b>(6.442)</b>

## SECTION 17 INCOME (LOSSES) FROM SALE OF INVESTMENTS - ITEM 240

### 17.1 Income (losses) from sale of investments: breakdown

Income components/Values	Total 31/12/2006	Total 31/12/2005
A. Property	-	465
- Profits from sale	-	465
- Losses from sale	-	-
B. Other assets	(26)	57
- Profits from sale	11	57
- Losses from sale	(37)	-
<b>Net profit</b>	<b>(26)</b>	<b>522</b>

## SECTION 18 INCOME TAXES ON CURRENT OPERATIONS FOR THE YEAR - ITEM 260

### 18.1 Income taxes on current operations for the year: breakdown

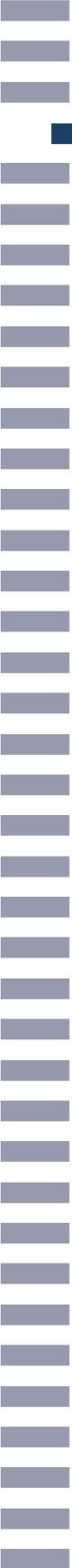
Components/Values	Total 31/12/2006	Total 31/12/2005
1. Current taxes (-)	(3.830)	(27.249)
2. Change in current taxes from previous financial years (+/-)	(47)	(274)
3. Reduction of current financial year taxes (+)	8.040	23
4. Change in pre-paid taxes (+/-)	(6.158)	9.521
5. Change in deferred taxes (+/-)	-	-
<b>6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)</b>	<b>(1.995)</b>	<b>(17.979)</b>

### 18.2 Reconciliation between theoretical fiscal charges and effective fiscal charges in the financial statements

Description	Taxable base	Rate	Income taxes
Profits from current operations gross of taxes	9.903	-	-
Nominal rate*	-	37,16%	3.680
Dividends excluded from net taxation on non-deductible losses	(13.894)	-52,14%	(5.163)
Capital gains on non-taxable equities	(41.880)	-157,15%	(15.563)
Non-deductible costs	2.170	8,14%	806
Non-deductible net allocations to provisions for risks and charges	38.697	145,21%	14.380
Other differences	-	15,01%	1.487
Adjusted tax rate	-	-3,76%	(373)
Staff expenses non-deductible from regional trade tax (IRAP)	56.755	23,84%	2.361
Net value adjustments on receivables non-deductible from regional trade tax (IRAP)	161	0,07%	7
Actual rate	-	20,1%	1.995

\* mean-weighted IRES rate + IRAP rate based on national distribution of taxable base.





## **PART D – SECTOR REPORT**

As permitted by Memorandum 262 of December 22<sup>nd</sup>, 2005 of the Banca d'Italia, the Company has drawn up a consolidated informative report.







**PART E - INFORMATION ON RISKS AND RELATIVE HED-  
GING POLICIES**



# SECTION 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 and 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 Organisational 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 sta-

tement. 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 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 than 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 Disputes 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 appa-

rent 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 Impaired 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 loansAs 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.

For all the impaired loans extant at December 31st, 2004, the discount rate was the nominal rate applied to the individual loan. Depending on each case, this rate can be the rate that applied at the moment of default, the set rate or the rate agreed with the customer with a plan to pay off the debt, or otherwise the official rate.

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, adjustments, dynamics.

##### A.1.1. Breakdown of financial assets according to portfolios and credit quality (book values)

Portfolios/quality	Non-performing loans	Watchlist loans	Restructured exposures	Expired exposures	Country risk	Other assets	Total
Financial assets held for trading	-	-	-	-	411	469.180	469.591
Available-for-sale financial assets	-	-	-	-	-	50.618	50.618
Held-to-maturity financial assets	-	-	-	-	-	60.404	60.404
Loans to banks	-	-	-	-	146	2.363.890	2.364.036
Loans to customers	56	9	-	-	-	1.288.504	1.288.569
Financial assets designated at fair value	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	1.700	1.700
<b>Total 31/12/2006</b>	<b>56</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>557</b>	<b>4.234.296</b>	<b>4.234.918</b>
<b>Total 31/12/2005</b>	<b>26.137</b>	<b>35.979</b>	<b>11.441</b>	<b>18.757</b>	<b>3.056</b>	<b>6.795.858</b>	<b>6.891.228</b>

### A.1.2 Breakdown of financial assets according to portfolios and credit quality (gross and net values)

Portfolios/quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Esposiz. netta	Gross exposure	Portfolio adjustments	Net exposure	
Financial assets held for trading	411	-	-	411	469.180	-	469.180	469.591
Available-for-sale financial assets	-	-	-	-	50.618	-	50.618	50.618
Held-to-maturity financial assets	-	-	-	-	60.404	-	60.404	60.404
Loans to banks	-	-	-	-	2.364.036	-	2.364.036	2.364.036
Loans to customers	2.795	2.730	-	65	1.288.764	260	1.288.504	1.288.569
Financial assets designated at fair value	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	1.700	-	1.700	1.700
<b>Total 31/12/2006</b>	<b>3.206</b>	<b>2.730</b>	<b>-</b>	<b>476</b>	<b>4.234.702</b>	<b>260</b>	<b>4.234.442</b>	<b>4.234.918</b>
<b>Total 31/12/2005</b>	<b>218.618</b>	<b>123.248</b>	<b>-</b>	<b>95.370</b>	<b>6.824.520</b>	<b>28.634</b>	<b>6.795.858</b>	<b>6.891.228</b>

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

Types of exposures/values	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
<b>A. Cash exposures</b>	-	-	-	-
a) Non-performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Expired exposures	-	-	-	-
e) Country risk	170	X	-	170
f) Other assets	2.521.081	X	-	2.521.081
<b>Total A</b>	<b>2.521.251</b>	<b>-</b>	<b>-</b>	<b>2.521.251</b>
<b>B. Off-balance-sheet exposure</b>	-	-	-	-
a) Impaired	-	-	-	-
b) Other	484.915	-	-	484.915
<b>Total B</b>	<b>484.915</b>	<b>-</b>	<b>-</b>	<b>484.915</b>

#### A.1.4 Cash exposures to banks: trend of impaired and “country risk” exposures, gross

Description/Categories	Non-performing	Watchlist loans	Restructured exposures	Expired exposures	Country risk
<b>A. Opening gross exposure</b>	-	-	-	-	<b>231</b>
- of which: exposures transferred but not eliminated	-	-	-	-	-
<b>B. Increases</b>	-	-	-	-	<b>87</b>
B.1 Inflows from performing exposures	-	-	-	-	-
B.2 Transfers from other categories of impaired exposures	-	-	-	-	-
B.3 Other increases	-	-	-	-	87
<b>C. Decreases</b>	-	-	-	-	<b>148</b>
C.1 Outflows to performing exposures	-	-	-	-	59
C.2 Write-offs	-	-	-	-	-
C.3 Collections	-	-	-	-	-
C.4 Disposals	-	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	-	-	-	-
C.6 Other decreases	-	-	-	-	89
<b>D. Closing gross exposure</b>	-	-	-	-	<b>170</b>
- of which: exposures transferred but not eliminated	-	-	-	-	-

#### A.1.6 Cash and off-balance-sheet exposures to customers: gross and net values

Types of exposures/values	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
<b>A. CASH EXPOSURE</b>				
a) Non-performing loans	2.272	2.216	-	56
b) Watchlist loans	523	514	-	9
c) Restructured exposures	-	-	-	-
d) Expired exposures	-	-	-	-
e) Country risk	387	-	-	387
f) Other assets	1.667.860	-	260	1.667.600
<b>Total A</b>	<b>1.671.042</b>	<b>2.730</b>	<b>260</b>	<b>1.668.052</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	-	-	-	-
b) Other	152.788	-	-	152.788
<b>Total B</b>	<b>152.788</b>	<b>-</b>	<b>-</b>	<b>152.788</b>

### A.1.7 Cash exposures to customers: trend of impaired and “country risk” exposures, gross

Description/Categories	Non-performing loans	Watchlist loans	Restructured exposures	Expired exposures	Country risk
<b>A. Opening gross exposure</b>	<b>133.444</b>	<b>49.420</b>	<b>13.941</b>	<b>18.757</b>	<b>2.797</b>
- of which: exposures transferred but not eliminated	-	-	-	-	-
<b>B. Increases</b>	<b>305</b>	<b>413</b>	<b>-</b>	<b>-</b>	<b>387</b>
B.1 Inflows from performing exposures	-	-	-	-	387
B.2 Transfers from other categories of impaired exposures	279	383	-	-	-
B.3 Other increases	26	30	-	-	-
<b>C. Decreases</b>	<b>131.477</b>	<b>49.310</b>	<b>13.941</b>	<b>18.757</b>	<b>2.797</b>
C.1 Outflows to performing exposures	-	15	-	-	-
C.2 Write-offs	40	-	-	-	-
C.3 Collections	36	56	-	-	-
C.4 Disposals	-	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	279	-	-	-
C.6 Other decreases	131.401	48.960	13.941	18.757	2.797
<b>D. Closing gross exposure</b>	<b>2.272</b>	<b>523</b>	<b>-</b>	<b>-</b>	<b>387</b>
- of which: exposures transferred but not eliminated	-	-	-	-	-

### A.1.8 Cash exposures to customers: Trend in gross adjustments

Description/Categories	Non-performing loans	Watchlist loans	Restructured exposures	Expired exposures	Country risk
<b>A. Gross opening adjustments</b>	<b>105.841</b>	<b>13.441</b>	<b>2.500</b>	<b>-</b>	<b>-</b>
- of which exposures sold but not eliminated	-	-	-	-	-
<b>B. Increases</b>	<b>318</b>	<b>318</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 Writedowns	148	318	-	-	-
B.2 Transfers from other categories of impaired exposures	170	-	-	-	-
B.3 Other increases	-	-	-	-	-
<b>C. Decreases</b>	<b>103.943</b>	<b>13.245</b>	<b>2.500</b>	<b>-</b>	<b>-</b>
C.1 Writebacks from valuation	6	15	-	-	-
C.2 Writebacks from collection	33	2	-	-	-
C.3 Write-offs	40	-	-	-	-
C.4 Transfers to other categories of impaired exposures	-	170	-	-	-
C.5 Other decreases	103.864	13.058	2.500	-	-
<b>D. Total closing adjustments</b>	<b>2.216</b>	<b>514</b>	<b>-</b>	<b>-</b>	<b>-</b>
- of which: exposures transferred but not eliminated	-	-	-	-	-

## 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

The credit portfolio of Sella Holding Banca largely

consists of exposures to banks evaluated by external rating agencies. It should be noted that all the banks with which Sella Holding Banca has relationships have ratings above the investment grade.

The percentage distribution of the portfolio of banks with an external rating is set out below by rating class.

#### A.2.1 Breakdown of cash and off-balance sheet exposures by external rating

Exposures	External rating class					No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-		
<b>A. Cash exposures</b>	<b>112.471</b>	<b>519.950</b>	<b>63.510</b>	-	-	<b>3.493.372</b>	<b>4.189.303</b>
<b>B. Derivatives</b>	-	-	-	-	-	<b>45.615</b>	<b>45.615</b>
B.1 Financial derivatives	-	-	-	-	-	45.615	45.615
B.2 Credit derivatives	-	-	-	-	-	-	-
<b>C. Guarantees given</b>	-	-	-	-	-	<b>45.471</b>	<b>45.471</b>
<b>D. Commitments to lend funds</b>	-	-	-	-	-	<b>546.617</b>	<b>546.617</b>
<b>Total</b>	<b>112.471</b>	<b>519.950</b>	<b>63.510</b>	-	-	<b>4.131.075</b>	<b>4.827.006</b>

### A.2.2 Distribution of cash and “off-balance” exposures by internal ratings

On the subject of internal ratings it should be noted that there is an internal model for assigning credit ratings to companies. Assigning and calculating ratings of customers of Sella Holding Banca did not reach significant levels of coverage compared with the total size of the portfolio. For this reason, for managing credit risk it was decided to use the internal ratings assigned to Banca Sella customers.

The internal rating systems provides for nine classes of creditworthiness for performing clients from one (the least risk) to nine (the most risk) in order to render terminology uniform with the scales adopted by external rating agencies.

## A.3 DISTRIBUTION OF GUARANTEED EXPOSURES BY TYPE OF GUARANTEE

Owing to the specificity of the activities performed by the Bank in the field of granting credit, whereby its clients are only companies of the Group and private customers to whom credit cards are issued and counterparties such as banks and financial institutions, there are no guaranteed exposures, so the section has not been valued.

## DISTRIBUTION AND CONCENTRATION OF CREDIT

### B.1 Breakdown of cash and off-balance-sheet exposures to customers by sector

Exposures/Counterparties	Governments and central banks				Other public entities				Financial companies			
	Gross exposure	Specific value adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio adjustments	Net expos.
<b>A. Cash exposures</b>												
A.1 Non-performing loans	-	-	-	-	-	-	-	-	31	31	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	8	8	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	231.481	X	-	231.481	10.536	X	-	10.536	1.335.758	X	-	1.335.758
<b>Total</b>	<b>231.481</b>	<b>-</b>	<b>-</b>	<b>231.481</b>	<b>10.536</b>	<b>-</b>	<b>-</b>	<b>10.536</b>	<b>1.335.797</b>	<b>39</b>	<b>-</b>	<b>1.335.758</b>
<b>B. Off-balance-sheet exposures</b>												
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	-	-	X	-	-	56.386	X	-	56.386
<b>Total 31/12/2006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56.386</b>	<b>-</b>	<b>-</b>	<b>56.386</b>

(follow)

Exposures/Counterparties	Insurance companies				Non-financial companies				Other entities			
	Gross exposure	Specific value adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio adjustments	Net expos.
<b>A. Cash exposures</b>												
A.1 Non-performing loans	-	-	-	-	1.141	1.085	-	56	1.100	1.100	-	-
A.2 Watchlist loans	-	-	-	-	241	241	-	-	274	265	-	9
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	591	X	-	591	21.957	X	81	21.876	67.924	X	179	67.745
<b>Total</b>	<b>591</b>	<b>-</b>	<b>-</b>	<b>591</b>	<b>23.339</b>	<b>1.326</b>	<b>81</b>	<b>21.932</b>	<b>69.298</b>	<b>1.365</b>	<b>179</b>	<b>67.754</b>
<b>B. Off-balance-sheet exposures</b>												
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	-	-	X	-	-	96.402	X	-	96.402
<b>Total 31/12/2006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96.402</b>	<b>-</b>	<b>-</b>	<b>96.402</b>

## B.2 Breakdown of loans to resident non-financial companies

a) Other market services	1.927
b) Commerce, salvage and repair services	2.090
c) Agricultural and industrial machinery	437
d) Textiles, leather and footwear products, clothing	649
e) Transport-related services	462
f) Other branches	2.774
<b>Total</b>	<b>8.339</b>

## B.3 Breakdown of cash and off-balance-sheet exposures to customers by geographical area

Exposures/Geographical area	ITALY		OTHER EUROPEAN C.		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. Cash exposures</b>										
A.1 Non-performing loans	2.272	56	-	-	-	-	-	-	-	-
A.2 Watchlist loans	523	9	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1.515.563	1.515.303	131.241	131.241	21.320	21.320	32	32	91	91
<b>Total A</b>	<b>1.518.358</b>	<b>1.515.368</b>	<b>131.241</b>	<b>131.241</b>	<b>21.320</b>	<b>21.320</b>	<b>32</b>	<b>32</b>	<b>91</b>	<b>91</b>
<b>B. Off-balance-sheet exposures</b>										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	144.549	144.549	6.065	6.065	2.174	2.174	-	-	-	-
<b>Total B</b>	<b>144.549</b>	<b>144.549</b>	<b>6.065</b>	<b>6.065</b>	<b>2.174</b>	<b>2.174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total 31/12/2006</b>	<b>1.662.907</b>	<b>1.659.917</b>	<b>137.306</b>	<b>137.306</b>	<b>23.494</b>	<b>23.494</b>	<b>32</b>	<b>32</b>	<b>91</b>	<b>91</b>

## B.4 Breakdown of cash and off-balance-sheet exposures to banks by geographical area

Exposures/Geographical area	ITALY		OTHER EUROPEAN C.		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. Cash exposures</b>										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	2.246.603	2.246.603	234.027	234.027	34.135	34.135	4.603	4.603	1.883	1.883
<b>Totale A</b>	<b>2.246.603</b>	<b>2.246.603</b>	<b>234.027</b>	<b>234.027</b>	<b>34.135</b>	<b>34.135</b>	<b>4.603</b>	<b>4.603</b>	<b>1.883</b>	<b>1.883</b>
<b>B. Off-balance-sheet exposures</b>										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	171.841	171.841	311.784	311.784	1.290	1.290	-	-	-	-
<b>Total B</b>	<b>171.841</b>	<b>171.841</b>	<b>311.784</b>	<b>311.784</b>	<b>1.290</b>	<b>1.290</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 2006</b>	<b>2.418.444</b>	<b>2.418.444</b>	<b>545.811</b>	<b>545.811</b>	<b>35.425</b>	<b>35.425</b>	<b>4.603</b>	<b>4.603</b>	<b>1.883</b>	<b>1.883</b>

## C.2 TRANSFER TRANSACTIONS

### C.2.1 Financial assets sold but not eliminated

Technical forms/ Portfolio	Financial assets held for trading			Financial assets designated at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Loans to banks			Loans to customers			Total		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	2006	2005	
<b>A. Cash assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Debt securities	99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99	-
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Units in OICR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Derivative instruments-</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total 31/12/2006</b>	<b>99</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>99</b>	-
<b>Total 31/12/2005</b>	<b>315.307</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>315.307</b>	-

Key:

A = Transferred financial assets, fully recognised (book value)

B = Transferred financial assets, partially recognised (book value)

C = Transferred financial assets, partially recognised (entire value)

### C.2.2. Financial liabilities from assets sold but not eliminated

Liability/Asset portfolio	Financial assets held for trading	Financial assets designated at fair value	Available for-sale financial assets	Held-to-maturity financial assets	Loans to banks	Loans to customers	Total
<b>1. Due to customers</b>	-	-	-	-	-	-	-
a) from fully recognised assets	-	-	-	-	-	-	-
b) from partially recognised assets	-	-	-	-	-	-	-
<b>2. Due to banks</b>	-	-	-	-	-	-	-
a) from fully recognised assets	110	-	-	-	-	-	110
b) from partially recognised assets	-	-	-	-	-	-	-
<b>Total 31/12/2006</b>	<b>110</b>	-	-	-	-	-	<b>110</b>
<b>Total 31/12/2005</b>	<b>306.329</b>	-	-	-	-	-	<b>306.329</b>

## SECTION 2 MARKET RISKS

### 2.1 INTEREST RATE RISK

#### QUALITATIVE INFORMATION

##### A. General aspects

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 processes and 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.

### 2.2 INTEREST RATE RISKS – BANKING PORTFOLIO RISK

#### QUALITATIVE INFORMATION

##### A. General aspects, management processes 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 the individual data, 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 limited to the trading portfolio.

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 policy followed by the Holding Company and more generally by the Group 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 December 31st, 2006 related to the 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 (€ x 1000)
+100 bps	-7.162
-100 bps	7.348

The banking book aggregate also includes the items of the trading portfolio that are sensitive to rate variations.

## 2.3 PRICE RISKS - AND EXCHANGE RISKS

### QUALITATIVE INFORMATION

#### A. General aspects, management processes and methods for price risk management

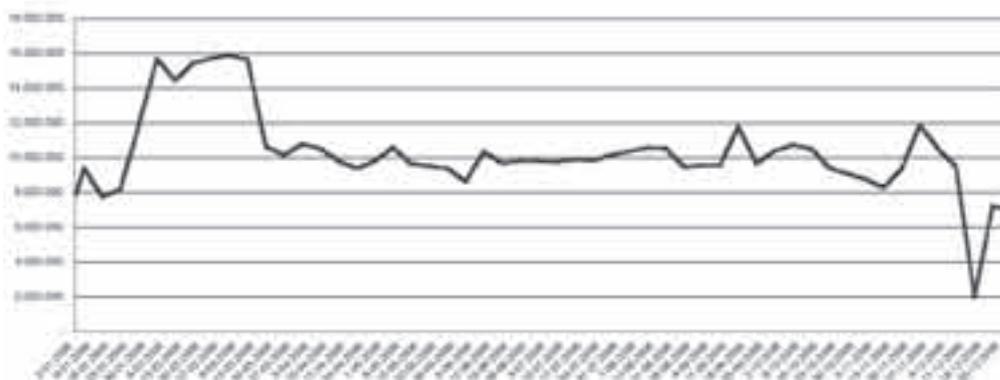
As for the trading book, price and exchange risks (risks of capital account losses on financial assets due to oscillations in the value of securities or to factors caused by the issuer's specific situation, or the denomination currency) are measured within Gruppo Banca Sella using historical VAR (value 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 the portfolio of

the bank, 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 on an individual basis (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.

**Var analysis- confidence interval 99%, temporal horizon 3 months**



## QUANTITATIVE INFORMATION

### 1. Regulatory trading book: cash exposures to equities and units in O.I.C.R.

Types of exposures/Values	Book value	
	Listed	Unlisted
<b>A. Equities</b>		
A.1 Stock	1.030	-
A.2 Innovative capital instruments	-	-
A.3 Other equities	-	-
<b>B. Units in OICR</b>		
B.1 Italian-law		
- harmonised open funds	-	-
- un-harmonised open funds	-	-
- un-harmonised open funds	-	-
- reserved funds	-	-
- speculative funds	-	-
B.2 Of other EU countries		
harmonised funds	6.129	-
un-harmonised open funds	-	-
- un-harmonised closed funds	2.035	-
B.3 Of other non-EU countries		
open funds	2.008	-
- closed funds	-	-
<b>Total</b>	<b>11.202</b>	<b>-</b>

### 2. Regulatory trading book: breakdown of exposures to equities and equity indices by main country of listing

Type of transactions/Listing index	Listed				Unlisted
	Italy	Luxembourg	Ireland	America	
<b>A. Equities</b>					
- Long positions	1.028	6.129	2.035	2.010	-
- Short positions	-	-	-	-	-
<b>B. Unsettled transactions in equities</b>					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
<b>C. Other equity derivatives</b>					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
<b>D. Equity index derivatives</b>					
- Long positions	115.348	-	-	-	9.128
- Short positions	119.266	-	-	-	440
<b>Total</b>	<b>235.642</b>	<b>6.129</b>	<b>2.035</b>	<b>2.010</b>	<b>9.568</b>

## 1. Banking book: cash exposures to equities and units in O.I.C.R.

Types of exposures/Values	Book value	
	Listed	unlisted
<b>A. Equities</b>		
A.1 Stock	-	50.618
A.2 Innovative capital instruments	-	-
A.3 Other equities	-	-
<b>B. Units in OICR.</b>		
B.1 Italian-law		
- harmonised open funds	-	-
- un-harmonised open funds	-	-
- closed funds	-	-
- reserved funds	-	-
- speculative funds	-	-
B.2 Of other EU countries		
- harmonised funds	-	-
- un-harmonised open funds	-	-
- un-harmonised closed funds	-	-
B.3 Of other non-EU countries		
- open funds	-	-
- closed funds	-	-
<b>Total</b>	<b>-</b>	<b>50.618</b>

## 1. Breakdown of assets, liabilities and derivatives by currency of denomination

Items	Currencies					
	USD	GBP	JPY	CAD	CHF	Other curr.
<b>A. Financial assets</b>	<b>151.615</b>	<b>23.278</b>	<b>79.850</b>	<b>4.485</b>	<b>72.187</b>	<b>31.042</b>
A.1 Debt securities	779	47	-	-	-	-
A.2 Equities	2	-	-	-	-	-
A.3 Loans to banks	150.651	23.231	79.850	4.485	72.187	31.042
A.4 Loans to customers	183	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
<b>B. Other assets</b>	<b>17.909</b>	<b>2.508</b>	<b>5.477</b>	<b>784</b>	<b>745</b>	<b>1.530</b>
<b>C. Financial liabilities</b>	<b>246.610</b>	<b>25.620</b>	<b>77.480</b>	<b>5.091</b>	<b>26.325</b>	<b>44.241</b>
C.1 Due to banks	215.175	24.001	53.958	3.769	24.430	36.820
C.2 Due to customers	31.435	1.619	23.522	1.322	1.895	7.421
C.3 Debt securities	-	-	-	-	-	-
<b>D. Other liabilities</b>	<b>4.634</b>	<b>194</b>	<b>513</b>	<b>7</b>	<b>4</b>	<b>151</b>
<b>E. Financial derivatives</b>	<b>79.051</b>	<b>-155</b>	<b>-7.290</b>	<b>-154</b>	<b>-46.382</b>	<b>11.181</b>
- options	-	-	-	-	-	-
+ long positions	2.271	35	-	92	-	-
+ short positions	2.271	35	-	92	-	-
- other derivatives	79.051	-155	-7.290	-154	-46.382	11.181
+ long positions	456.648	28.130	95.356	2.042	23.041	66.595
+ short positions	377.597	28.285	102.646	2.196	69.423	55.414
<b>Total assets</b>	<b>628.443</b>	<b>53.951</b>	<b>180.683</b>	<b>7.403</b>	<b>95.973</b>	<b>99.167</b>
<b>Total liabilities</b>	<b>631.112</b>	<b>54.134</b>	<b>180.639</b>	<b>7.386</b>	<b>95.752</b>	<b>99.806</b>
<b>Imbalance (+/-)</b>	<b>-2.669</b>	<b>-183</b>	<b>44</b>	<b>17</b>	<b>221</b>	<b>-639</b>

## 2.6 FINANCIAL INSTRUMENTS DERIVATIVES

### A. FINANCIAL DERIVATIVES

#### A.1 Portafoglio di negoziazione di vigilanza: valori nozionali di fine periodo e medi

Type of transactions/ Underlying assets	Debt securities and interest rates		Equities and equity indices		Exchange rates and gold		Other instruments		Total 31/12/2006		Total 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	1.672.268	-	-	-	-	-	-	-	1.672.268	-	854.077
3. Domestic currency swaps	-	-	-	-	-	34.462	-	-	-	34.462	-	37.452
4. Currency interest rate swaps	-	-	-	-	-	19.742	-	-	-	19.742	-	536.475
5. Basis swaps	-	611.787	-	-	-	-	-	-	-	611.787	-	365.281
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	21.513	-	4.180	-	-	-	-	-	25.693	-	61.730	-
9. Cap options	-	544.447	-	-	-	-	-	-	-	544.447	-	419.863
- Purchased	-	271.631	-	-	-	-	-	-	-	271.631	-	262.742
- Issued	-	272.816	-	-	-	-	-	-	-	272.816	-	157.121
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	230.434	2.296	-	94.400	-	-	230.434	96.696	175.947	191.009
- Purchased	-	-	111.168	928	-	47.200	-	-	111.168	48.128	83.357	95.835
- Plain Vanilla	-	-	111.168	928	-	47.200	-	-	111.168	48.128	83.357	95.835
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	119.266	1.368	-	47.200	-	-	119.266	48.568	92.590	95.174
- Plain Vanilla	-	-	119.266	1.368	-	47.200	-	-	119.266	48.568	92.590	95.174
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward agreements	-	-	-	-	-	856.361	-	-	-	856.361	-	23.193
- Purchases	-	-	-	-	-	397.233	-	-	-	397.233	-	7.227
- Sales	-	-	-	-	-	369.294	-	-	-	369.294	-	15.094
- Currency against currency	-	-	-	-	-	89.834	-	-	-	89.834	-	872
13. Spot agreements	-	-	-	-	-	308.666	-	-	-	308.666	-	136.557
- Purchases	-	-	-	-	-	153.224	-	-	-	153.224	-	66.698
- Sales	-	-	-	-	-	155.442	-	-	-	155.442	-	69.859
<b>Total</b>	<b>21.513</b>	<b>2.828.502</b>	<b>234.614</b>	<b>2.296</b>	<b>-</b>	<b>-1.313.631</b>	<b>-</b>	<b>-</b>	<b>256.127</b>	<b>4.144.429</b>	<b>237.677</b>	<b>2.563.907</b>
<b>Average values</b>	<b>41.207</b>	<b>2.233.862</b>	<b>205.696</b>	<b>22.248</b>	<b>-</b>	<b>-1.954.811</b>	<b>-</b>	<b>-</b>	<b>246.902</b>	<b>3.354.168</b>	<b>229.117</b>	<b>2.075.020</b>

## A.2 Banking book: notional end-of-period and average values

### A.2.1 Hedging

Type of derivatives/ Underlying assets	Debt securities and interest rates		Equities and equity indices		Exchange rates and gold		Other instruments		Total 31/12/2006		Total 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	22.573	-	-	-	-	-	-	-	22.573	-	145.527
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain Vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain Vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>22.573</b>	-	-	-	-	-	-	-	<b>22.573</b>	-	<b>145.527</b>
<b>Average values</b>	-	<b>84.050</b>	-	-	-	-	-	-	-	<b>84.050</b>	-	<b>72.764</b>

## A.2.2 Other derivatives

Type of derivatives/ Underlying assets	Debt securities and interest rates		Equities and equity indices		Exchange rates and gold		Other instruments		Total 31/12/2006		Total 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	9.128	-	-	-	-	-	9.128	-	19.481
- Purchased	-	-	-	9.128	-	-	-	-	-	9.128	-	19.481
- Plain Vanilla	-	-	-	9.128	-	-	-	-	-	9.128	-	19.481
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain Vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>9.128</b>	-	-	-	-	-	<b>9.128</b>	-	<b>19.481</b>
<b>Average values</b>	-	-	-	<b>4.564</b>	-	-	-	-	-	<b>4.564</b>	-	<b>9.741</b>

### A.3 Financial derivatives: purchase and sale of underlying securities

Type of derivatives/ Underlying assets	Debt securities and interest rates		Equities and equity indices		Exchange rates and gold		Other instruments		Total 31/12/2006		Total 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
<b>A. Regulatory trading book</b>												
1. Transactions with exchange												
of capital	21.513	-	-	-	-	1.279.168	-	-	21.513	1.279.168	60.900	758.261
- Purchases	1.670	-	-	-	-	607.528	-	-	1.670	607.528	-	281.784
- sales	19.843	-	-	-	-	581.806	-	-	19.843	581.806	60.900	402.847
- currency against currency	-	-	-	-	-	89.834	-	-	-	89.834	-	73.630
2. Transactions without exchange												
of capital	-	3.440.290	234.614	2.296	-	34.462	-	-	234.614	3.477.048	176.777	1.951.173
- Purchases	-	1.618.009	115.348	928	-	22.422	-	-	115.348	1.641.359	83.887	1.053.613
- Sales	-	1.822.281	119.266	1.368	-	12.040	-	-	119.266	1.835.689	92.890	897.560
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Banking book:</b>												
<b>B.1 Hedging</b>												
1. Transactions with exchange												
of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without exchange												
of capital	-	22.573	-	-	-	-	-	-	-	22.573	-	145.527
- Purchases	-	22.573	-	-	-	-	-	-	-	22.573	-	32.927
- Sales	-	-	-	-	-	-	-	-	-	-	-	112.600
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
<b>B.2 Other derivatives</b>												
1. Transactions with												
exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without exchange												
of capital	-	-	-	9.128	-	-	-	-	-	9.128	-	19.481
- Purchases	-	-	-	9.128	-	-	-	-	-	9.128	-	19.481
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

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

Counterparties/Underlying assets	Debt securities and interest rates			Equities and equity indices			Exchange rates and gold			Other instruments			Different underlying securities	
	Gross unmatched	Gross matched	Future exposure	Gross unmatched	Gross matched	Future exposure	Gross unmatched	Gross matched	Future exposure	Gross unmatched	Gross matched	Esposizione futura	Matched	Future exposure
<b>A. Regulatory trading book:</b>														
A.1 Governm. and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	7.132	- 2.149	-	-	-	-	5.757	-	5.092	-	-	-	-	-
A.4 Financial companies	16.607	- 4.952	-	-	-	-	12.067	-	3.884	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total A 31/12/2006</b>	<b>23.739</b>	<b>- 7.101</b>	-	-	-	-	<b>17.824</b>	-	<b>8.976</b>	-	-	-	-	-
<b>Total 31/12/2005</b>	<b>15.706</b>	<b>- 3.399</b>	<b>3.404</b>	-	<b>- 1.600</b>	-	<b>17.143</b>	-	<b>- 4.473</b>	-	-	-	-	-
<b>B. Banking book:</b>														
B.1 Gov. and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	1.662	- 67	1.140	-	2	-	-	-	-	-	-	-	-	-
B.4 Financial companies	37	-	581	-	6	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total B 31/12/2006</b>	<b>1.699</b>	<b>- 67</b>	<b>1.721</b>	-	<b>8</b>	-	-	-	-	-	-	-	-	-
<b>Total 31/12/2005</b>	<b>1.698</b>	<b>- 1.260</b>	-	-	-	-	-	-	-	-	-	-	-	-

### A.5 Over the counter financial derivatives: negative fair value - financial risk

Counterparties/Underlying assets	Debt securities and interest rates			Equities and equity indices			Exchange rates and gold			Other instruments			Different underlying securities	
	Gross unmatched	Gross matched	Future exposure	Gross unmatched	Gross matched	Future exposure	Gross unmatched	Gross matched	Future exposure	Gross unmatched	Gross matched	Esposizione futura	Matched	Future exposure

#### A. Regulatory trading book:

A.1 Gover. and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	13.361	- 1.009	-	-	-	-	7.780	- 2.039	-	-	-	-	-	-
A.4 Financial companies	9.432	- 2.607	-	-	-	-	9.106	- 3.245	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	1.320	-	22	-	-	-	-	-	-	-	-
<b>Total A 31/12/2006</b>	<b>22.793</b>	<b>- 3.616</b>	<b>1.320</b>	<b>-</b>	<b>22</b>	<b>16.886</b>	<b>- 5.284</b>	<b>-</b>						
<b>Total 31/12/2005</b>	<b>15.723</b>	<b>- 872</b>	<b>3.203</b>	<b>-</b>	<b>1.599</b>	<b>14.937</b>	<b>- 4.498</b>	<b>-</b>						

#### B. Banking book

A.1 Gover. and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	18	-	-	-	-	14	-	-	-	-	-	-	-	-
B.4 Financial companies	208	-	-	401	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total B 31/12/2006</b>	<b>226</b>	<b>-</b>	<b>-</b>	<b>401</b>	<b>-</b>	<b>14</b>	<b>-</b>							
<b>Total 31/12/2005</b>	<b>10.694</b>	<b>- 1.090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### A.6 Residual maturities of over the counter financial derivatives: notional values

Underlying assets/Residual maturities	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
<b>A. Regulatory trading book</b>				
A.1 Financial derivatives on debt securities and interest rates	845.301	259.892	1.744.823	2.850.016
A.2 Financial derivatives on equities and equity indices	-	2.296	-	2.296
A.3 Financial derivatives on exchange rates and gold	1.293.813	19.817	-	1.313.630
A.4 Financial derivatives on other instruments	-	-	-	-
<b>B. Banking book</b>				
B.1 Financial derivatives on debt securities and interest rates	4.775	17.799	-	22.574
B.2 Financial derivatives on equities and equity indices	4.775	4.353	-	9.128
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
<b>Total 31/12/2006</b>	<b>2.148.664</b>	<b>304.157</b>	<b>1.744.823</b>	<b>4.197.644</b>
<b>Total 31/12/2005</b>	<b>1.487.446</b>	<b>204.483</b>	<b>1.017.505</b>	<b>2.709.434</b>

## B. CREDIT DERIVATIVES

### B.1 Credit derivatives: notional end-of-period and average values

Types of transactions	Regulatory trading book		Other transactions	
	On an individual entity	On several entities (basket)	On an individual entity	On several entities (basket)
<b>1. Purchases of protection</b>				
1.1 With exchange of capital	-	-	-	-
1.2 Without exchange of capital	-	-	-	-
<b>Total 31/12/2006</b>	-	-	-	-
<b>Total 31/12/2005</b>	-	-	-	-
<b>Average values</b>	-	-	-	-
<b>2. Sales of protection</b>				
2.1 With exchange of capital: credit default swaps	-	-	-	61.600
2.2 Without exchange of capital	-	-	-	-
<b>Total 31/12/2006</b>	-	-	-	<b>61.600</b>
<b>Total 31/12/2005</b>	-	-	-	<b>67.600</b>
<b>Average values</b>	-	-	-	<b>64.600</b>

### B.4 Residual maturity of credit derivative contracts: notional values

Underlying assets/Residual maturities	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
<b>A. Regulatory trading book</b>				
A.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
A.2 Credit derivatives with "unqualified reference obligation"	-	-	-	-
<b>B. Banking book</b>				
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	61.600	-	-	61.600
<b>Total 31/12/2006</b>	<b>61.600</b>	-	-	<b>61.600</b>
<b>Total 31/12/2005</b>	<b>67.600</b>	-	-	<b>67.600</b>

## SECTION 3 LIQUIDITY RISK

### QUALITATIVE INFORMATION

#### A. General aspects, management 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 liquidi-

ty risk along with the Treasury, which looks after the management of the risk

The parent company acts to hedge the fixed-rate assets and liabilities with optional components or components that are otherwise indexed by parameters, performed for the entire Group. As for the assets of network banks and of the subsidiaries Consel and Biella Leasing, an exposure limit is set for interest rate risk beyond which hedging is performed (the same thing applies for capped mortgages) through macro-hedging in homogenous classes (the "portfolio macro fair value hedge method"). As regards liabilities, individual structured issues of the Holding or of the network banks are hedged through specific hedging.

### QUANTITATIVE INFORMATION

#### 1. Distribution of residual lifetime of financial assets and liabilities - currency: EURO

Items/Time scale	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 6 a 1 anno	From 6 months to 1 year	Over 5 years
<b>Cash assets</b>	<b>820.591</b>	<b>331.852</b>	<b>80.702</b>	<b>207.947</b>	<b>444.229</b>	<b>97.811</b>	<b>260.773</b>	<b>1.062.594</b>	<b>473.587</b>
A.1 Government securities	-	-	48	1	1.995	332	95.852	125.486	7.524
A.2 Listed debt securities	-	-	-	2.016	250	9.587	14.640	156.486	49.252
A.3 Other debt securities	-	-	2	-	-	2.009	2.526	390.005	357.629
A.4 Investment fund units	-	10.173	-	-	-	-	-	-	-
A.5 Loans	820.591	321.679	80.652	205.930	441.984	85.883	147.755	390.617	59.182
- Banks	165.541	305.132	77.493	150.599	400.032	78.587	88.328	-	-
- Customers	655.050	16.547	3.159	55.331	41.952	7.296	59.427	390.617	59.182
<b>B. Cash liabilities</b>	<b>1.672.094</b>	<b>285.703</b>	<b>68.123</b>	<b>419.798</b>	<b>279.606</b>	<b>53.330</b>	<b>63.799</b>	<b>891.028</b>	<b>300.494</b>
B.1 Deposits	1.672.094	285.703	68.123	419.798	275.693	3.177	28.152	-	-
- Banks	1.512.441	283.106	62.555	414.690	272.838	653	27.186	-	-
- Customers	159.653	2.597	5.568	5.108	2.855	2.524	966	-	-
B.2 Debt Securities	-	-	-	-	3.913	50.153	28.647	824.493	105.773
B.3 Other liabilities	-	-	-	-	-	-	7.000	66.535	194.721
<b>C. Off-balance sheet transactions</b>	<b>2</b>	<b>377.125</b>	<b>3.088</b>	<b>12.040</b>	<b>42.659</b>	<b>81.816</b>	<b>15.754</b>	<b>153.026</b>	<b>201.086</b>
C.1 Derivatives with exchange of principal	2	377.125	3.088	12.040	42.659	81.816	15.754	153.026	201.086
- Long positions	1	190.970	1.567	6.141	21.659	41.303	7.982	81.992	96.567
- Short positions	1	186.155	1.521	5.899	21.000	40.513	7.772	71.034	104.519
C.2 Deposits and loans	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

## 1. Distribution of residual lifetime of financial assets and liabilities - currency: USD

Items/Time scale	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 6 a 1 anno	From 6 months to 1 year	Over 5 years
<b>A. Cash assets</b>	<b>27.815</b>	<b>91.927</b>	-	<b>3.882</b>	<b>18.470</b>	<b>617</b>	<b>3.415</b>	<b>53</b>	<b>550</b>
A.1 Government securities	107	-	-	-	55	-	14	1	22
A.2 Listed debt securities	-	-	-	-	-	1	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	52	528
A.4 Investment fund units	-	-	-	-	-	-	-	-	-
A.5 Loans	27.708	91.927	-	3.882	18.415	616	3.401	-	-
- Banks	27.700	91.927	-	3.882	18.415	616	3.401	-	-
- Customers	8	-	-	-	-	-	-	-	-
<b>B. Cash liabilities</b>	<b>95.611</b>	<b>55.962</b>	<b>12.521</b>	<b>15.943</b>	<b>44.053</b>	<b>1.610</b>	<b>150</b>	-	-
B.1 Deposits	95.611	55.962	12.521	15.943	44.053	1.610	150	-	-
- Banks	84.936	55.962	12.521	15.943	44.053	1.610	150	-	-
- Customers	10.675	-	-	-	-	-	-	-	-
B.2 Debt Securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
<b>C. Off-balance sheet transactions</b>	<b>- 205.424</b>	<b>3.038</b>	<b>15.914</b>	<b>79.186</b>	<b>14.868</b>	<b>12.822</b>	<b>2.313</b>	<b>802</b>	
C.1 Derivatives with exchange of principal	-	166.528	3.038	15.914	40.290	14.868	12.822	2.313	802
- Long positions	-	91.590	1.519	7.957	20.145	7.434	6.411	1.157	401
- Short positions	-	74.938	1.519	7.957	20.145	7.434	6.411	1.156	401
C.2 Deposits and loans	-	38.896	-	-	38.896	-	-	-	-
- Long positions	-	25.579	-	-	13.317	-	-	-	-
- Short positions	-	13.317	-	-	25.579	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

## 1. Distribution of residual lifetime of financial assets and liabilities - currency: GBP

Items/Time scale	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 6 a 1 anno	From 6 months to 1 year	Over 5 years
<b>A. Cash assets</b>	<b>1.360</b>	<b>12.599</b>	-	-	<b>9.272</b>	<b>41</b>	<b>5</b>	<b>1</b>	-
A.1 Government securities	-	-	-	-	46	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	1	-
A.4 Investment fund units	-	-	-	-	-	-	-	-	-
A.5 Loans	1.360	12.599	-	-	9.226	41	5	-	-
- Banks	1.360	12.599	-	-	9.226	41	5	-	-
- Customers	-	-	-	-	-	-	-	-	-
<b>B. Cash liabilities</b>	<b>3.937</b>	<b>12.897</b>	<b>2.204</b>	<b>237</b>	<b>6.310</b>	<b>21</b>	<b>16</b>	-	-
B.1 Deposits	3.937	12.897	2.204	237	6.310	21	16	-	-
- Banks	2.318	12.897	2.204	237	6.310	21	16	-	-
- Customers	1.619	-	-	-	-	-	-	-	-
B.2 Debt Securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
<b>C. Off-balance sheet transactions</b>	-	<b>40.134</b>	-	-	<b>8.656</b>	-	<b>50</b>	<b>688</b>	<b>6</b>
C.1 Derivatives with exchange of principal	-	32.610	-	-	1.132	-	50	688	6
- Long positions	-	16.239	-	-	566	-	25	344	3
- Short positions	-	16.371	-	-	566	-	25	344	3
C.2 Deposits and loans	-	7.524	-	-	7.524	-	-	-	-
- Long positions	-	4.021	-	-	3.503	-	-	-	-
- Short positions	-	3.503	-	-	4.021	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

## 1. Distribution of residual lifetime of financial assets and liabilities - currency: AUD

Items/Time scale	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 6 a 1 anno	From 6 months to 1 year	Over 5 years
<b>A. Cash assets</b>	<b>2.606</b>	<b>10.428</b>	<b>599</b>	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Investment fund units	-	-	-	-	-	-	-	-	-
A.5 Loans	2.606	10.428	599	-	-	-	-	-	-
- Banks	2.606	10.428	599	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-
<b>B. Cash liabilities</b>	<b>9.115</b>	<b>2.636</b>	<b>15.339</b>	-	<b>705</b>	-	-	-	-
B.1 Deposits	9.115	2.636	15.339	-	705	-	-	-	-
- Banks	6.486	2.636	15.339	-	705	-	-	-	-
- Customers	2.629	-	-	-	-	-	-	-	-
B.2 Debt Securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
<b>C. Off-balance sheet transactions</b>	-	<b>6.742</b>	-	-	<b>5.737</b>	-	-	<b>258</b>	<b>54</b>
C.1 Derivatives with exchange of principal	-	1.065	-	-	60	-	-	258	54
- Long positions	-	536	-	-	30	-	-	129	27
- Short positions	-	529	-	-	30	-	-	129	27
C.2 Deposits and loans	-	5.677	-	-	5.677	-	-	-	-
- Long positions	-	2.098	-	-	3.579	-	-	-	-
- Short positions	-	3.579	-	-	2.098	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

## 1. Distribution of residual lifetime of financial assets and liabilities - currency: YEN

Items/Time scale	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 6 a 1 anno	From 6 months to 1 year	Over 5 years
<b>A. Cash assets</b>	<b>145</b>	<b>57.103</b>	<b>11.323</b>	<b>3.664</b>	<b>6.595</b>	<b>747</b>	<b>273</b>	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Investment fund units	-	-	-	-	-	-	-	-	-
A.5 Loans	145	57.103	11.323	3.664	6.595	747	273	-	-
- Banks	145	57.103	11.323	3.664	6.595	747	273	-	-
- Customers	-	-	-	-	-	-	-	-	-
<b>B. Cash liabilities</b>	<b>63.428</b>	<b>12.299</b>	-	-	<b>1.431</b>	<b>155</b>	<b>167</b>	-	-
B.1 Deposits	63.428	12.299	-	-	1.431	155	167	-	-
- Banks	39.906	12.299	-	-	1.431	155	167	-	-
- Customers	23.522	-	-	-	-	-	-	-	-
B.2 Debt Securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
<b>C. Off-balance sheet transactions</b>	-	<b>59.079</b>	-	-	<b>17.433</b>	<b>638</b>	-	<b>26</b>	-
C.1 Derivatives with exchange of principal	-	41.646	-	-	-	638	-	26	-
- Long positions	-	20.085	-	-	-	319	-	13	-
- Short positions	-	21.561	-	-	-	319	-	13	-
C.2 Deposits and loans	-	17.433	-	-	17.433	-	-	-	-
- Long positions	-	2.072	-	-	15.361	-	-	-	-
- Short positions	-	15.361	-	-	2.072	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

## 1. Distribution of residual lifetime of financial assets and liabilities - currency: OTHER CURRENCIES

Items/Time scale	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 6 a 1 anno to 1 year	From 6 months to 1 year	Over 5 years
<b>A. Cash assets</b>	<b>9.653</b>	<b>18.671</b>	<b>4.434</b>	<b>11.667</b>	<b>46.185</b>	<b>2.397</b>	<b>1.073</b>	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Investment fund units	-	-	-	-	-	-	-	-	-
A.5 Loans	9.653	18.671	4.434	11.667	46.185	2.397	1.073	-	-
- Banks	9.653	18.671	4.434	11.667	46.185	2.397	1.073	-	-
- Customers	-	-	-	-	-	-	-	-	-
<b>B. Cash liabilities</b>	<b>11.297</b>	<b>11.918</b>	<b>988</b>	<b>4.841</b>	<b>18.356</b>	<b>362</b>	<b>98</b>	-	-
B.1 Deposits	11.297	11.918	988	4.841	18.356	362	98	-	-
- Banks	3.288	11.918	988	4.841	18.356	362	98	-	-
- Customers	8.009	-	-	-	-	-	-	-	-
B.2 Debt Securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
<b>C. Off-balance sheet transactions</b>	<b>- 109.591</b>	<b>-</b>	<b>-</b>	<b>4.356</b>	<b>37.178</b>	<b>1.796</b>	<b>226</b>	<b>468</b>	<b>236</b>
C.1 Derivatives with exchange of principal	-	72.419	-	4.356	6	1.796	226	468	236
- Long positions	-	27.574	-	2.178	3	898	113	234	118
- Short positions	-	44.845	-	2.178	3	898	113	234	118
C.2 Deposits and loans	-	37.172	-	-	37.172	-	-	-	-
- Long positions	-	18.431	-	-	18.741	-	-	-	-
- Short positions	-	18.741	-	-	18.431	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

## 2. Distribution by sector of financial liabilities

Debt/Contra	Governments and Central Banks	Other public- sector bodies	Financial companies	Insurance companies	Non-financial companies	Other parties	Total
1. Due to customers	-	-	152.792	-	8.136	64.798	225.725
2. Outstanding securities	285.346	-	-	-	-	995.889	1.281.235
3. Financial trading liabilities	-	-	8.727	-	-	35.449	44.176
4. Financial liabilities at fair value	-	-	-	-	-	-	-
<b>Total 31/12/2006</b>	<b>285.346</b>	<b>-</b>	<b>161.519</b>	<b>-</b>	<b>8.136</b>	<b>1.096.136</b>	<b>1.551.136</b>

## 3. Distribution by geographical location of financial liabilities

Debt/Contra	Italy	Other European Count.	America	Asia	Rest of the world	Total
1. Due to customers	199.572	3.382	22.495	241	36	225.725
2. Due to banks	2.479.181	417.059	-	35.382	-	2.931.622
3. Outstanding securities	1.281.235	-	-	-	-	1.281.235
4. Financial trading liabilities	28.811	14.448	917	-	-	44.176
5. Financial liabilities at fair value	-	-	-	-	-	-
<b>Total 31/12/2006</b>	<b>3.988.799</b>	<b>434.889</b>	<b>23.412</b>	<b>35.623</b>	<b>36</b>	<b>4.482.758</b>

## SECTION 4 OPERATIONAL RISK

### QUALITATIVE INFORMATION

#### A. General aspects, management processes and methods for operational risk management

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.

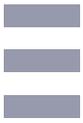
Detrimental operational events are individual events due to inefficiency or malfunctioning of processes, staff, systems or external events, which generate one or more operating losses.

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.

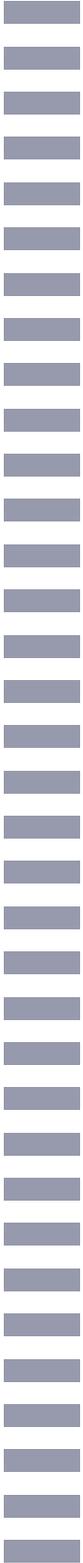
"Risk Management and Controls" has directly contributed to the spreading of the operational risk culture through the workshop "Rischi Tour" with the participation, during the second half of 2006, of 80% of the Group employees. The process will be completed by the first quarter 2007.

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.



## **PART F - INFORMATION ON SHAREHOLDERS EQUITY**



# SECTION 1 CAPITAL

## A. QUALITATIVE INFORMATION

To pursue development objectives and strategical lines, Gruppo Banca Sella adopts the measures necessary to ensure a correct control of its netequity.

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,

At December 31st, 2006, the surplus of capital for supervisory purposes over statutory levels is consistent with the risk profile taken by the bank, allowing a development consistent with the expected growth objectives.

## B. QUANTITATIVE INFORMATION

Net equity items	Amount
<b>Share capital</b>	<b>80.000</b>
<b>Issue premiums</b>	<b>49.414</b>
<b>Reserves</b>	<b>228.642</b>
- Legal reserve	28.759
- Statutory reserve	30.706
- Extraordinary reserve	97.508
- Reserve for compliance with Leg. Decree 41/95, article 25, paragraph 3	74.943
- Reserve for realignment with Law 266/05, article 1, paragraph 469	18.344
- Reserve for compliance with Law 218/90, article 7	2.586
- Reinvested capital gains reserve	710
- Special reserve for compliance with Leg. Decree 124/93, article 13	238
- Reserve after adoption of IAS/IFRS policies	-21.220
- Reserve from acquisition of corporate branch by Group companies	-144
- Profits/Losses carried forward after adoption of IAS/IFRS policies	-3.788
<b>Valuation reserves</b>	<b>55.566</b>
- Special revaluation laws	17.659
- Financial assepts available for sale	37.907
<b>Profit for the year</b>	<b>7.908</b>
<b>Total</b>	<b>421.530</b>

## SECTION 2 CAPITAL AND CAPITAL ADEQUACY RATIOS

### 2.1 CAPITAL FOR SUPERVISORY PURPOSES

#### A. INFORMATION OF A QUALITATIVE NATURE

The capital for supervisory purposes and the capital adequacy ratios have been calculated based on equity values and net profit determined by the application of the international accounting standards IAS/IFRS, in compliance with Memorandum 155/91 of the Banca

d'Italia containing the "Instructions on compiling indications on capital for supervisory purposes and capital adequacy ratios".

#### B. INFORMATION OF A QUANTITATIVE NATURE

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	Maturity date	Prepayment starting from	Currency	Original amount *	Allocated to regulatory capital*
Sella Holding Banca	3,85%	variable	16-sep-02	16-mar-13	NO	EURO	50.000	50.000
Sella Holding Banca	3,65%	variable	1-sep-03	1-sep-14	NO	EURO	24.612	24.612
Sella Holding Banca	4,15%	variable	15-jul-04	15-jul-15	NO	EURO	18.560	18.560
<b>Total hybrid instruments (Upper Tier II)</b>								<b>93.172</b>
Sella Holding Banca	3,65%	variable	3-sep-01	3-sep-07	3-sep-03	EURO	35.000	7.000
Sella Holding Banca	3,80%	variable	15-dec-02	15-dec-08	15-dec-04	EURO	25.000	10.000
Sella Holding Banca	3,70%	variable	15-oct-03	15-oct-09	17-oct-05	EURO	10.000	6.000
Sella Holding Banca	3,95%	variable	14-nov-05	14-nov-11	NO	EURO	20.000	20.000
Sella Holding Banca	4,22%	variable	15-dec-04	15-dec-14	NO	EURO	50.000	50.000
Sella Holding Banca	4,12%	variable	28-nov-06	28-nov-16	NO	EURO	50.000	50.000
<b>Total subordinated LIABILITIES (Lower Tier II)</b>								<b>143.000</b>
Sella Holding Banca	3,73%	variable	18-mar-05	18-mar-08	NO	EURO	20.000	20.000
Sella Holding Banca	4,07%	variable	3-jul-06	3-jul-09	NO	EURO	10.000	10.000
<b>Total 3rd level subordinated LIABILITIES (Upper Tier III)</b>								<b>30.000</b>
<b>Total</b>								<b>266.172</b>

\* 1000s of euro

#### Hybrid instruments (Upper Tier II)

The subordinated Upper Tier II loans meet the requirements of Banca d'Italia for being computed as components of "Capital for supervisory purposes". In particular:

- they are not subject to early reimbursement clauses;

- repayment upon maturity is subject to prior authorisation from Banca d'Italia;
- in the event of balance-sheet losses that lead to a decrease in paid-up capital and the reserves below the minimum level of capital provided for the authorisation of banking activity, the sums from the above liabilities and from accrued interest may be used

to make up for losses in order to allow the issuer to continue operations;

- in the event of liquidation of the issuer, the holder of the loan will be repaid after all other creditors that are not normally subordinated have been satisfied.

#### Computable Subordinated loans (Lower Tier II)

The subordinated Upper Tier II liabilities meet the requirements of Banca d'Italia for being computed as components of "Capital for supervisory purposes". In particular:

- in the event 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.
- they are not subject to early reimbursement clauses unless at the initiative of the Bank subject to the consent of Banca d'Italia.

#### Computable Third Level Subordinated loans(Lower Tier III)

These subordinated loans meet the requirements of Banca d'Italia for the purposes of deductibility from capital requirements for market risks.

In particular:

- payment of interest and principle is suspended if the required equity of the issuer were to fall below the equity requirement established by the "Supervisory Instructions of the Banca d'Italia";
- in the event 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.

	Total 2006	Total 2005
<b>A. Core capital before application of prudential filters</b>	<b>343.879</b>	<b>337.574</b>
Core capital prudential filters:	-	-
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	-	-
<b>B. Core capital after application of prudential filters</b>	<b>343.879</b>	<b>337.574</b>
<b>C. Supplementary capital before application of prudential filters</b>	<b>291.572</b>	<b>217.761</b>
Supplementary capital prudential filters:	-	-
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	18.954	1.845
<b>D. Supplementary capital after application of prudential filters</b>	<b>272.618</b>	<b>215.916</b>
<b>E. Total core and supplementary capital after application of prudential filters</b>	<b>616.497</b>	<b>553.490</b>
Deductions from total core and supplementary capital	50.557	47.185
<b>F. Regulatory capital</b>	<b>565.940</b>	<b>506.305</b>

## 2.2 CAPITAL ADEQUACY

### A. QUALITATIVE INFORMATION

As can be determined from quantitative information in the following table indicating the risk activities and

capital requirements, the company has a ratio between tier 1 capital and risk-weighted assets 12,98% and a ratio between total capital for supervisory purposes and risk-weighted assets of 21,64%, which is much greater than the minimum requirement of 7%.

## B. QUANTITATIVE INFORMATION

Category/Value	Non-weighted amounts		Weighted amounts/ Requirements	
	2006	2005	2006	2005
<b>A. RISK ASSETS</b>				
<b>A.1 CREDIT RISK</b>	<b>4.212.686</b>	<b>6.385.097</b>	<b>2.545.053</b>	<b>4.908.480</b>
<i>Standard approach</i>				
CASH ASSETS	3.916.562	5.875.149	2.426.671	4.502.073
1. Exposure (apart from equities and other subordinated assets) vis-à-vis (or guaranteed by):	3.076.430	4.752.219	1.651.279	3.826.805
1.1 Governments and central banks	116.801	353.656	-	-
1.2 Public entities	5	11.424	1	2.285
1.3 Banks	1.589.324	693.474	317.865	138.695
1.4 Other (apart from mortgage loans on residential and non-residential property)	1.370.300	3.693.665	1.333.413	3.685.825
2. Mortgage loans on residential property	-	649.192	-	324.596
3. Mortgage loans on non-residential property	-	-	-	-
4. Shares, shareholdings and subordinated assets	697.345	267.904	697.707	268.068
5. Other cash assets	142.787	205.834	77.685	82.604
OFF-THE-BALANCE-SHEET ASSETS	296.124	509.948	118.382	406.407
1. Guarantees and commitments vis-à-vis (or guaranteed by):	293.638	478.873	117.682	395.827
1.1 Governments and central banks	-	1.450	-	-
1.2 Public entities	-	1.171	-	234
1.3 Banks	219.945	99.135	43.989	19.826
1.4 Other	73.693	377.117	73.693	375.767
2. Derivative contracts with (or guaranteed by):	2.486	31.075	700	10.580
2.1 Governments and central banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	1.811	16.520	362	3.303
2.4 Other	675	14.555	338	7.277
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 CREDIT RISK</b>	-	-	<b>178.154</b>	<b>343.594</b>
<b>B.2 MARKET RISKS</b>	-	-	<b>7.303</b>	<b>7.330</b>
1. STANDARD APPROACH	X	X	7.303	7.330
of which:				
+ risk from position in debt securities	X	X	4.241	4.751
+ risk from position in equities	X	X	1.812	1.262
+ exchange risk	X	X	-	-
+ other risks	X	X	1.250	1.317
2. INTERNAL MODELS	X	X	-	-
of which:				
+ risk from position in debt securities	X	X	-	-
+ risk from position in equities	X	X	-	-
+ exchange risk	X	X	-	-
<b>B.3 OTHER CAPITAL REQUIREMENTS</b>	<b>X</b>	<b>X</b>	-	-
<b>B.4 TOTAL CAPITAL REQUIREMENTS (B1+B2+B3))</b>	<b>X</b>	<b>X</b>	<b>185.457</b>	<b>350.924</b>
<b>C. RISK ASSETS AND CAPITAL ADEQUACY RATIOS</b>				
C.1 Risk-weighted assets	X	X	2.649.382	5.013.194
C.2 Core capital/risk-weighted assets (Tier 1 capital ratio)	X	X	12,98%	6,73%
C.3 Regulatory capital/risk-weighted assets (Total capital ratio)	X	X	21,64%	10,25%





**PART G - OPERATIONS OF AGGREGATION REGARDING COMPANIES OR BUSINESS LINES**



## SECTION 1 OPERATIONS PERFORMED DURING THE YEAR

- On January 1st, 2006, the company, which until December 31st, 2005 was called Banca Sella, was renamed Sella Holding Banca, and took over the role of a specialist provider of banking service to all the banks and companies of the Group and to outside companies.

The services provided by Sella Holding Banca which clients continue to use via Banca Sella, without any variation in the quality of services and conditions include debit cards, POS and services connected with investments in open-ended investment companies. These services are publicised under the Sella Holding Banca name.

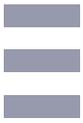
Sella Holding Banca, which is the legal successor of the previous Banca Sella, was assigned the new banking details ABI 3311 and SWIFT code SELBIT 22, but retained the tax code and VAT number 01709430027.

- On July 14th, 2006 Finanziaria Bonsel merged through (reverse) incorporation with Sella Holding Banca. After the merger, the latter became the Parent Company. The Group's restructuring plan, sent by Finanziaria Bonsel to Banca d'Italia in October 2005, and the relative acknowledgement by Banca d'Italia made it necessary to aggregate Sella Holding Banca S.p.A. and Finanziaria Bonsel S.p.A..

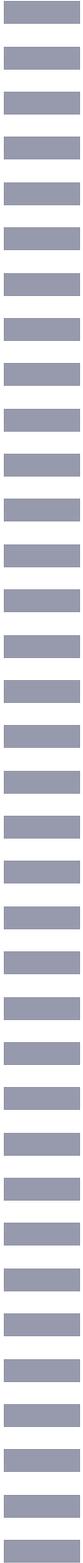
The Group's operational organisational framework, which as known designated Sella Holding Banca as the service provider for all companies in the Group made it preferable to use the "reverse merger" technique for the aggregation. In other words, Sella Holding Banca incorporated its parent company Finanziaria Bonsel, becoming the new Parent Company. It justified this decision mainly by the fact that it was assigning the function of parent company to a company authorised to perform banking activities.

After the process had been completed, last July 14th, the date on which the merger came into force, the Group obtained the organisational framework originally defined in the Strategic Plan, which specified the parent company was a banking company that in addition to its directing, coordination and control activities also provided centralised services in order to maximise in the Group the improvement of controls, the adoption of single organisational and IT models and economies of scale.

Sella Holding Banca, as is known, is already authorised to engage in banking activities and above all on behalf of the Group liaises with all the institutional counterparties and the technical operators that are indispensable for running the services (Visa, Mastercard, Stock Market and Markets, RNI, Swift, etc.).



## **PART H - RELATED PARTIES OPERATIONS**



The group of correlated parties that on the basis of the indications IAS 24 are significant for Gruppo Banca Sella with reference to the specific organisational structure and governance comprise:

- a) subsidiary companies that the parent company controls directly or indirectly;
- b) associated companies on which the parent company directly or indirectly exerts considerable influence;
- c) directors and managers with strategic responsibility;
- d) close relatives of directors and managers with strategic responsibility;

e) subsidiary or associated companies with one of the parties specified in points c) and d).

### 1. Information about the remuneration of directors and executives

In the light of the current organisational framework of the Group "managers with strategic responsibilities" include: the Board of Directors and the members of the Central Management Committee of Sella Holding Banca entrusted with the functions of directing, coordinating and controlling. Remuneration paid in 2006 to the above corporate representatives of the parent company are listed on the following table:

Remuneration paid to managers with strategic responsibilities (including directors) <i>(figures in thousands of euros)</i>	2006
a) employees short-term benefits for employees	4.333,3
b) post-employment benefits	-
c) other long-term benefits	-
d) staff severance indemnities	118,9
e) share based payments in shares compensation	-
<b>Total</b>	<b>4.452,2</b>

The following table shows the different remuneration earned in 2006 by the directors and statutory

auditors of the Parent Company:

Remuneration paid in 2006 (figures in thousands of euros) <i>(figures in thousands of euros)</i>	2006
Board of Directors	2.369,8
Statutory auditors	150,0

### 2. Information on transactions with correlated parties

The transactions with correlated parties were normally conducted on the same conditions as those applied to the transactions with independent third parties.

#### Outsourcing contracts

The Parent Company, as part of its directing, coordinating and control function, provides a series of outsourcing activities on behalf of subsidiary and associated companies. These activities include, inter alia, acting as a custodian, finance, accounting, legal advice,

payment systems, information systems, risk management, marketing and administration.

These activities are subject to specific contracts and are conducted after their mutual benefit has been ascertained and are conducted subject to market conditions with the objective of creating value within the Group.

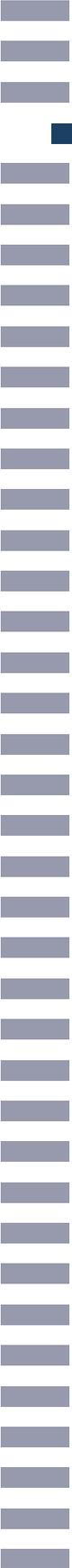
For the provision of these services, the companies of the Group pay Sella Holding Banca a general fee amounting to € 51,7 million. The following table shows the assets, liabilities, guaranties and commitments in existence at December 31st, 2006 broken down by different types of correlated parties:

**Transactions with correlated parties** *(figures in thousands of euros)*

	Non-consolidated subsidiary companies	Associated companies	Directors and managers	Other correlated parties*
Credits	-	-	1.161,5	2.355.668
Cash and signature loans	-	-	2.048,5	2.654.584
Guarantees given	-	-	24,0	136.888
Guarantees received from the Bank	-	-	425,7	-

\* The category "other correlated parties" comprises the data relating to close relatives of directors and general managers and the data on the subsidiaries thereof.



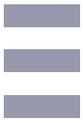


## **PART I – PAYMENT AGREEMENTS BASED ON OWN CAPITAL INSTRUMENTS**

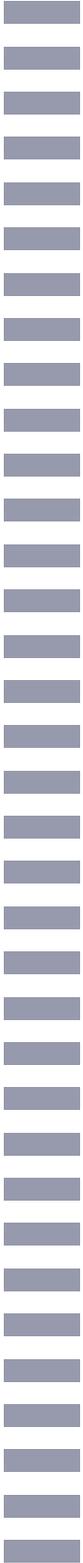
Sella Holding Banca does not have any outstanding operations of this type.







**INDIPENDENT AUDITORS' REPORT**



**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 financial statements of Sella Holding Banca S.p.A. 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 financial statements are the responsibility of the Sella Holding Banca S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements represent the first financial statements prepared by Sella Holding Banca S.p.A. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.
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 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.

For comparative purposes, the financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles. In addition, section "Adoption of International Accounting Standards / International Financial Reporting Standards" of the explanatory notes explains the effects of transition to IFRS as adopted by the European Union. The information presented in the explanatory notes was examined by us for the purpose of expressing an opinion on the financial statements as of 31 December 2006.

3. In our opinion, the 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 Sella Holding Banca S.p.A. 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. We bring to your attention some issues, already described by management.
- The subsidiary Sella Bank Luxembourg S.A. received claims and two summonses from the official liquidators of Luxembourg open-end investment companies. The subsidiary, supported by the Parent Company, invested external lawyers with the assignment of conducting the required comparisons and taking related legal steps. Sella Holding Banca 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 requested 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 financial statements to be adequate.
  - During the Group's reorganization process, the company Banca Sella S.p.A. (now Sella Holding Banca S.p.A.) granted, as from January 1, 2006, its Italian network, its savings management activities and private banking to another company in the Group, which at same time took the name of Banca Sella S.p.A..

Turin, 27 April 2007

Reconta Ernst & Young S.p.A.

Signed by: Stefania Doretto, Partner

## ■ DECISIONS OF THE ORDINARY SHAREHOLDERS' MEETING OF APRIL 30<sup>th</sup> 2007

The Shareholders' Meeting unanimously:

a p p r o v e s

- the Board of Directors' report on accounts for the year 2006;
- the Financial Statements for the year ended December 31st, 2006 consisting of the Balance Sheet, Income statement and Notes to the Financial Statements and the annexes thereto;
- the distribution of profits contained in the Board of directors' report on accounts ;

a p p o i n t s

- the following are directors for the three-year period 2007/2009, until the approval of the Financial Statements at 31/12/2009: Mario Cattaneo, Mario Renzo Deaglio, Pier Vittorio Magnani, Enzo Panico, Giovanni Rosso, Marco Scarzella, Federico Sella, Franco Sella, Lodovico Sella, Maurizio Sella, Pietro Sella, Sebastiano Sella, Vittorio Sella, Marco Weigmann and Giovanni Zanetti.

