

# GRUPPO BANCA SELLA



## CONSOLIDATED ANNUAL REPORT 2004

Drawn up by the Parent Company

**FINANZIARIA BANSEL S.p.A.**

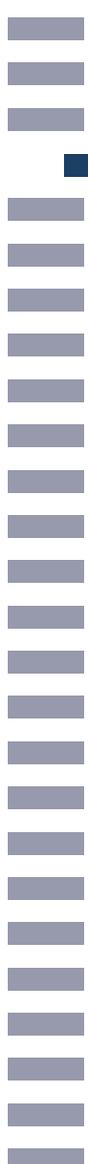


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## BOARD OF DIRECTORS OF THE PARENT COMPANY FINANZIARIA BANSEL S.p.A.

appointed up to the approval of the 2005 financial statements

Chairman	* Maurizio Sella
Vice Chairman	* Lodovico Sella
Vice Chairman	* Franco Sella
Managing Director	* Pietro Sella
Director	Mario Cattaneo
"	Mario Renzo Deaglio (as from 1 February 2005)
"	Pier Vittorio Magnani
"	Enzo Panico
"	Giovanni Rosso
"	Marco Scarzella
"	* Federico Sella
"	* Sebastiano Sella
"	Vittorio Sella
"	Marco Weigmann (as from 1 February 2005)
"	Giovanni Zanetti

\* Member of the Executive Committee

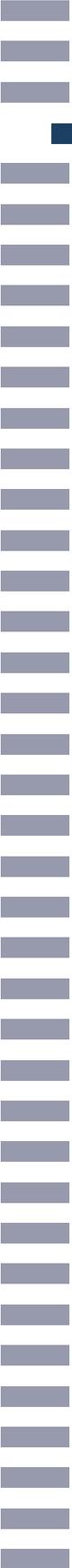
## BOARD OF STATUTORY AUDITORS OF THE PARENT COMPANY FINANZIARIA BANSEL S.p.A.

appointed up to the approval of the 2006 financial statements

Auditor - Chairman	Alberto Rizzo
"	Vittorio Bernero
"	Alessandro Rayneri
Supplementary Auditor	Roberto Cravero
"	Benito Rimini







**BOARD OF DIRECTORS' CONSOLIDATED  
ANNUAL REPORT**



## FINANCIAL HIGHLIGHTS

	31/12/2004	31/12/2003	% variation
<b>BALANCE SHEET</b> (figures in euro million)			
Total assets	8.717,8	8.400,3	3,8%
Cash loans	5.189,3	4.805,2	8,0%
Guarantees given	332,1	366,6	-9,4%
Securities on hand	1.146,3	1.124,0	2,0%
Equity investments	98,3	90,8	8,2%
Tangible and intangible fixed assets	215,4	208,6	3,3%
Customer savings, current accounts and securities issued	6.922,6	6.484,4	6,8%
Customer savings, current accounts and securities issued net of repurchase agreements	6.144,6	5.581,4	10,1%
Assets under management and third party securities held in deposit <sup>(1)</sup>	21.545,8	19.065,6	13,0%
Total deposits	28.468,4	25.550,0	11,4%
Capital for supervisory purposes	587,2	499,5	17,6%

<b>INCOME STATEMENT</b> (figures in euro million)			
Net interest income	205,2	189,0	8,6%
of which: dividends	4,3	4,4	-2,3%
Net other banking income	244,7	242,6	0,9%
of which: net fees	185,9	174,3	6,7%
dealing profits (losses)	26,0	32,0	-18,8%
Net interest and other banking income <sup>(2)</sup>	449,9	431,6	4,2%
Administrative expenses <sup>(3)</sup>	299,9	281,5	6,5%
Write-downs to loans and to fixed assets net of write-ups	88,8	88,6	0,2%
Provisions for risks and charges and for possible loan losses	12,1	16,4	-26,2%
Income taxes <sup>(4)</sup>	27,6	26,1	5,7%
Net profit for the year	26,8	12,8	109,4%

<sup>(1)</sup> The aggregate, excluding cash (included in customer savings, current accounts and securities issued), is the sum of the following items of section 12 of the Explanatory Notes to the Financial Statements part B: tables 12.2 "Assets managed on behalf of customers" and 12.3 "Third party securities held in deposit (excluding assets under management)".

<sup>(2)</sup> Including dealing profits (losses) and other operating income (excluding recovery of stamp duty and other taxes).

<sup>(3)</sup> Excluding recovery of stamp duty and other taxes and including the Regional Tax on Industrial Activity (IRAP) for staff and attached staff net expenses.

<sup>(4)</sup> Excluding the Regional Tax on Industrial Activities (IRAP) relevant to staff and attached staff net expenses.

<b>STAFF AND BRANCHES</b> (figures at the end of financial years)					
	2004	2003	2002	2001	2000
Staff – banking Group	3.714	3.579	3.467	3.355	3.138
Staff – consolidated Group (as by Civil Law prescriptions)	3.745	3.611	3.500	3.383	3.164
Branches (in Italy and abroad)	277	269	259	246	228
Financial promoters	540	603	684	713	680

## FINANCIAL RATIOS

	2004	2003	2002* pro forma	2001**	2000**
<b>PROFITABILITY RATIOS (%)</b>					
R.O.E. (return on equity) <sup>(1)</sup>	8,3	4,3	4,6	6,3	8,8
R.O.A.A. (return on average assets) <sup>(2)</sup>	0,36	0,18	0,20	0,28	0,43
Net interest income (net of dividends) / Net other banking income	44,7	42,8	41,1	40,5	38,1
Dividends / Net interest and other banking income	1,0	1,0	1,1	0,8	1,2
Net other banking income <sup>(3)</sup> / Net interest and other banking income	54,4	56,2	57,8	58,7	60,8
Administrative expenses <sup>(4)</sup> / Net other banking income <sup>(3)</sup>	122,6	116,0	115,4	112,0	105,3
Administrative expenses <sup>(4)</sup> / Net interest and other banking income	66,7	65,2	66,7	65,7	64,0
Cost to income <sup>(5)</sup>	72,6	71,8	74,7	73,9	71,9
Staff expenses <sup>(6)</sup> / Net interest and other banking income	41,2	40,1	40,1	37,7	34,9
<b>PRODUCTIVITY RATIOS (euro/thousand)</b>					
Net interest and other banking income / Average No. of employees	123,4	122,5	122,9	125,9	138,1
Gross operating income / Average No. of employees	30,3	30,7	26,0	27,5	36,4
Cash loans <sup>(7)</sup> / No. of employees at year end	1.397,2	1.342,6	1.190,5	1.205,0	1.123,8
Customer savings, current accounts and securities issued (excluding repurchase agreements) / No. of employees at year end	1.654,4	1.559,5	1.470,5	1.392,0	1.288,7
Total deposits / No. of employees at year end	7.665,2	7.138,9	6.640,5	7.024,1	6.722,3
<b>BALANCE SHEET RATIOS (%)</b>					
Cash loans <sup>(7)</sup> / Customer savings, current accounts and securities issued (excluding repurchase agreements)	84,5	86,1	81,0	86,6	87,2
Cash loans <sup>(7)</sup> / Total assets	59,5	57,2	50,4	50,4	48,3
Capital for supervisory purposes / Total assets	6,7	5,9	5,5	4,7	5,0
Customer savings, current accounts and securities issued (including repurchase agreements) / Total assets	79,4	77,2	73,8	71,1	69,9
<b>CREDIT RISK RATIOS (%)</b>					
Net non-performing loans / Cash loans <sup>(7)</sup>	1,4	1,7	1,7	1,9	2,0
Net non-performing loans / Capital for supervisory purposes	12,3	16,0	15,7	19,9	19,9
Net write-downs to loans / Cash loans <sup>(7)</sup>	0,8	0,6	0,6	0,7	0,6
<b>CAPITAL ADEQUACY RATIOS (%)</b>					
Tier 1 capital ratio	6,1	5,7	5,8	5,5	5,6
Total capital ratio	10,9	9,9	9,8	8,6	9,0

<sup>(\*)</sup> Pro forma: figures have been restated to allow for a homogeneous comparison with figures for 2003 following the change, decided in 2003, from the capital lease method to the financial lease method in the recording of financial leasing operations in the Consolidated Financial Statements.

<sup>(\*\*)</sup> Figures for years 2000 and 2001 as well have been calculated taking into account the change, decided in 2003, from the capital lease method to the financial lease method in the recording of financial leasing operations in the Consolidated Financial Statements.

<sup>(1)</sup> Net profit (including minority interests and before provision to the reserve for general banking risks) over Stockholders' equity (including minority interests and the reserve for general banking risks before provisions), excluding revaluation reserves according to Law 342/2000.

<sup>(2)</sup> Net profit (including minority interests and before provision to the reserve for general banking risks) over total average assets.

<sup>(3)</sup> Including Dealing profits (losses) and Other operating income (excluding recovery of stamp duty and other taxes).

<sup>(4)</sup> Excluding recovery of stamp duty and other taxes and including the Regional Tax on Industrial Activities (IRAP) relevant to staff and attached staff net expenses.

<sup>(5)</sup> Administrative expenses (item 80 of the Income Statement), excluding recovery of stamp duty and other taxes) and Write-downs to tangible and intangible fixed assets (excluding accelerated depreciations and net interest and other banking income) over Other operating expenses.

<sup>(6)</sup> Including the Regional Tax on Industrial Activities (IRAP) relevant to staff and attached staff net expenses.

<sup>(7)</sup> The figure as at 31/12/2001 does not include repurchase agreements with institutional counterparties amounting to € 267 million and includes the value of leasing contracts of Biella Leasing (for an amount of € 202,1 million) subject to the securitization operation started at the end of 2001.

## OVERVIEW OF GROUP STRATEGY

Provided that the general strategic guidelines of the Group concerning diversification, capital stability, multi-purpose Group organizational structure and focus on customers still holds, the initiatives started during 2004 were put in place according to the three-year Strategic Plan, of which the main guidelines were:

- the updating and strengthening of the organizational model for a better control and improved efficiency;
- the keeping up of the growth in size, which, as always, shall be pursued in the respect of robust, prudent and balanced values, in a context of high quality and competitiveness.

### ORGANIZATIONAL MODEL AND CORPORATE GOVERNANCE

The simplification of the organizational model shall be put in place through:

- the strengthening of the role of the Parent company through the centralization at the same of some functions until now directly carried out by the companies of the Group so as to improve controls and to avoid expensive duplications of functions for the same subsidiaries;
- the rationalization of the structure of the Group through a gradual reduction in the number of companies and the following different subdivision of activities among the remaining ones;
- the strengthening of control services and instruments, together with a "culture of controls", so as to improve the subdivision of tasks and responsibilities;
- the adoption of a new map for direction and coordination, providing a different subdivision of proxies and of responsibilities, and of a new layout of mechanisms for the governance and control of the Group, allowing for a more fluid and coordinated decision making process;
- the adoption of more up-to-date and homogeneous corporate processes, improving their automation and efficiency, especially as regards the ones related to proxies and authorizations;
- the review of some governance rules following common best practice criteria.

The above mentioned strategies were concretely translated in the following:

1. centralization at the Parent company of important corporate functions such as: Risk Management, Budgetary Control, Payments System, Accountancy, Financial Analysis, Marketing and Press office. Setting up of an Integrated Group Treasury, allowing for a better and more efficient handling of cash, a better control and management of interest rate and exchange risks at a consolidated level, a more careful ALM at a Group level and the internalization of some important flows, therefore allowing for an improved profitability;
2. a set of corporate operations was made so as to achieve a Group structure in line with the above mentioned rationalization:
  - liquidation of the Irish company Sella Adviser Ireland, the advisor activity of which for the funds established by Sella Fund Management Ireland and for the internal funds associated to Sella Life unit-link policies was given to the asset management companies of the Group Gestnord Fondi SGR and Sella Capital Management SGR;
  - start of the procedures for the liquidation of Sella Fund Management Ireland; the funds established by this company were closed and the assets there invested were merged into other products managed by companies of the Group;
  - liquidation of the Swiss company P.P.M. Professional Portfolio Management, the activities of which merged into Sella Bank AG, sole shareholder of the company;
  - merge by takeover into Immobiliare Lanificio Maurizio Sella S.p.A. of Seldata S.r.l., which at the end of 2003 had transferred a branch of its business to the Group company Easy Nolo S.p.A., keeping only the real estate property;
  - winding up, in December 2004, of the affiliated company Selcre S.p.A. (insurance brokerage business), the activity of which continues to be carried out by Brosel S.p.A.;

- accomplishment of the project for the merge of Gestnord Intermediazione S.I.M. into Sella Investimenti Banca, which, starting from 1 January 2005, changed its company name into Banca Patrimoni e Investimenti, specialized in private banking;
  - change of company name of IBL Investment Bank Luxembourg, which in December deliberated on the variation to Sella Bank Luxembourg SA and, at the same time, on an increase in capital of the company;
3. all Group companies were supplied with a special telematic procedure to automatically assess line controls, allowing for the centralized monitoring of their execution. Moreover, a Group Activities and Subsidiaries Control Department was set up, in order to improve policies on subsidiaries' activities, in particular as to corporate governance. Also, during the year a workgroup was set up, which, after evaluating the main impact deriving from the introduction of IAS accounting principles (which will be adopted in the drawing up of the Consolidated Financial Statements for 2005), started a project for the planning of interventions needed to make Group companies compliant with the new international standards;
  4. the articles of association of Group companies were conformed to the reform of company laws in force and corporate governance rules included in the "Gruppo Banca Sella Equity Investments Regulations" were updated, according to the evolution of rules and to the transfer of the same into Group corporate governance regulations. The appointment of independent Directors in the Boards of Directors of an increasing number of subsidiaries is also to be pointed out.

- the development of new customers and of the offer to existing customers, also by way of an increase of cross-selling;
- the growth and evolution of the distribution network;
- a strong attention paid to the quality of service and the improvement of service levels;
- a high business diversification, favouring the development of areas of business having higher growth rates.

During the year 8 new branches were opened, further improving geographical diversification; moreover, the number of customers increased and the range of products and services was enlarged.

Also in 2004 the careful evaluation of results from investments made during the previous years went on, in order to strengthen those able to create higher profits and to put in place the necessary corrective interventions for lesser profitable ones. All this, together with those actions aimed at the recovery of productivity and costs reduction, was not enough to reduce the cost to income ratio (calculated as the ratio between administrative expenses, excluding recovery of stamp duty and other taxes and write-downs to tangible and intangible fixed assets, excluding accelerated depreciations, over net interest and other banking income excluding other operating expenses), which stands at 72,6% (71,8% in 2003), due to an increase of costs related to the strengthening of control and compliance structures, and to due diligence costs relevant to Sella Bank Luxembourg SA.

## RATING

As every year, towards the end of 2004, the usual meeting with the rating agency took place. The ratings assigned by Moody's to the Group were unvaried and are the following:

Long term	A3
Short term	Prime -1
Financial strength	C
Outlook	stable

## GROWTH IN SIZE

As it was deemed of remarkable importance to continue to aim at a larger size, both to face the challenge of the market and to gain higher profits from its structure, the Group pursued this objective through:

## OVERVIEW OF PERFORMANCE

In a scenario marked by a feeble economic upturn of the Eurozone and of Italy in particular, 2004 closed with a Group net profit of € 26,8 million (€ 12,8 million in 2003), growing by 109%.

Consolidated R.O.E. therefore reached 8,3%, showing a remarkable improvement if compared to the 4,3% of 2003.

The main items which influenced the trend of the financial year were:

- 2,6% improvement of gross operating income, with an increase of € 2,8 million in volume;
- the increase of loan losses (net of write-ups), standing at € 43,4 million as against € 30,1 million of 2003;
- the decrease of amortization of positive goodwill arising on consolidation, amounting to € 12,1 million if compared to € 23 million of 2003, when it was influenced by the decision of accelerating the process of amortization of goodwill paid to acquire some foreign equity investments;
- the recovery of part of precautionary provisions made at the end of 2003 by the subsidiary IBL Investment Bank Luxembourg SA (now Sella Bank Luxembourg SA), as against forecasted liabilities which later showed to be of a lower amount.

The best results were recorded by the Italian banks,

mainly active in retail banking, which, even though showing different increases, remarkably contributed to consolidated results. The subsidiaries working in the leasing and consumer credit businesses also showed satisfactory profits and consumer credit in particular witnessed a remarkable increase if compared to the previous financial year.

Subsidiaries whose main business is related to asset management and stock brokerage recorded a recovery of profitability and quality with respect to a year earlier.

As far as the sales networks are concerned, the actions aimed at the rationalization of their structure and at the improvement of their efficiency, which were already carried out in 2002 and 2003 and were continued in 2004, allowed Sella Consult SIM to reach excellent results, reaching a net profit of € 1,3 million (even if helped by extraordinary income related to the application of taxes paid in advance relevant to losses and provisions of previous financial years).

In the insurance sector, CBA Vita, specialized in life policies, recorded an improvement of profitability, closing the financial year with a net profit of € 1,3 million.

Here below is shown the R.O.E. of the main companies the Group, excluding holdings and real estate companies:

**R.O.E. <sup>(1)</sup>**

	2004	2003	2002
Banca Sella S.p.A.	7,9%	8,4%	8,1%
Banca Arditi Galati S.p.A.	3,2%	2,8%	2,1%
Banca Bovio Calderari S.p.A.	6,9%	7,1%	5,4%
Banca di Palermo S.p.A.	2,1%	1,5%	-2,2%
Biella Leasing S.p.A.	19,2%	19,8%	19,2%
Brosel S.p.A.	45,7%	30,6%	27,7%
C.B.A. Vita S.p.A.	3,6%	0,7%	-9,5%
Consel S.p.A.	19,2%	11,3%	15,2%
Easy Nolo S.p.A.	10,4%	10,5%	488,0%
Fiduciaria Sella SIMp.A.	18,8%	15,7%	19,6%
Gestnord Fondi SGR S.p.A.	6,4%	5,5%	2,1%
Gestnord Intermediazione SIM S.p.A.	-1,6%	0,8%	-3,6%
Sella Bank Luxembourg S.A. (formerly IBL)	-25,2%	-53,8%	18,7%
International Capital Bourse S.A.	2,2%	-12,0%	-12,9%
International Capital Gestion S.A.	8,5%	-23,3%	-17,1%
Selfid S.p.A.	9,4%	30,9%	56,1%
Selir S.r.l.	7,9%	71,9%	55,0%
Sella Austria Financial Services AG	-356,3%	-166,0%	-27,4%
Sella Bank AG	1,9%	3,8%	8,1%
Sella Capital Management SGR S.p.A.	8,3%	-9,5%	-14,2%
Sella Consult SIMp.A.	36,7%	2,1%	-47,2%
Sella Corporate Finance S.p.A.	4,5%	16,4%	17,6%
Sella Fund Management Ireland Ltd	-7,0%	18,4%	4,5%
Sella Investimenti Banca S.p.A.	-11,5%	-5,6%	-6,9%
Sella Life Ltd	-17,5%	-5,2%	1,9%
Sella Synergy India Ltd	-22,2%	4,6%	2,1%
Sella Trust Lux S.A.	1,1%	3,9%	50,9%
Selsoft Direct Marketing S.p.A.	5,5%	4,3%	-14,6%

<sup>(1)</sup> Net profit (including minority interests before provision to the reserve for general banking risks) over stockholders' equity (including reserve for general banking risks before provisions), excluding revaluation reserves according to Law 342/2000. The impact of increases in capital made during the year was taken into account proportionally with the actual months of persistence.

**RECLASSIFIED CONSOLIDATED INCOME STATEMENT** (figures in euro million)

	2004	2003	% variation over 2003
10. Interest receivable and similar income	323,1	317,3	1,8%
20. Interest payable and similar charges	(122,2)	(132,7)	-7,9%
30. Dividends and other income	4,3	4,4	-2,3%
<b>NET INTEREST INCOME</b>	<b>205,2</b>	<b>189,0</b>	<b>8,6%</b>
40. Fees and commissions receivable	298,8	272,3	9,7%
50. Fees and commissions payable	(112,9)	(98,0)	15,2%
60. Dealing profits (losses)	26,0	32,0	-18,8%
70. Other operating income (excluding recovery of stamp duty and other taxes)	32,8	36,3	-9,6%
Amortizations on assets in financial lease	-	-	-
Offsetting of interest relevant to rents of securitized leasing contracts	-	-	-
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>449,9</b>	<b>431,6</b>	<b>4,2%</b>
80. Administrative expenses:			
- Staff expenses	(178,7)	(166,9)	7,1%
IRAP relevant to staff and attached staff net expenses	(6,8)	(6,0)	13,3%
- Other administrative expenses	(131,5)	(124,9)	5,3%
Recovery of stamp duty and other taxes	17,1	16,3	4,9%
90. Write-downs to tangible and intangible fixed assets (excluding positive goodwill arising on consolidation)	(32,9)	(35,0)	-6,0%
110. Other operating expenses	(6,3)	(7,1)	-11,3%
<b>GROSS OPERATING INCOME</b>	<b>110,8</b>	<b>108,0</b>	<b>2,6%</b>
100. Provisions for risks and charges	(10,1)	(14,4)	-29,9%
120. Write-downs to loans and provisions for guarantees and commitments	(52,7)	(39,1)	34,8%
130. Write-ups to loans and provisions for guarantees and commitments	9,3	9,0	3,3%
140. Provisions to the reserves for possible loan losses	(2,0)	(2,0)	0,0%
150. Write-downs to financial fixed assets	(0,4)	(0,5)	-20,0%
170. Profit (loss) of equity investments carried at equity	0,7	0,3	133,3%
<b>INCOME INCLUDING AMORTIZATION OF GOODWILL ARISING ON CONSOLIDATION AND ON APPLICATION OF THE EQUITY METHOD</b>	<b>55,6</b>	<b>61,3</b>	<b>-9,3%</b>
Amortization on goodwill arising on consolidation and on application of the equity method	(12,1)	(23,0)	-47,4%
<b>OPERATING INCOME</b>	<b>43,5</b>	<b>38,3</b>	<b>13,6%</b>
190. Extraordinary income	24,3	11,5	111,3%
200. Extraordinary expenses	(9,5)	(8,4)	13,1%
<b>INCOME BEFORE TAXES</b>	<b>58,3</b>	<b>41,4</b>	<b>40,8%</b>
240. Income taxes for the year (excluding IRAP relevant to staff and attached staff net expenses)	(27,6)	(26,1)	5,7%
<b>INCOME BEFORE PROFIT ATTRIBUTABLE TO MINORITY INTERESTS</b>	<b>30,7</b>	<b>15,3</b>	<b>100,7%</b>
250. Profit (loss) attributable to minority interests	(3,9)	(2,5)	56,0%
<b>NET PROFIT FOR THE YEAR</b>	<b>26,8</b>	<b>12,8</b>	<b>109,4%</b>

## FINANCIAL RESULTS

### NET INTEREST INCOME

Net interest income (including dividends) for 2004 stood at € 205,2 million, growing by 8,6% if compared to the previous financial year, mainly in relation with the good contribution of increased volumes, together with a spread substantially in

line with that recorded in the second half of 2003.

The details of the items contributing to net interest income highlight how activity with customers produced net interest for an amount of € 161,6 million, with an increase of 19,7%.

The ratio between net interest income (excluding dividends) and net interest and other banking income increased, passing from 42,8% in 2003 to 44,7% in 2004.

<b>NET INTEREST INCOME</b> <i>(figures in euro million)</i>			
	<b>2004</b>	<b>2003</b>	<b>%variation over 2003</b>
<b>Net interest with customers</b>	<b>161,6</b>	<b>135,0</b>	<b>19,7%</b>
- interest receivable	257,8	239,2	7,8%
- interest payable	(65,9)	(69,4)	-5,0%
- interest payable on securities issued	(25,0)	(29,1)	-14,1%
- interest payable on subordinated liabilities	(5,3)	(5,7)	-7,0%
<b>Interest receivable on securities</b>	<b>29,1</b>	<b>31,1</b>	<b>-6,4%</b>
<b>Net interest with banks</b>	<b>10,1</b>	<b>17,3</b>	<b>-41,6%</b>
- interest receivable	34,8	45,1	-22,8%
- interest payable	(24,7)	(27,8)	-11,2%
<b>Differentials on hedging transactions</b>	<b>(1,3)</b>	<b>(0,7)</b>	<b>85,7%</b>
<b>Other net interest</b>	<b>1,4</b>	<b>1,9</b>	<b>-26,4%</b>
<b>Total net interest</b>	<b>200,9</b>	<b>184,6</b>	<b>8,8%</b>
<b>Dividends and other income</b>	<b>4,3</b>	<b>4,4</b>	<b>-2,3%</b>
<b>NET INTEREST INCOME</b>	<b>205,2</b>	<b>189,0</b>	<b>8,6%</b>

### NET INTEREST AND OTHER BANKING INCOME

The Group's net interest and other banking income stood at € 449,9 million, growing by 4,2% with respect to a year earlier.

#### Net other banking income

The total aggregate reached € 244,7 million, slightly higher if compared to 2003, when it stood at € 242,6 million.

As far as this result is concerned, net fees showed

a positive trend, increasing by 6,7%, while dealing profits recorded a decrease of 18,8%, mainly influenced by a lesser volatility of the markets.

Fees related to asset management, brokerage and advisory services made up ground, as is especially to be seen in the good increase related to insurance products.

Net fees from payment and collection services recorded an increase of 9,3% over 2003.

On the whole, in 2004 Group net fees covered the total of staff expenses and showed a 62% weight on administrative expenses, in line with the previous financial year.

**NET FEES** (figures in euro million)

	2004	2003	% variation over 2003
<b>Banking and commercial activity</b>	<b>75,0</b>	<b>68,8</b>	<b>9,0%</b>
- guarantees given	2,3	2,3	0,0%
- payment and collection services	41,1	37,6	9,3%
- loans to customers	26,4	24,1	9,5%
- debit and credit cards	5,2	4,8	8,3%
<b>Asset management, brokerage and advisory services</b>	<b>98,6</b>	<b>93,8</b>	<b>5,1%</b>
- brokerage and securities placement	46,3	43,9	5,5%
- currencies dealing	1,3	1,1	18,2%
- asset management	29,2	30,4	-3,9%
- insurance products distribution	8,1	5,4	50,0%
- other brokerage/management fees	13,7	13,0	5,4%
<b>Other net fees</b>	<b>12,3</b>	<b>11,7</b>	<b>5,1%</b>
<b>TOTAL NET FEES</b>	<b>185,9</b>	<b>174,3</b>	<b>6,7%</b>

**ADMINISTRATIVE EXPENSES**

Total administrative expenses (administrative expenses including write-downs and other operating charges) net of recovery of stamp duty and other taxes stood at € 339,1 million, increasing by 4,8% on 2003.

Such trend was influenced by the structural and organizational rationalization processes set up during the year, and also by the strengthening of the compliance and control structures.

**Administrative expenses (net of recovery of stamp duty and other taxes and including the Regional Tax On Industrial Activity – IRAP - relevant to staff and attached staff net expenses)**

Administrative expenses, standing at € 299,9 million, showed an increase of 6,5%. Staff costs (including the Regional Tax On Industrial Activity - IRAP - relevant to the same), equal to € 185,5 million, showed a 7,3% growth, due to the rise in wages provided by the national contract, to promotions, seniority increases and to the 3,8% increase in number of employees, while other administrative expenses (excluding recovery of indirect taxes), grew by 5,3%, due also to due diligence costs relevant to Sella Bank Luxembourg SA.

**Write-downs to tangible and intangible fixed assets**

Amortizations on tangible and intangible fixed assets reached € 32,9 million, decreasing by 6% with respect to the previous financial year, thanks to the gradual decrease of amortizations related to investments made in 2000/2001, period in which many investments of high amount were made.

Investments made during the year (amounting to about € 26 million) mainly involved the IT area (set up of disaster recovery measures), the distribution network (opening of new branches) and the Electronic Payment Systems.

**WRITE-DOWNS AND PROVISIONS NET OF WRITE-UPS**

**Provisions for risks and charges** amounted to € 10,1 million, as against € 14,4 million of 2003, showing a decrease of 30%. The precautionary provisions for € 10,4 million in connection with evaluated potential liabilities made during 2003 by Sella Bank Luxembourg SA (formerly IBL Investment Bank Luxembourg), subsequently showed to exceed the real risk for about € 5 million.

**Loan losses** (excluding write-ups to loans), standing at € 43,4 million, increased by 44,2% with respect to 2003, due to the unfavourable economic situation in those areas where the Group is more present. On the other hand, the quality of assets has improved, as is shown by the ratio of net non-performing loans over cash loans, which passed from 1,67% in 2003 to 1,39% in 2004, while the ratio between net write-downs to loans and cash loans stands at 0,8% (0,6% in 2003).

**Profit on equity investments carried at equity increased**, passing from € 0,3 million of the previous financial year to € 0,7 million in 2004, thanks to the good performance of the insurance company CBA Vita, which shows a remarkable improvement with respect to 2003.

**Amortization of positive goodwill arising on consolidation**, as already said, stood at € 12,1 million (€ 23 million in 2003).

## **INCOME TAXES**

The decrease of income taxes was due to the fact that the income tax on companies (IRES) became effective, involving a reduction of the nominal tax rate from 34% to 33% and the introduction of new regulations,

such as, in particular, the National Regulation of Consolidated Tax Returns, the exclusion from taxation of 95% of the amount of dividends and the so-called "participation exemption" (i.e. the exclusion from taxation of capital gains deriving from the sale of equity investments entered in financial fixed assets).

Gruppo Banca Sella, from the tax period 2004, joined the National Regulation of Consolidated Tax Returns. Such Regulation, involving as controlling and consolidating company the Parent company Finanziaria Bansel S.p.A., was joined by all companies under Italian law of the banking Group (excluding Sella Capital Markets SIM S.p.A., in liquidation) and also by CBA Vita S.p.A., controlled company operating in the insurance business that is not included in the banking Group. Remarkable benefits for the Group came, from the tax period 2004, from joining the Regulation, as to reduction of the total tax load, mainly thanks to the total exclusion from taxation of infragroup dividends, to the prompt and total offsetting of tax profits and losses by the companies joining the Regulation and to the new calculation of "income pro-rata of non-deductibility of interest payable".

## CAPITAL AND INVESTMENTS

### RECLASSIFIED CONSOLIDATED BALANCE SHEET *(figures in euro million)*

	2004	2003	% variation over 2003
<b>ASSETS</b>			
Cash deposits with central banks and post offices	106,7	90,6	17,8%
Loans:			
- due from customers	5.189,3	4.805,2	8,0%
- due from banks	1.478,2	1.568,5	-5,8%
Dealing securities	1.057,9	1.030,7	2,6%
of which own shares	0,98	0,98	0,0%
Fixed assets:			
- investment securities	89,4	94,3	-5,2%
- equity investments	98,3	90,8	8,3%
- tangible and intangible fixed assets	215,4	208,5	3,3%
Positive goodwill arising on consolidation	20,7	31,4	-34,1%
Positive goodwill arising on application of the equity method	2,6	3,2	-18,8%
Other assets	459,3	477,1	-3,7%
<b>TOTAL ASSETS</b>	<b>8.717,8</b>	<b>8.400,3</b>	<b>3,8%</b>
<b>LIABILITIES</b>			
Payables:			
- due to customers	5.745,7	5.362,3	7,1%
- securities issued	1.159,2	1.104,7	4,9%
- due to banks	632,4	750,8	-15,8%
- third parties funds in administration	17,7	17,4	1,7%
Provisions with a specific aim	106,8	106,3	0,5%
Other liabilities	381,6	455,0	-16,1%
Reserves for possible loan losses	13,6	13,8	-1,4%
Subordinated liabilities	254,8	211,5	20,5%
Minority interests	73,7	71,3	3,4%
Shareholders' equity:			
- capital, reserves and reserve for general banking risks	305,5	294,4	3,8%
- negative goodwill arising on consolidation	-	-	-
- negative goodwill arising on application of the equity method	-	-	-
- net profit	26,8	12,8	109,4%
<b>TOTAL LIABILITIES</b>	<b>8.717,8</b>	<b>8.400,3</b>	<b>3,8%</b>

## SECURITIES PORTFOLIO

Consolidated securities portfolio as at 31 December 2004 amounted to € 1.146,3 million, increasing by 2% with respect to the end of the previous financial year, of which dealing securities for € 1.056,9 million and investment securities for € 89,4 million: the latter amounted to 7,8% of the total.

The strategic guidelines for the composition of the portfolio are very prudent and favour floating rate bond investments.

Consolidated securities portfolio, of which about 82% belongs to Banca Sella, mainly includes floating and fixed rate Italian Government bonds having short maturity.

<b>SECURITIES PORTFOLIO<sup>(1)</sup> (figures in euro million)</b>				
	<b>31/12/2004</b>	<b>%</b>	<b>31/12/2003</b>	<b>%</b>
Dealing securities	1.056,9	92,2%	1.029,7	91,6%
Investment securities	89,4	7,8%	94,3	8,4%
<b>Total securities portfolio</b>	<b>1.146,3</b>	<b>100%</b>	<b>1.124,0</b>	<b>100%</b>
- of which Debt securities	1.136,1	99,1%	1.107,5	98,5%
- of which Equities	10,2	0,9%	16,5	1,5%
<b>Debt securities</b>	<b>1.136,1</b>		<b>1.107,5</b>	
- of which Refinanciable Treasury Bills	236,8	20,8%	375,5	33,9%
- of which Bonds and other debt securities	899,3	79,2%	732,0	66,1%
<b>Securities portfolio by company (detail)</b>	<b>1.146,3</b>		<b>1.124,0</b>	
Banca Sella S.p.A.	912,9	79,6%	925,5	82,3%
Banca Arditi Galati S.p.A.	87,2	7,6%	76,2	6,8%
Banca Bovio Calderari S.p.A.	96,1	8,4%	56,8	5,1%
Banca di Palermo S.p.A.	21,3	1,9%	38,2	3,4%
Other banks and companies of the Group	28,8	2,5%	27,3	2,4%

<sup>(1)</sup> Figures net of infra-group nettings. These figures therefore are not comparable with those indicated in the sections relevant to each single company, which are stated including the above mentioned nettings

## CAPITAL FOR SUPERVISORY PURPOSES

The total capital for supervisory purposes of the Group, as at 31 December 2004 amounted to € 587,2 million, of which € 334,4 million of Tier 1 capital (subscribed capital and equity reserves, excluding intangible fixed assets) and € 258,2 million of Tier 2 capital (reval-

uation reserves and subordinated liabilities), excluding prescribed deductions for € 5,5 million.

Consolidated risk weighted assets amounted to € 5.460 million, including so-called off-balance sheet transactions.

The total capital ratio of the Group (capital for su-

<b>CAPITAL FOR SUPERVISORY PURPOSES AND CAPITAL ADEQUACY RATIOS (figures in euro million)</b>					
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Capital for supervisory purposes</b>	<b>587,2</b>	<b>499,5</b>	<b>453,5</b>	<b>377,4</b>	<b>362,1</b>
of which Tier 1 capital	334,4	290,8	272,2	239,3	225,9
<b>Capital requirements</b>	<b>436,8</b>	<b>411,6</b>	<b>378,0</b>	<b>351,2</b>	<b>323,7</b>
of which credit risks	418,4	395,8	364,2	337,0	313,4
<b>Risk weighted assets</b>	<b>5.460,0</b>	<b>5.145,2</b>	<b>4.724,9</b>	<b>4.390,1</b>	<b>4.045,8</b>
Tier 1 capital / total risk weighted assets	6,12%	5,65%	5,76%	5,45%	5,58%
Total capital ratio / total risk weighted assets	10,91%	9,92%	9,79%	8,60%	8,95%

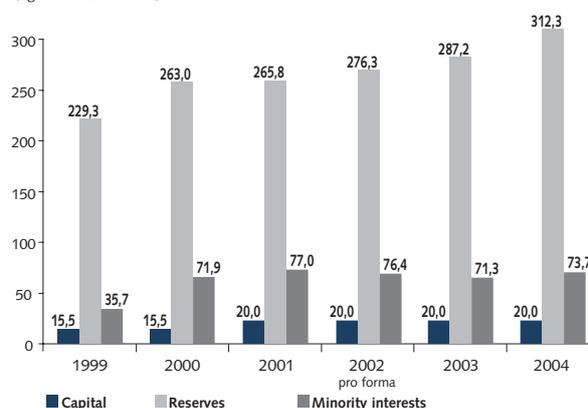
pervisory purposes over total risk weighted assets) was equal to 10,91% (higher than the minimum level of 8% required by the supervisory regulations in force for banking groups) and improved from the 9,92% recorded as at end 2003. Tier 1 ratio (tier 1 capital over total risk weighted assets) stood at 6,12%, showing an increase with respect to 2003 (5,65%).

Equity capital surplus amounted to € 158,9 million, taking into account solvency risks and absorption of equity capital for € 9,9 million related to the securitization operation of Banca Sella and Biella Leasing.

As far as market risks are concerned, the III level bond issued by Banca Sella on 16 September 2002 for a nominal value of € 15 million wholly covered their absorption of equity capital, which would have amounted to € 8,5 million.

## CAPITAL, RESERVES AND PROVISIONS

(figures in euro million)



## ■ COMMERCIAL AND DISTRIBUTION POLICIES

### COMMERCIAL POLICIES

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

- strong local franchise;
- personalization of customer relationships;
- pursuit of a constant improvement in the quality of products, also thanks to a constant technological innovation;
- careful attention and constant commitment towards the values of privacy, transparency and correctness in customer relationships.

The commercial activity of the Group, respecting the above mentioned principles, pursued the following objectives:

- development of new customers through the offer of new products and services personalized to the different needs of the various segments;
- increase of the activity of existing customers by improving cross selling, also through specific actions, carried out with the support of the Group Marketing Department;
- high quality of services, aiming at the excellence of products offered, always analysing and selecting them beforehand;
- attention for the composition of customers' portfolios: customers are helped in their dealing and investment activities also by the new "Risk Thermometer", a tool easy to use and to understand, which helps them understand the degree of risk related to each investment, so as to clearly and accurately evaluate it.

The attention of all companies of the Group was focussed on services levels, in the various phases of creation, production and distribution of products, being convinced that customer retention derives from excellent service levels and from the quality of products.

The monitoring of quality is also controlled by the "Service Charter", which, giving customers details on 36 services in a complete and understandable way, fixes maximum time limits for the granting and execution of services, lacking which a specific

form of reimbursement is provided for.

As regards the need for transparency and correctness in customers relationships, the banks of the Group joined the "Patti Chiari" project, promoted by the Executive Committee of ABI (the Italian Banking Association). The initiative was created with the aim of improving quality in customer relationships on the whole, giving them clear and understandable information on banking products and services and therefore offering the opportunity to homogeneously compare the various offers.

In September, complying with the rules for all eight initiatives promoted the project, the four Italian banks of the Group obtained the "Patti Chiari" certification by the external and independent Committee controlling the correct putting into practice of each instrument.

Commercial initiatives were developed through:

- rationalization of the range of products and identification of different targets of customers;
- development of the Sella World Service project, offering a range of initiatives to foreign customers;
- distribution of new plastic cards combining the credit and debit functions, including also the possibility to pay by instalments, and of revolving credit cards;
- as regards consumer credit, new revolving co-branded credit cards and cards specifically thought for on-line payments were launched;
- launch of the "Prestidea" brand for personal loans combined to an optional insurance policy, which will take over the payment of instalments in case of inability to work, disability or death;
- reorganization of the range of mutual funds by the merge of some of the products;
- launch of new sections of the sicav under Luxembourg law dedicated to institutional customers;
- issue of a floating rate five year maturity bond within the Banca Sella EMTN Programme;
- increase of the offer of insurance products with the launch, by the insurance company CBA Vita, of 12 index linked policies, of a capitalization policy aimed at the earmarking of retirement allowance and of a long term care policy to cover self-sufficiency;
- the participation to "Internet Trading Forum", first

fair specialized in trading on line, in which all novelties of the sector were presented;

- setting up of training and entertainment events on specific themes involving customers.

## **DISTRIBUTION POLICIES**

During 2004 the number of customers of the Group increased, eight new branches were opened and innovative products and services were offered to customers, always trying to keep a personal relationship with them, based on trust.

In 2004 the Group continued to operate through its long-standing multi-channel structure, put into practice through:

- a network of 273 branches in 14 Italian regions, 56% of which in the North West of Italy, diffusely covered by Banca Sella, 16,6% in the North East, where Banca Bovio Calderari is concentrated and 19,1% in the South of Italy and Islands, where Banca Ardit Galati and Banca di Palermo are active. The remaining 6,1% of branches is located in the Centre of Italy, where Banca Sella is present, mainly in Lazio, while Sella Investimenti Banca (which will change its name to Banca Patrimoni e Investimenti on 1 January 2005) is active in Turin;
- the presence abroad: 2 branches of Banca Sella in Miami and Luxembourg, 4 branches of 2 foreign banks (Sella Bank Luxembourg SA in Luxembourg and Sella Bank AG in Switzerland), a representative office in Caracas (Venezuela). The Group, moreover, holds a participation in the affiliated company Banque Martin Maurel Sella with head office in the Principality of Monaco;
- the presence abroad of Sella Life (company under Irish law), operating in the insurance savings in-

dustry, and Sella Austria Financial Services, distributing Sella Life products through its network of agents.

The distribution network also includes Sella Consult SIM, operating through 33 Financial Sales Points all over Italy and 363 financial promoters, and Gestnord Intermediazione SIM, having 13 offices in 8 Italian regions and 175 financial promoters, as well as 12 branches of Consel, subsidiary specialized in consumer credit, and 7 offices of Biella Leasing, active in financial leasing.

As regards the financial promoters of the Group, during the year a geographical reorganization of their offices on the national territory continued to be carried out, by closing some of them and transferring others. Such process led, on one hand, to an increased concentration of the number of financial promoters and on the other hand to a range of interventions aimed at improving their quality and expertise, as they shall work in a more and more integrated way with the other distribution channels of the Group, therefore having at their disposal a wide range of products and services to be placed.

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

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

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

<b>BRANCHES OF THE BANKS OF THE GROUP</b>				
<b>Bank</b>	<b>2004</b>	<b>% on the total branches</b>	<b>2003</b>	<b>% on the total branches</b>
Banca Sella S.p.A.	195	70,4%	190	70,6%
Banca Arditi Galati S.p.A.	29	10,5%	28	10,4%
Banca Bovio Calderari S.p.A.	29	10,5%	27	10,0%
Banca di Palermo S.p.A.	19	6,9%	19	7,1%
Sella Investimenti Banca S.p.A.	1	0,3%	1	0,4%
Sella Bank AG	3	1,1%	3	1,1%
Sella Bank Luxembourg S.A. (formerly IBL)	1	0,3%	1	0,4%
<b>Total branches of the Group</b>	<b>277</b>	<b>100%</b>	<b>269</b>	<b>100%</b>
<b>Total branches in Italy</b>	<b>271</b>	<b>97,8%</b>	<b>263</b>	<b>97,8%</b>
- North West (Piemonte, Valle d'Aosta, Lombardia e Liguria)	155	56,0%	153	56,9%
- North East (Veneto, Trentino, Emilia Romagna)	46	16,6%	41	15,3%
- Centre (Toscana, Lazio, Molise)	17	6,1%	17	6,3%
- South and Islands (Campania, Puglia, Sicilia, Sardegna)	53	19,1%	52	19,3%
<b>Total foreign branches</b>	<b>6</b>	<b>2,2%</b>	<b>6</b>	<b>2,2%</b>

## OPERATIONAL STRUCTURE

### HUMAN RESOURCES

#### Management and development of human resources

The staff of Gruppo Banca Sella as at 31 December 2004 amounted to 3,714 employees (3,745 including insurance savings companies) with an increase of 135 people if compared to 2003 (+3,8%).

During the year, Banca Sella (with 2,264 the higher contributor in number of staff, amounting to more than 60% of the Group total) recorded an increase in staff of about 4% with respect to 2003 (in which 2,174 people were employed) due to the enrolment of 218 people

against the severance of 128 (9 of which transferred to other companies of the Group). Staff costs for the Group, including the Regional Tax on Industrial Activities (IRAP), stood at € 185,5 million increasing by 7,3% with respect to 2003, in which it amounted to € 172,9 million.

The average age of Group staff was stable at around 34 years, while average seniority amounts to about 7 years. As at 31 December 2004 women were 45% of the Group's working force.

The following table shows staff of each subsidiary, including the percentage on total Group staff:

GRUPPO BANCA SELLA				
Group staff <sup>(1)</sup>	Staff as at 31/12/2004	Staff as at 31/12/2003	variation over 2003	% on total number of staff
Finanziaria Bansel S.p.A. (Parent Company)	76	66	10	2,03%
Banca Arditì Galati S.p.A.	225	249	-24	6,01%
Banca Bovio Calderari S.p.A.	186	198	-12	4,97%
Banca di Palermo S.p.A.	133	133	-	3,55%
Banca Sella S.p.A.	2.264	2.174	90	60,45%
Biella Leasing S.p.A.	49	45	4	1,31%
Consel S.p.A.	120	94	26	3,20%
Easy Nolo S.p.A.	5	4	1	0,13%
Fiduciaria Sella SIMp.A.	24	23	1	0,64%
Gestnord Fondi SGR S.p.A.	62	67	-5	1,66%
Gestnord Intermediazione SIM S.p.A.	161	160	1	4,30%
Insel S.r.l.	1	-	1	0,03%
International Capital Bourse S.A.	29	35	-6	0,77%
International Capital Gestion S.A.	15	15	-	0,40%
International Capital Holding S.A.	1	1	-	0,03%
Selban S.p.A.	1	1	-	0,03%
Selir S.r.l.	63	53	10	1,68%
Sella Adviser Ireland Ltd	-	1	-1	0,00%
Sella Austria Financial Services AG	3	3	-	0,08%
Sella Bank AG	31	30	1	0,83%
Sella Bank Luxembourg S.A. (formerly IBL)	89	81	8	2,38%
Sella Capital Management SGR S.p.A.	8	7	1	0,21%
Sella Consult SIMp.A.	23	20	3	0,61%
Sella Investimenti Banca S.p.A.	21	22	-1	0,56%
Sella Synergy India Ltd	123	95	28	3,28%
Sella Trust Lux S.A.	-	1	-1	0,00%
Selsoft Direct Marketing S.p.A.	1	1	-	0,03%
<b>Total banking Group</b>	<b>3.714</b>	<b>3.579</b>	<b>135</b>	<b>99,17%</b>
<b>Average total banking Group</b>	<b>3.647</b>	<b>3.523</b>		
Brosel S.p.A.	13	12	1	0,35%
C.B.A. Vita S.p.A.	15	16	-1	0,40%
Sella Life Ltd	3	4	-1	0,08%
<b>Total Consolidated Group (as by Civil Law prescriptions)</b>	<b>3.745</b>	<b>3.611</b>	<b>134</b>	<b>100%</b>
<b>Average total Consolidated Group (as by Civil Law prescriptions)</b>	<b>3.678</b>	<b>3.556</b>		

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

An analysis of Group staff highlights that 78% of people works for the banks of the Group and 2% for the Parent company. Asset management and brokerage companies employ 8% of total staff, while Selir and Sella Synergy India (producing software for the Group) 5%: the remaining 7% of staff is subdivided among the remaining business lines of the Group.

### Staff training

In order to achieve its aims, the Group gives high importance to the improvement of skills, expertise and professionalism of its human resources, through training plans directly carried out by each single company.

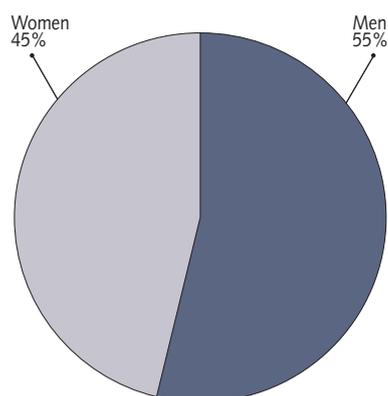
During the year, together with a remarkable amount of educational materials, 72.849 training hours were given, subdivided into: in-house training courses for newly employed people and people employed with apprenticeship contracts (39.735 hours), courses provided for by the contract for the update of employees (14.504 hours) and external training courses to study specific topics in depth (18.610 hours).

On the whole, in 2004, the training activity of the Group involved 70% of staff.

Self-training (e-learning) was given remarkable impulse and attention, through programmes posted on the Group's intranet, which reached all companies of the Group.

The effort to spread the principles and values on which the success of the Group is based and to spread the use of homogeneous criteria for the selection and evaluation of employees went on.

### STAFF



### IT ORGANIZATION AND SOFTWARE DEVELOPMENT

Within a Group strategy which favours in-house development of software applications, during the year the IT companies Sella Synergy India and Selir largely contributed to develop application software, particularly for the domestic and foreign banks of the Group.

During the year, the development of the technological infrastructure went on, the activity of centralization of IT systems of some of the subsidiaries was started as well as a project for the redefinition of the software development process, which will be put into practice in 2005; moreover, technological infrastructures related to disaster recovery of the EDP centre were completed, together with the activation of a synchronous database replica of the new IT system.

In the second half of 2004, Information Technology and Organization staff, following the merge between Gestnord Intermediazione and Sella Investimenti Banca, were involved in the migration of the IT system of the two companies into the system already used by the other banks of the Group.

### RESEARCH AND DEVELOPMENT ACTIVITIES

Even though the companies of the Group do not carry out pure research and development activities, following market analysis and evaluations made during the year, new products and services were created and launched, after careful assessment of new IT and financial technologies.

Research activities also involved the joining of research and work groups within the Italian Banking Association (ABI).

Also, an open source software test project aimed at improving the quality of monitoring on systems was started.

### INTERNAL CONTROLS SYSTEM

During 2004, Gruppo Banca Sella, attaching high importance to the management and control of risk, deliberated a different layout of control structures, with the

aim of improving the distribution of tasks and responsibilities, at the same time fixing the strengthening of the relevant structures.

The new layout was set up during 2004 and will be accomplished in 2005.

During the year, also, the analysis of the "Control Process" was completed: this is an organizational and operative instrument, which shall allow for a more efficient synergy among the structures in charge of internal controls and shall guarantee both a higher sensibility as to early warning awareness and a higher precision as to follow-up activities.

During 2005 the technological platform relevant to this activities shall be built and distributed.

The organizational structure follows the specific provisions of the Central Regulatory Authority and subdivides controls into three different levels:

1. **Line controls:** these controls are carried out to check the correctness of daily activity by each operational units or are incorporated in procedures and therefore performed within back office activities;
2. **Risk management controls:** these are carried out by units independent from production functions, with the aim of contributing to the identification of methods for the measurement of risk, to control the respect of limits given to the various operative functions and to check that activity of each single production area be compliant with the fixed risk/yield profiles;
3. **Group internal auditing controls:** these aim at identifying anomalous trends, breach of procedures and regulations, and at evaluating the efficiency of the internal controls system on the whole.

Control functions are directly operated by the Parent company Finanziaria Bonsel (servicing for Gruppo Banca Sella), as well as by each single subsidiary, according to their size and type of activity, assuring prompt reporting to the Parent company of the activities carried out.

The main operative mechanism of coordination is the Audit Committee (active from the second quarter of 2005) made up by independent Directors of the Parent company Board of Directors; the Parent company in turn

assists the latter in its control activity.

The Committee has preparing, consulting and proposing functions, and coordinates the Internal Auditing activity, the person in charge of which reports to the Committee.

The activity of the Audit Committee has the aim of:

- analysing the periodical reports on control systems expressing its evaluations;
- suggesting the guidelines for more adequate organization and provisions;
- requesting verifications on the adequacy of organization;
- analysing the adequacy of follow-up to the prompt and efficient execution of any corrective action necessary to remove anomalies;
- evaluating the processes for the drawing up of the financial statements of subsidiaries.

#### 1. **Line controls (First level controls)**

This type of controls is generally managed by each single operative unit, because each control is deemed functional to the correct carrying out of daily activities of each subsidiary.

Since January 2004 all companies of the Group have been enabled to use a special telematic procedure, allowing for the identification of controls, for their assignment to business units in charge for their execution and for the attesting (i.e. make a certified control) of their execution. Such procedure also allows for the centralized control of the state of monitoring on each single activity, as well as for an easy diffusion of best practices related to controls inside the Group and from one service to another.

#### 2. **Risk management controls (Second level controls)**

The task to perform this type of controls is wholly entrusted to the Group Risk Management Service, which is therefore responsible for the punctual and perspective controls on the various risks to which subsidiaries might be exposed according to their activity. It has the responsibility to acquire all data and information to be used in risk measurement and control, constantly reporting to the top management on the situations which might

arise. It puts forward proposals and suggestions for the monitoring and reduction of risks. The area has also the task to provide what is necessary to put in practice the "Basel" project related to the identification of new capital adequacy requirements.

The service is composed of the following sectors:

#### ***Credit risk***

Gruppo Banca Sella gives the utmost importance to the measurement and management of credit risks, activities which are deemed strategic and for which the task is assigned to the Credit Risk Management unit of the Credit Policies Area.

Within the above mentioned processes, the Parent company has the task to develop special measurement methods and to support the creation of specific models for the single entities of the Group, as well as to carry out supervising activity providing for risk monitoring instruments and giving common guidelines.

As regards risk related to each single counterpart, the cornerstone is represented by the attribution to each customer of a concise judgement on risks identified by way of ratings.

The rating assignment process at the moment involves corporate customers working in the industrial, commercial, tertiary and long-term production sectors. During the year the branches of the four banks of the Group were actively busy in the assignment of ratings to corporate customers entrusted with loans, reaching a remarkable coverage. The work to refine models will continue in 2005 and sectors such as real estate and financial companies will be covered.

At the same time special methods for the evaluation of retail customers are being prepared, by the use of scoring techniques.

The new regulation, known as "Basel II", has been seen since the beginning as an opportunity to refine credit risk measurement techniques and to warrant their control using increasingly sophisticated methods.

Gruppo Banca Sella shall apply the IRB Foundation system on those portfolio segments showing a history of attribution of default probability by way of statistical techniques; following a gradual development in time, this

method will be spread to increasingly more credit portfolio portions.

The Group Credit Quality Service has the task to intervene in order to prevent any 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.

#### ***Market risk***

Market risk, understood as possible losses related to unfavourable variations of securities prices, interest rates and exchange rates, as well as to their volatility and liquidity, is measured so as to respect the limits assigned to traders and to portfolio asset managers, by the use of "value at risk", calculated according to the historical simulation game method and by fixing limits for securities which might be kept (type, rating, quantity).

This type of controls is made on the trading activity of Banca Sella both on regulated markets and OTC markets, as well as on the controls on assets portfolios of all subsidiaries and at a consolidated level. The interest rate risk profile and the management of liquidity are assigned to the treasury of Banca Sella, which operates in compliance with the strategies and guidelines of the Assets and Liabilities Management Committee, the function of which is to monthly monitor the aggregates optimizing the risk/profitability ratio of customer savings, current accounts and securities issued and loans and of liquidity parameters fixed by the Board of Directors.

#### ***Operational risk***

During 2004 the Group Operational Risk Management continued its loss data collection activity begun in 2002, with the aim of quantitatively measuring "the risk of losses due to mistakes or to inadequacy of staff, systems or processes or to external events". As in 2003 it continued to manage the Group Line Controls platform, carrying out training, help desk activity for colleagues and the update of this process and its relevant technological tool.

The analysis of the "Control Process" project saw the Operational Risk structure remarkably contributing to its creation, also with the aim of enlarging the scope of loss data collection and of those instruments linked to the reduction of operative risk exposure.

The participation to the interbank workgroup on Operational Risk coordinated by ABI (the Italian Banking Association) and to the Italian Database of Losses on Operations (DIPO) within the above mentioned one is also to be pointed out.

***Risk management of asset management***

It is in charge of “qualitatively” controlling the trend of asset management portfolios of subsidiaries and the compliance to principles and rules of Asset Management Regulations, in particular with respect to:

- monitoring of the trend of asset management activities regarding both individual portfolios and collective assets under management;
- qualitative controls aimed at verifying the compliance to internal and legal regulations and the “efficiency” level of asset managers especially in terms of assuming risks;
- the cooperation in the setting up of projects aimed at the measurement and attribution of performances of individual and collective assets under management.

**3. Group internal auditing controls (Third level controls)**

This control function is carried out by the Parent company through two services working in close coordination respecting their relevant competences and under the guidelines of the Head of Internal Auditing:

***Auditing Control Department:*** its task is to verify the compliance to laws, supervision and internal rules (both from a formal and substantial point of view), as well as the capital and financial contents and risks related to business; it also verifies that line and risk controls be executed at best and diligently.

The Auditing Control Department, to express its judgement on the activity carried out by the surveyed area or company, acquires data and information particularly referring to:

- adequacy of capital of the companies;
- actual and potential profitability;

- risks deriving from the various activities carried out;
- organizational structure adopted by the company, verifying its efficiency;
- reliability of data and of reports transmitted to the top management;
- any position taken on the market;
- any other item related to the mission of the surveyed company.

The Auditing Control Department, due to the various sectors in which the Group operates, is organized in different specialized sectors (Control on General Banking Activity, Control on Brokerage Companies, Credit Quality Control, Foreign Companies Control and EDP Auditing).

Subsidiaries with more than twenty employees are provided with their own auditing function, working in close coordination with the Group Internal Auditing Controls Department.

***Internal Auditing*** (starting from the second quarter of 2005) which verifies:

- the adequacy of the internal controls system on the whole, with periodical surveys and making a constant analysis of operating processes, so as to map their risk areas;
- the functionality and adequacy of organizational processes: their efficiency and suitability to the type of business of each single entity/company;
- adequacy, efficiency and effectiveness of accountancy;
- adequacy of internal rules, organization and line and risk controls to laws, supervisory regulations and Parent company dispositions (compliance);
- outcome and actual carrying out of measures necessary to remove the causes of any abnormal situation, verifying the modes and times for the fulfillment of the activity (follow up).

Also in 2004 the Group Internal Auditing Controls Department, carried out its supervisory activity, on the spot and from remote, as summarized in the following table:

## AUDITING CONTROL SURVEYS

	2004	2003	2002
to head office services of Banca Sella	39	24	31
to peripheral units of Banca Sella	57	72	69
to head office services of other companies of the Group	17	16	13
to peripheral units of other companies of the Group	3	5	5

## ETHICS COMMITTEE

The Group, highlighting the ethics of the values on which it has always founded its activity, at the end of 2003 has established an Ethics Committee, made up of internal members and consultants, with the possibility to employ external experts in the analysis of specific themes.

The Group's Ethics Committee has the following mission:

- to set up the Code of Conduct of Gruppo Banca Sella and Corporate Social Responsibility policies for the Group aimed at its various stakeholders (shareholders, customers, employees, community, suppliers, media, Government, environment);
- to control and update ethical principles for the Group;
- to control the compliance to principles and policies, verifying the perception of the same outside the Group, among customers and non-customers;
- to set up ethical behaviour guidelines for all products and services of the Group, as well as the criteria to which Group products described as "ethical" shall comply with;

- to set up and promote all activities, instruments, services, products and initiatives necessary to put into practice the Group's Code of Conduct within the guidelines and the budget fixed by the Boards of Directors;
- to coordinate information for the Corporate Social Responsibility report in this Annual Report.

During the year the draft of the Group's Code of Conduct was drawn up, the final version of which will be refined and approved during the next financial year.

The Committee has also fixed the principles relevant to donations, expressing its opinion on their subsequent application.

## EQUITY INVESTMENTS

As concerns the most relevant events which led to changes in consolidation during 2004, we recall:

- the liquidation of Mindview S.p.A. (investment carried at equity);
- the sale of the whole participation in Multilife S.r.l. (investment carried at equity).

During the year the following changes in the participation percentages took place:

## CHANGES IN THE PARTICIPATION PERCENTAGES

Company	From	To	Operation
Banca di Palermo S.p.A.	71,70%	72,65%	Purchases
Easy Nolo S.p.A.	79,00%	84,44%	Exercise of pre-emption rights on unopted capital and purchases
Gestnord Fondi SGR S.p.A.	96,27%	97,27%	Purchases
International Capital Holding S.A.	91,70%	94,08%	Purchases
Sella Austria Financial Services AG <sup>(1)</sup>	86,24%	90,41%	Underwriting of the whole capital increase
Sella Synergy India Ltd	51,00%	100,00%	Purchases

<sup>(1)</sup> Formerly Sella Austria Consult AG.

We also recall:

- the takeover of P.P.M. Professional Portfolio Management AG by Sella Bank AG;
- the takeover of Seldata S.r.l. by Immobiliare Lanificio

Maurizio Sella S.p.A., which previously had acquired total control on it;

- the change of company name of IBL Investment Bank Luxembourg S.A. into Sella Bank Luxembourg S.A.

## MAIN BUSINESS AREAS – OPERATING VOLUMES OF THE COMPANIES OF THE GROUP

For more information on subsidiaries included in the line by line consolidation area and of investments carried at equity, the trend and results for 2004 of the same are described in the following chapters, divided according to their business activity.

### CONSOLIDATED BANKING ASSETS AND LIABILITIES

#### CASH LOANS TO CUSTOMERS

Total cash loans and guarantees given, amounting to € 5,521,4 million and showing an increase of 6,8% with respect to a year earlier, continued to highlight good growing rates.

Cash loans to customers at year end stood at € 5.189,3 million, increasing by 8% over 2003, mainly thanks to the growth of the medium/long-term component. The latter, favoured by the very low level reached by interest rates, increased thanks to the demand of corporate customers and of families for the purchase of their homes.

Short-term loans, on the other hand, having a stronger link to the economic cycle, showed a decrease with respect to a year earlier.

Guarantees given amounted to € 332,1 million, decreasing by 9,4% with respect to 2003, of which € 296,2 million of guarantees.

The positive trend of consumer credit is to be pointed out, as it recorded a growth exceeding that of the system.

#### LOANS TO CUSTOMERS (figures in euro million)

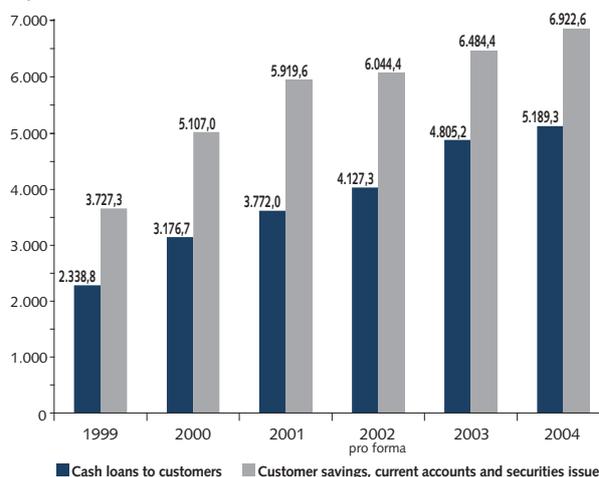
	31/12/2004	31/12/2003	% variation
Current accounts	714,9	941,4	-24,1%
Advances	538,6	561,5	-4,1%
Other loans (personal loans, mortgage loans)	1.939,3	1.563,0	24,1%
Other advances not settled on current account	914,9	864,7	5,8%
Leasing	621,8	502,3	23,8%
Consumer credit	326,2	221,5	47,3%
Other	133,6	150,8	-11,4%
<b>Total</b>	<b>5.189,3</b>	<b>4.805,2</b>	<b>8,0%</b>

The analysis of the main types of loans shows as mortgages and personal loans reached 37,4% of total loans granted to customers, with an increase of 24,1% if compared to 2003.

Banca Sella adds up for 62,5% to consolidated data.

#### CUSTOMER SAVINGS, CURRENT ACCOUNTS, SECURITIES ISSUED AND CASH LOANS

(figures in euro million)



**LOANS AS AT 31/12/2004 AND AS AT 31/12/2003<sup>(1)</sup>** (figures in euro million)

	Total loans		of which				Customer savings current accounts <sup>(2)</sup> and securities issued including repurchase agreements	
			Cash loans		Guarantees given			
	2004	2003	2004	2003	2004	2003	2004	2003
Banca Sella S.p.A.	3.532,8	3.410,2	3.244,6	3.087,5	288,2	322,7	5.019,8	4.453,6
Banca Ardit Galati S.p.A.	391,5	339,2	380,8	329,5	10,7	9,7	565,4	530,0
Banca Bovio Calderari S.p.A.	384,5	371,2	363,9	354,2	20,6	17,0	453,6	398,5
Banca di Palermo S.p.A.	197,8	160,5	191,7	155,1	6,1	5,4	285,8	257,4
Sella Investimenti Banca S.p.A.	3,7	2,8	3,6	2,7	0,1	0,1	207,8	365,3
Sella Bank Luxembourg S.A. (formerly IBL)	14,6	84,2	12,1	81,7	2,5	2,5	280,2	346,4
Sella Bank AG	14,3	26,6	10,4	17,4	3,9	9,2	23,3	23,1
<b>Total banks of the Group</b>	<b>4.539,2</b>	<b>4.394,7</b>	<b>4.207,1</b>	<b>4.028,1</b>	<b>332,1</b>	<b>366,6</b>	<b>6.835,9</b>	<b>6.374,3</b>
Biella Leasing S.p.A.	624,8	506,0	624,8	506,0	-	-	56,6	61,0
Consel S.p.A.	329,4	224,6	329,4	224,6	-	-	29,0	30,4
Gestnord Intermediazione SIM S.p.A.	26,2	35,8	26,2	35,8	-	-	0,8	18,0
International Capital Bourse S.A.	1,8	10,7	1,8	10,7	-	-	0,3	0,7
<b>Total companies of the Group</b>	<b>982,2</b>	<b>777,1</b>	<b>982,2</b>	<b>777,1</b>	<b>-</b>	<b>-</b>	<b>86,7</b>	<b>110,1</b>
<b>Group total</b>	<b>5.521,4</b>	<b>5.171,8</b>	<b>5.189,3</b>	<b>4.805,2</b>	<b>332,1</b>	<b>366,6</b>	<b>6.922,6</b>	<b>6.484,4</b>

<sup>(1)</sup> Figures net of infra-group nettings. These figures therefore are not comparable with those indicated in the sections relevant to each single company, which are stated including the above mentioned nettings.

<sup>(2)</sup> Due to customers, securities issued and third parties' funds in administration.

**LOANS PORTFOLIO QUALITY** (figures in euro million)

Portfolio quality	31/12/2004	31/12/2003	% variation over 2003
Net cash loans	5.189,3	4.805,2	8,0%
- of which performing loans	5.033,6	4.630,2	8,7%
- of which net non-performing loans	72,3	80,1	-9,7%
- of which watchlist loans	76,5	89,9	-14,9%
- of which restructured loans and non guaranteed loans exposed to Country risk	6,9	5,0	38,8%
Net non-performing loans/cash loans	1,4%	1,7%	-0,3%
Watchlist loans / cash loans	1,5%	1,9%	-0,4%
Write-downs to loans (item 120 of the income statement)	52,7	39,1	34,8%
Write-ups to loans (item 130 of the income statement)	9,3	9,0	3,3%
Net write-downs to loans	43,4	30,1	44,2%

**DOUBTFUL LOANS**

Total doubtful loans to customers as at end 2004 stood at € 155,7 million of net exposure, including restructured loans and non guaranteed loans exposed to country risk (€ 175 million in 2003).

Net watchlist loans (i.e. loans to subjects whose

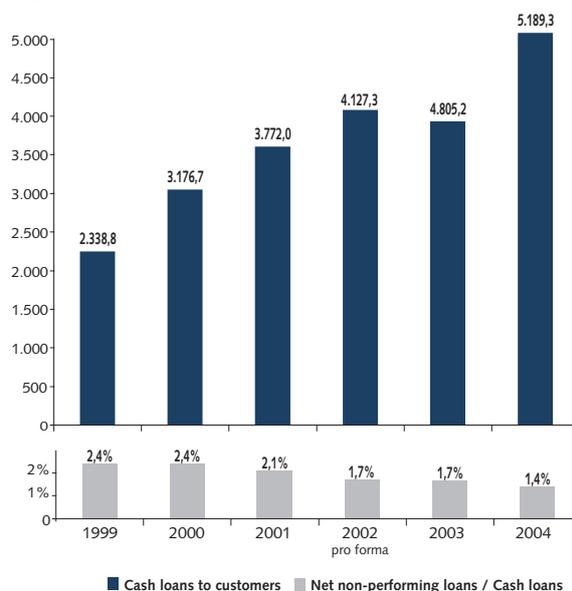
temporary difficulty is deemed to be removed in a suitable period of time) stood at € 76,5 million, decreased by 14,9% with respect to 2003, above all thanks to the remarkable decrease of Banca Sella, the figures of which passed from € 79,8 million in 2003 to € 67,3 million in 2004.

The unfavourable economic situation, together with an increasingly careful and prompt identification of the very first signs of difficulty, led to put a number of loans worthy of attention and of specific monitoring under this item, independently from any consideration on the recoverableness of the loan and in the most complete and prudent respect of transparency.

Net non-performing loans reached € 72,3 million, recording a decrease of 9,7% if compared to 2003. Therefore, following also the 8% growth of cash loans, the ratio between the two items passed from 1,67% of 2003 to 1,39% of the present financial year.

## CASH LOANS AND NON-PERFORMING LOANS

(figures in euro million)



## DOUBTFUL LOANS AS AT 31/12/2004 AND AS AT 31/12/2003 (figures in euro million)

	Net non-performing loans		Watchlist loans	
	2004	2003	2004	2003
Banca Sella S.p.A.	35,6	40,5	67,3	79,8
Banca Arditi Galati S.p.A.	13,6	15,0	3,1	2,6
Banca Bovio Calderari S.p.A.	5,7	5,5	1,9	3,3
Banca di Palermo S.p.A.	11,3	11,9	1,9	2,0
<b>Total banks of the Groups</b>	<b>66,2</b>	<b>72,9</b>	<b>74,2</b>	<b>87,7</b>
Biella Leasing S.p.A.	2,9	3,7	2,3	2,2
Consel S.p.A.	3,2	3,5	-	-
<b>Total companies of the Group</b>	<b>6,1</b>	<b>7,2</b>	<b>2,3</b>	<b>2,2</b>
<b>GROUP TOTAL</b>	<b>72,3</b>	<b>80,1</b>	<b>76,5</b>	<b>89,9</b>

## CUSTOMER SAVINGS, CURRENT ACCOUNTS AND SECURITIES ISSUED

Customer savings, current accounts and securities issued including repurchase agreements stood at € 6.922,6 million with an increase of 6,8% on an annual basis thanks to the different trends of the various components.

Excluding repurchase agreements for € 778.000 (decreasing by 13,9%), the growth over 2003 stood at 10,1%.

In particular, sight deposits, amounting to € 4.762,6 million, on the whole grew by 11,5%, recording a 14,8% increase in the current accounts aggregate.

## ASSETS UNDER MANAGEMENT AND THIRD PARTIES SECURITIES HELD IN DEPOSIT

The aggregate as at end 2004 stood at € 21.545,8 million, with an increase of 13% on an annual basis; this trend was influenced both by assets under management, which recorded an increase of 15,3%, and by third parties securities held in deposit, which increased by 12%.

In the following table are shown figures for assets under management and third parties securities held in deposit with a detail of assets under management as at 31 December 2004 and 31 December 2003 for the companies of the Group working in this industry.

**ASSETS UNDER MANAGEMENT AND THIRD PARTIES SECURITIES HELD IN DEPOSIT AS AT 31/12/2004 AND AS AT 31/12/2003<sup>(1)</sup> (figures in euro million)**

	Assets under management and third parties securities held in deposit		of which Assets under management <sup>(2)</sup>	
	2004	2003	2004	2003
Banca Sella S.p.A.	13.002,0	12.966,4	3.449,0	3.601,2
Banca Arditì Galatì S.p.A.	390,4	391,5	76,8	63,7
Banca Bovio Calderari S.p.A.	619,7	617,4	242,8	228,6
Banca di Palermo S.p.A.	232,8	248,3	68,0	68,2
Sella Investimenti Banca S.p.A.	231,5	228,2	176,0	179,2
Sella Bank Luxembourg S.A. (formerly IBL)	2.548,5	1.791,7	0,2	6,1
Sella Bank AG	334,4	404,4	180,8	221,0
<b>Total banks of the Group</b>	<b>17.359,3</b>	<b>16.647,9</b>	<b>4.193,6</b>	<b>4.368,0</b>
Fiduciaria Sella SIMp.A.	625,2	586,1	625,2	586,1
Gestnord Fondi SGR S.p.A.	13,4	26,6	13,4	26,6
Gestnord Intermediazione SIM S.p.A.	2.307,0	1.569,6	890,4	836,3
International Capital Gestion S.A.	328,5	212,7	231,7	116,7
P.P.M. Professional Portfolio Management AG	-	22,7	-	22,7
Sella Capital Management SGR S.p.A.	912,4	-	912,4	-
<b>Total companies of the Group</b>	<b>4.186,5</b>	<b>2.417,7</b>	<b>2.673,1</b>	<b>1.588,4</b>
<b>GROUP TOTAL</b>	<b>21.545,8</b>	<b>19.065,6</b>	<b>6.866,7</b>	<b>5.956,4</b>

<sup>(1)</sup> Figures net of infra-group nettings. These figures therefore are not comparable with those indicated in the sections relevant to each single company, which are stated including the above mentioned nettings.

<sup>(2)</sup> Excluding cash (included in customer savings, current accounts and securities issued).

## TOTAL DEPOSITS

Total deposits for Gruppo Banca Sella reached € 28.468,4 million, increasing by 11,4% on an annual basis (€ 25.550 million in 2003).

## BANKS OF THE GROUP

As at end 2004, the banking activity of Gruppo Banca Sella amounted to 85,3% of consolidated assets. In the table here below is shown the detail for each bank.

**TOTAL ASSETS AS AT 31/12/2004<sup>(1)</sup> (figures in euro million)**

	2004	% on consolidated total assets	2003	% on consolidated total assets
Banca Sella S.p.A.	5.916,0	67,9%	5.848,6	69,6%
Banca Arditì Galatì S.p.A.	527,4	6,1%	466,8	5,6%
Banca Bovio Calderari S.p.A.	490,8	5,6%	447,2	5,3%
Banca di Palermo S.p.A.	252,3	2,9%	236,5	2,8%
Sella Investimenti Banca S.p.A.	116,4	1,3%	213,9	2,5%
<b>Italian banks total assets</b>	<b>7.302,9</b>	<b>83,8%</b>	<b>7.213,0</b>	<b>85,8%</b>
Sella Bank Luxembourg S.A. (formerly IBL)	87,0	1,0%	246,6	3,0%
Sella Bank AG	41,7	0,5%	57,4	0,7%
<b>Foreign banks total assets</b>	<b>128,7</b>	<b>1,5%</b>	<b>304,0</b>	<b>3,6%</b>
<b>GROUP BANKS TOTAL ASSETS</b>	<b>7.431,6</b>	<b>85,3%</b>	<b>7.517,0</b>	<b>89,5%</b>
Other companies of the Group total assets	1.286,2	14,7%	883,3	10,5%
<b>GROUP TOTAL ASSETS</b>	<b>8.717,8</b>	<b>100%</b>	<b>8.400,3</b>	<b>100%</b>

<sup>(1)</sup> Figures net of infra-group nettings. These figures therefore are not comparable with those indicated in the sections relevant to each single company, which are stated including the above mentioned nettings.

## COMPANIES OF THE GROUP

### **Banca Sella S.p.A.**

During 2004 Banca Sella, having its head office in Biella, continued to increase the number of its branches reaching 195 (+5 over 2003) and to develop its telematic channels.

Net interest income, amounting to € 126,9 million net of dividends, recorded a 6,2% increase over 2003, thanks to the growth of loans and customer savings, current accounts and securities issued volumes and to a substantially stable spread if compared to the levels recorded during the second half of 2003.

Dividends stood at € 4,5 million with respect to € 11,7 million of 2003, year in which arose extraordinary dividends for a remarkable amount.

Net interest and other banking income (net of dividends) stood at € 280,7 million, growing by 4,7% with respect to 2003, also thanks to net other banking income amounting to € 153,8 million and increasing by 3,6%. The Payments Systems (+8,2%) and income deriving from assets under management (+7,4%) contributed to the positive trend of net other banking income. Administrative expenses, amounting to € 178,5 million, increased by 6,6%, due to the increase of staff costs (+7,3%) and other administrative expenses (+5,8%). This trend was influenced by expenses for the improvement of quality and increase in the information directed to customers, as well as expenses for the strengthening of control and compliance structures. Therefore, the cost to income ratio (operating expenses over net interest and other banking income) passed from 66,3% of 2003 to 67,9%.

Write-downs to tangible and intangible fixed assets diminished by 19,3% with respect to the previous year, thanks to the gradual decrease of amortizations on projects set up in 2000/2001.

Cash loans to customers, standing at € 3.957,3 million, recorded a 14,5% increase, while guarantees given reached an amount of € 308,9 million (-11,5%), due to the completion of some operations of high amount. The

granting of house mortgage loans to families remarkably contributed to the growth of loans, together with loans granted to subsidiaries (in particular Biella Leasing and Consel) following the start of the Integrated Group Treasury.

A good asset quality, witnessed by a 0,9% ratio of net non-performing loans over cash loans (improved with respect to the 1,2% recorded in 2003), is to be pointed out.

As regards volumes, year 2004 showed a 3,2% growth of total deposits, which reached € 19.943,9 million (€ 21.185,9 million taking into account some extraordinary items relevant to institutional investors, which increased by 9,7% with respect to the previous financial year). Customer savings, current accounts and securities issued (excluding repurchase agreements, which increased by 32,8%) reaching € 4.514,6 million, recorded an increase of 10,1%.

On the whole, asset management volumes passed from € 6.069,8 million, as at end 2003, to € 5.894,3 million of 2004, showing a decrease of 2,9%, due to the reduction of mutual funds and sicavs under Italian law. At year end, insurance savings reached € 555,2 million, with an increase of 6,7% over 2003, mainly thanks to the marketing of index linked policies issued by the subsidiary CBA Vita.

The Bank closed the financial year with a net profit of € 26,9 million, substantially stable with respect to the results of the previous financial year in which net profit was equal to € 26,8 million. R.O.E. stood at 7,9%, with respect to 8,4% of 2003. Income before extraordinary items (net of dividends) stood at € 36,8 million, highlighting an increase of 13,6% on the previous financial year.

### **Banca Arditi Galati S.p.A.**

The distribution network of Banca Arditi Galati, based in Lecce, as at 31 December 2004 amounted to 29 branches, thanks to the opening of the second branch in Bari and of the branch in Andrano (LE) due to the transfer from another market.

The 7,5% increase of net interest income, amounting

to € 17,3 million (including dividends), was favoured by the growth of cash loans (+15%) and by the increase of spread on operations related to the Bank's specific activity, even though in a context marked by a relative reduction of interest rates.

Net other banking income, standing at € 8,4 million, recorded a growth of 0,4% over 2003, which, excluding dealing profits, reached 4,9%, mainly thanks to the loan granting activity.

Net interest and other banking income, amounting to € 25,7 million, recorded a 5,1% increase with respect to a year earlier.

Structural costs, at € 17,8 million, decreased by 3,7% over 2003, above all thanks to a careful management both of administrative expenses and staff expenses (which decreased).

Cost to income ratio therefore stood at 77,3%, showing a remarkable decrease with respect to the 82,7% of 2003.

The above mentioned trends allowed the Bank to reach a net profit of € 1,5 million, growing by 13,9% over 2003.

Customer savings, current accounts and securities issued stood at € 565,5 million (+6,7%), while assets under management and third party securities held in deposit, standing at € 431,5 million, highlighted a decrease of 5%; the decrease was related to the cash included in assets under management, which at year end weighed for € 8,8 million.

Total cash loans increased by 15%, reaching € 392 million, while guarantees, standing at € 10,7 million, recorded an increase of 10,2% on an annual basis. Net write-downs to loans, at € 1,2 million, are in line with the figures for 2003. The ratio of net non-performing loans over cash loans improved, passing from 4,4% of 2003 to 3,4% of 2004.

During the year, changes were made as far as the Bank's organizational chart is concerned, in order to increase its commercial potentialities and productivity, strengthening the distribution network without reducing controls, the relevant structures of which were, in fact, strengthened.

### **Banca Bovio Calderari S.p.A.**

As at 31 December 2004 the distribution network of Banca Bovio Calderari, having head office in Trento, amounted to 28 branches: 16 in Trentino Alto Adige and 12 in Veneto. During the year a new branch was opened in Pejo (province of Trento).

Net interest income, standing at € 11,9 million (including dividends), showed a slight decrease (-1,8%) with respect to 2003, following a moderate growth of loans notwithstanding a careful interest rates policy.

Net other banking income, amounting to € 9 million, showed an increase of 1,5% if compared to 2003, mainly thanks to assets under management and virtual banking.

Net interest and other banking income, at € 20,9 million, was substantially stable with respect to the previous year (€ 21 million).

Structural costs, standing at € 15,8 million, recorded a total decrease of 4,9% over 2003, mainly thanks to a reduction of staff expenses, which diminished by 3,1%, and to a reduction of other administrative expenses, which, thanks to a careful cost reduction policy, highlighted a 7,2% decrease. Cost to income ratio therefore improved, passing from 79,7% in 2003 to 75,1%.

The above mentioned results allowed the Bank to reach a net profit for 2004 of € 2,1 million, unvaried with respect to the previous financial year, which was marked by high extraordinary income. Operating income therefore increased by 18,2% over 2003.

Customer savings, current accounts and securities issued amounted to € 466,5 million, with an increase of 8% over 2003, while assets under management and third party securities held in deposit standing at € 646,4 million, showed a decrease of 2%, partly balanced by a positive growth of assets under management (+6,2%).

Cash loans to customers, standing at € 366,3 million, recorded a growth of 1,5% over 2003, while guarantees, amounting to € 20,7 million, highlighted an increase of 20,9% with respect to the previous financial year.

The ratio of net non-performing loans over cash loans substantially confirmed the results of 2003 improved, passing from 1,50% of 2003 to 1,57% of 2004.

### **Banca di Palermo S.p.A.**

As at 31 December 2004 the distribution network of Banca di Palermo, based in Palermo, amounted to 19 branches, distributed in the provinces of Palermo, Agrigento, Catania, Trapani and Ragusa. No branches were opened during the year.

Net interest income, standing at € 8,8 million (including dividends), showed a 9,4% increase: the growth of cash loans effectively counterbalanced a reduction of interest receivable and benefited from a reduction in interest payable. Following a strong demand of customers, mortgage loans remarkably increased and therefore total cash loans stood at € 198,9 million, growing by 19% over 2003.

Net other banking income, amounting to € 4,7 million, showed an increase of 5,6% if compared to 2003, mainly thanks to order collection activity and individual asset management.

Net interest and other banking income, at € 13,5 million, recorded an increase of 7,1% with respect to the previous year. Administrative expenses, standing at € 11,6 million, were substantially unvaried if compared to 2003. Cost to income ratio therefore reached 90,1%, improving if compared to the 94,9% of 2003.

The above mentioned trends allowed the Bank to reach a net profit for 2004 of € 431.000, with respect to the € 296.000 of 2003.

Customer savings, current accounts and securities issued amounted to € 285,8 million, with an increase of 11% over 2003, mainly concentrated on sight deposits, while assets under management and third party securities held in deposit, standing at € 259,6 million, highlighted a decrease of 6%.

The ratio of net non-performing loans over cash loans improved, passing from 7,4% in 2003 to 5,9% of 2004.

### **Sella Investimenti Banca S.p.A.**

As at 31 December 2004 the distribution network of the Bank amounted to only one branch, located at the head office premises in Turin.

During the year, net other banking income, amounting to € 1,2 million showed a decrease of 33,4%.

Net interest income, mainly deriving from treasury operations related to the investment of own liquidity and cash acquired by the Bank and from the results from repurchase agreement transactions on securities for customers decreased by 2%, due to the decrease of the average of cash invested during the year. Net interest and other banking income, at € 1,6 million, while in 2003 it stood at € 2,2 million (-27,3%). Structural costs stood at € 2,8 million, including € 1,8 million of staff expenses and € 1 million of other administrative expenses.

Therefore the Bank closed the financial year with a loss, net of deferred taxation (taxes paid in advance), of € 1 million, mainly due to the lack of growth in assets under management volumes.

Customer savings, current accounts and securities issued amounted to € 207,6 million, with a decrease over 2003 (amounting to € 365,3 million), mainly due to the transfer of funds previously invested in repurchase agreements transactions on securities with institutional customers. Assets under management and third party securities held in deposit, standing at € 283,6 million (market value), recorded an increase of 24% over 2003.

Loan granting activity, even though it is not the core business of the Bank, reached € 3,6 million of cash loans and € 0,1 million of guarantees.

Loans portfolio quality is very satisfactory, as neither non-performing loans nor watchlist loans are recorded; the Bank, therefore, did not provide any reserve for possible loan losses.

During the year the merge with the company Gestnord Intermediazione SIM was deliberated and it shall be put into force on 1 January 2005.

### **Sella Bank A.G.**

As at 31 December 2004 the distribution network of Sella Bank AG, based in Zürich, amounted to 2 branches in Lugano and Geneva.

Net interest income, standing at € 0,4 million (including dividends), showed an 8,2% decrease with respect to 2003, due to the reduction of loan volumes. Net other banking income, amounting to € 3,8 million, showed a 10,6% decrease: the main contribution to this

item was given by commissions on the trading of securities and by commissions on investments.

Net interest and other banking income, at € 4,7 million, recorded a decrease of 13% with respect to the previous year.

Structural costs, standing at € 4,3 million, recorded a decrease of 2%, cost to income ratio therefore reached 93,3%.

The above mentioned trends allowed the Bank to reach a net profit for 2004 of € 511.000 (€ 963.000 in 2003). The takeover, which took place during the year, of P.P.M. Professional Portfolio Management allowed for an extraordinary income of € 0,3 million.

Customer savings, current accounts and securities issued amounted to € 16 million, showing a decrease of 31,6% over 2003, while assets under management and third party securities held in deposit, standing at € 467,7 million, was substantially unvaried with respect to 2003.

Cash loans to customers amounted to € 22,4 million, showing an increase of 21,7% over 2003, while guarantees, amounting to € 8,3 million, show a reduction of 8,8%. Loans portfolio quality is very satisfactory, as neither non-performing loans nor watchlist loans are recorded.

### **Sella Bank Luxembourg S.A.**

IBL Investment Bank Luxembourg changed its company name into Sella Bank Luxembourg S.A. in December 2004. The Bank, company under Luxembourg law, carries out an activity of custodian, fund administration and transfer agency services, and offers private banking services (asset management and advisorship on investments and legal matters), as well as domiciliation and administration services for corporate customers.

During the year internal resources together with the auditing company accomplished all auditing surveys and accountancy controls started at the end of 2003, also according to the request of the local supervising authority. Organizational and managerial lacks to be ascribed to the previous company management were highlighted,

which were not so serious as to compromise the regular development of daily activity and the settlement of which is about to be completed.

Also with aim of creating the bases for a stable development of activity, a plan for extraordinary interventions was promptly set up by the Parent company, which involved the temporary attachment to the Bank of staff and the employment of new specialized staff.

The Board of Directors deliberated both the substitution of the top management of the Bank and of part of the staff, and the whole review of administrative and IT procedures, which is in course of completion.

The Parent company at year end decided to carry out a recapitalization of the Bank for € 3,5 million through an increase in capital, so as to adjust the value of capital to the real needs of the company.

Net interest income, amounting to € 0,7 million, recorded a decrease of 8,7% if compared to 2003, due to a reduction in customer savings, current accounts and securities issued.

Net other banking income, standing at € 11,6 million, are substantially in line with the results for 2003. Net interest and other banking income, at € 12,3 million, showed a slight decrease (-0,6%) with respect to 2003.

Structural costs, equal to € 14,9 million, recorded a remarkable increase due to: increase of staff expenses following a growth of staff, costs related to the activity of the auditing company Deloitte, expenses for due diligence activity and for staff attached from the Parent company, expenses for external and legal consultancy services.

Cost to income ratio therefore stood at 121%.

The above mentioned trends led to net losses for € 3,6 million.

Customer savings, current accounts and securities issued, at € 280,2 million, recorded a decrease of 11,6% if compared to 2003, while assets under management and third parties securities held in deposit, standing at € 2.561,4 million, highlighted an increase of 41,6% over 2003, mainly thanks to the activity of the Group sicavs.

Cash loans to customers, reaching € 13,1 million,

recorded a decrease of 74% over 2003, while guarantees recorded a slight increase with respect to 2003 (+3,6%).

Write-downs to loans and other assets stood at € 0,3 million.

As regards the dispute started in November 2003 and mentioned in the 2003 Consolidated Annual Report, on 24 May 2004 the competent judge (US District Court) admitted the motion introduced by Banca Sella passing a sentence in favour of the same.

## **LEASING / CONSUMER CREDIT**

### **Biella Leasing S.p.A.**

The company, based in Biella, works in the car, instrumental, property and pleasure boating leasing industry through 7 offices, of which the one in Modena was opened during 2004.

During 2004 Biella Leasing stipulated 5.488 leasing contracts for an amount of € 308,5 million, showing an increase of 3,9% with respect to 2003 on intermediated volumes and of 2,6% on the number of contracts. The company's market share stands at 0,81% showing a decrease with respect to the previous financial year, in which stood at 0,93%, following a reduction of property leasing.

Net interest and other income, at € 16,4 million, recorded an increase of 16,2% over 2003, while structural costs, amounting to € 5,3 million, showed an increase of 10%, deriving both from an increase of staff expenses (following a growth by 4 people in the number of staff necessary to strengthen the offices network) and from an increase of general expenses generated by the higher number of managed contracts.

Notwithstanding a still stagnant economic situation, the ratio of net non-performing loans over cash loans improved, standing at 0,4% if compared to 0,6% of 2003.

Net profit at year end reached € 5,8 million (+ 16,7% over 2003).

### **Consel S.p.A.**

The company, based in Turin, works in the consumer credit industry, giving retail customers a wide

range of products, in particular loans for purchases by instalment payment and credit cards. Consel has a distribution network of 12 branches, 4 offices and 6.982 arrangements with retailers on the national territory.

Contrary to the trend recorded during the year by the consumer credit market (which passed from a 17,2% growth in 2003 to a 13,9% growth in 2004), Consel in 2004 recorded a remarkable growth in the number of customers and loans, managing 109.278 requests of loans for a total amount of € 368,7 million (+42,5%) and granting loans for a total amount of € 262 million (+53% over 2003).

The market share of the Company therefore passed from 0,58% to 0,69% (+19%).

Net interest income, at € 18,5 million, recorded an increase of 32,1% with respect to the previous year, while net interest and other income, amounting to € 20 million, showed an increase of 49,3%, also thanks to the growth of total revenues, which reached € 35,6 million (+35,1%).

Structural costs, standing at € 11,8 million, showed an increase of 35,6% over 2003, influenced both by an increase of staff expenses (+41,7%, as a consequence of the growth by 26 people in the number of staff) and to an increase of general costs (+28,2%) due to the widening of the distribution network, which involved the opening of 2 new offices.

Net profit for 2004 amounted to € 2 million, recording a ROE of 19%. Cost to income ratio stood at 61,5%, therefore showing a remarkable decrease if compared to the 67,7% of 2003.

## **ASSET MANAGEMENT AND SECURITIES BROKERAGE**

### **Fiduciaria Sella SIM p.A.**

The Company, based in Biella, carries out an activity of trusteeship management. Its total collected assets, at year end, amounted to € 716,4 million (+ 5,1% if compared to the previous year), also thanks to the positive trend of financial markets. The number of mandates grew by 6,6%.

Net collected assets showed a positive balance of € 6,9 million over 2003. Net interest and other income, amounting to € 3,6 million, recorded an increase of 19% with respect to the previous year, thanks also to net management fees (€ 3,1 million), which increased by 17% over 2003.

Structural costs, standing at € 2,1 million, showed an increase of 9% over 2003, due both to an increase of staff expenses (+10%), as a consequence of higher variable components granted to staff following the achievement of fixed objectives, and of other administrative expenses (+6%), due to higher costs for information providers.

Cost to income ratio recorded a remarkable improvement, passing from 68,1% of 2003 to 62,6% of 2004.

Net profit for 2004 amounted to € 750.000, increasing by 37% with respect to 2003 (in which it stood at € 549.000).

### **Gestnord Fondi SGR S.p.A.**

The Company, based in Milan, has been operating in the industry of mutual funds since 1983. Since 1999 it widened its activity to individual asset management and supplementary allowance products. The company at the moment manages 32 open-end mutual funds, a fund of funds with 7 sections, a closed-end fund and a pension fund with 5 sections, it also manages by proxy two sicavs under Luxembourg law and some Monegasque funds. For the distribution of its products the Company avails itself of banks and brokerage companies both of the Group and outside the Group.

Net managed assets as at 31 December 2004 reached € 3.250,7 million (excluding duplications), showing a decrease of 4% with respect to 2003. At year end assets included 72,9% of bond funds, 8,9% of balanced and flexible funds and 18,2% of common stock funds. The market share of Gestnord Fondi passed from 0,658% of 2003 to 0,633% as at end 2004.

Net inflows (excluding duplications) was negative for an amount of € 199,9 million, showing a reversal of trend with respect to the previous year, in which it had recorded a positive balance of € 55,9 million.

Net interest and other income, amounting to € 7,7 million, recorded a decrease of 6,1% with respect to the previous year, mainly due to the decrease (-3,6%) of net management fees, following both the reduction of managed assets and the choice of customers who favoured cash and bond related products, which bear lower revenues than stock related products.

During the year the careful policy of cost reduction went on, leading to a 10% decrease of other administrative expenses (amounting to € 2,7 million), while staff expenses, at € 3,3 million, were substantially stable.

Net profit for 2004 amounted to € 1,1 million, with respect to € 924.000 of 2003, mainly thanks to the above mentioned costs reduction, to the decrease of write-downs (-34,1%), the decrease of extraordinary charges (-64,6%) and to write-ups to the participation in Sella Capital Markets (in liquidation).

During the year the first step of the review of the range of products was completed, by the merging of 2 mutual funds and of a fund of funds section into other similar funds. This rationalization will continue during 2005 through the further merge of some managed products, even though maintaining a range of products suitable to the various needs of customers. The ratings assigned by Moody's to 6 among the main bond related funds was again confirmed.

### **Gestnord Intermediazione SIM S.p.A.**

The Company, based in Turin, operates in the industry of securities brokerage.

The trading activity on third parties' account involves both institutional and retail customers: to the latter the company also offers private banking services both through its "branches" located all over Italy and with the support of 175 financial promoters, distributed all over Italy and organized in 13 financial sales offices.

Total managed assets as at 31 December 2004 amounted to € 2.048,4 million, of which € 1.801,2 million from retail customers, showing an increase of 15,3% with respect to 2003, and € 247,2 million from institutional customers.

Volumes traded on the Italian Telematic Stock Mar-

ket market (day MTA market) stood at € 23.963 million, representing 1,7% of the market, showing a slight increase over the 1,6% of 2003.

Net interest and other income, amounting to € 22,9 million, was substantially in line with that of the previous year, with a slight ricomposition towards fees receivable from asset management as against other components.

Structural costs, excluding staff expenses, moderately diminished, while staff expenses recorded an increase of over 5% due to the granting of variable parts of the wages directly related to the results of some private banking managers.

Amortizations include about € 0,7 million related to the discarding of hardware and software, which from 1 January 2005 will not be used any more following the merge with Sella Investimenti Banca and the adoption of a new IT system. The higher amount of amortizations also explains the worsening of cost to income ratio, which passed from 92% to 96%.

The Company closed the financial year with losses for € 355.000, which was also due, besides the above mentioned amortizations policy, to the decision of making write-downs to loans for an amount of € 497.000 and of prudently setting aside, as already made in 2003, provisions to the reserve for general risks for € 255.000.

#### **Selfid S.p.A.**

The Company, based in Biella, has an authorization to carry out an activity of "static" trusteeship management (as by law No. 39/1966). The main activity in 2004 was that of trusteeship naming of current accounts, as well as the receiving of assignments of trusteeship for the registration of companies' quotas and shares.

During the year the number of trusteeship accounts recorded a decrease of 9,3% with respect to 2003.

Net interest and other income, amounting to € 0,5 million, recorded a decrease of 25,1% with respect to the previous year, while net trusteeship fees stood at € 0,6 million (-23,7% over 2003), also due to the lack of reiteration of an extraordinary financial transaction which

took place in 2003. Structural costs, amounting to € 0,5 million, recorded an increase of 27,7% if compared to 2003, due both to the increase of attached staff expenses which was only in part balanced by the reduction of other administrative expenses (-35,8%).

The Company closed the year with a net profit of € 81.000.

#### **Sella Capital Management SGR S.p.A.**

The Company, based in Milan, operates in the industry of asset management, mainly offering products and services to qualified and institutional customers.

During the year the Company developed its organizational and corporate structure, mainly carrying out the activity of management by proxy of the sections of Sella Capital Management Sicav, which increased their number from 9 to 15 and whose assets reached € 911 million. Net managed assets (excluding duplications) as at 31 December 2004 stood at € 1.177 million, therefore recording an increase of 186% if compared to the previous financial year (€ 411,5 million).

Following the strong development, net interest and other income, equal to € 1,9 million, recorded a remarkable increase over 2003 (amounting to € 0,3 million). Structural costs reached € 1,5 million; nevertheless, both the very type of customers (institutional investors and qualified retail customers) and the strategic choice of not directly managing assets but operating through managing proxies, led to a reduction of structural costs.

The above mentioned situation led to a positive trend for the Company, which closed the year with a net profit of € 415.000 with respect to losses for € 541.000 recorded in 2003.

#### **Sella Capital Markets SIM S.p.A., in liquidation**

The Company, based in Milan, which was put in liquidation at the end of 2003 at its own request and following deliberation by Consob, on 3 March 2004 was cancelled from the Register of Brokers. The procedure for liquidation is still in course and the Company closed its financial year with a net profit of € 137.000.

### **International Capital Holding S.A.**

International Capital Holding S.A. controls the Paris based companies of the Group, International Capital Bourse S.A (I.C.B.) and International Capital Gestion S.A. (I.C.G.), which are respectively active in brokerage and asset management.

At the end of 2004, International Capital Holding proceeded to depreciate its participation in International Capital Bourse S.A. for € 5,7 million to adjust it to the possible break-up value and therefore closed its financial year with losses for € 5,1 million.

### **International Capital Bourse S.A.**

The company offers its services to French and foreign institutional customers and to corporate customers. The main services offered are: advice on investment and on investment strategies, securities and bonds trading on third parties' account, distribution of a remote dealing platform for European institutional customers and assistance on stock quotations and financial transactions.

Volumes brokered on the stock market amounted to € 3,5 billion, with a decrease of 24% over 2003; therefore the market share as regards brokerage activity on third parties' account on the French market recorded a decrease, passing from 0,26% to 0,17%.

Net interest and other income, amounting to € 4,4 million, recorded an increase of 5,2%, mainly thanks to the increase of net fees. Structural costs, amounting to € 4,6 million, recorded a decrease of 6,1% if compared to 2003, mainly resulting from the decrease of staff expenses (about -10%).

The ordinary management of the Company highlights losses for € 431.000; however, extraordinary write-ups relevant to previous years allowed the Company to close the financial year with a net profit of € 143.000 with respect to the 2003 loss for € 879.000.

### **International Capital Gestion S.A.**

Total volumes managed by the Company as at 31 December 2004 (asset management sector) amounted to € 239 million (€ 142,2 million of which of assets un-

der management, which increased by 5,9% over 2003), showing an increase of 3,8% if compared to 2003.

Net interest and other income, amounting to € 2,6 million, recorded an increase of more than 36,8% over 2003, thanks to higher net fees equal to € 2,9 million (€ 2,3 million in 2003). Structural costs, amounting to € 2,9 million, recorded a moderate increase if compared to 2003, mainly due to other administrative expenses, while staff expenses were substantially stable.

The financial year closed with a net profit of € 205.000 with respect to the € 732.000 loss of 2003.

### **Sella Adviser Ireland Ltd and Sella Fund Management Ireland Ltd**

In 2004 Sella Adviser Ireland Ltd was put in liquidation; consequently, the advisory activity for the funds established by Sella Fund Management Ireland and for the internal funds related to Sella Life unit-linked policies was entrusted to the Italian assets management companies Gestnord Fondi SGR and Sella Capital Management SGR.

During the year the procedures for putting Sella Fund Management Ireland in liquidation were set up; the funds established by the same were closed and the invested assets were merged into other products managed by Group companies.

## **SALES NETWORKS**

### **Sella Consult SIM p.A.**

The Company, based in Biella, has authorization to carry out an activity of securities placement.

As at 31 December 2004 the Company carried out its activity with 363 financial promoters and 33 financial sales points all over Italy.

Total portfolio as at 31 December 2004 reached € 2.174 million (+11,2% over 2003), while the total of assets under management, weighing for about 53% on the total portfolio, stood at € 121 million.

The domestic market share of the Company calculated on collected assets of brokerage companies members of Assoreti (the Italian financial sales network associa-

tion) stood at 1,26%, showing an increase with respect to 2003 (1,09%).

Net management fees, standing at € 7,5 million, recorded an increase of 10,3% with respect to 2003. Structural costs, amounting to € 5,4 million, recorded a decrease of 5,3%, due to an 8,2% decrease of other administrative expenses following the closing down of some of the financial sales points and to a 12,5% increase of staff expenses.

The financial year closed with a net profit of € 1,3 million (€ 72.000 in 2003), positively influenced by extraordinary profits related to the application of deferred taxation (taxes paid in advance) relevant to losses and provisions of previous financial years.

#### **Sella Austria Financial Services AG**

The Company, based in Klagenfurt (Austria), carries out an activity of distribution of insurance savings products (unit-linked policies created by Sella Life).

During the year this activity was carried out through the cooperation with 2 financial partners. The total portfolio as at 31 December 2004 reached € 5,6 million (+19,2% over 2003), while net total collected assets stood at € 0,9 million, recording an increase with respect to the previous year. However, due to the fact that some operating projects were not put into practice, the financial year closed with a loss of € 399.000.

Considering that the current organizational structure of the Company bears not a strategic role for the Group, during 2005, the same will be closed or sold.

### **ADVISORY SERVICES**

#### **Sella Corporate Finance S.p.A.**

The Company, based in Biella, carries out an advisory activity on extraordinary finance (corporate finance and structured finance), regulatory and corporate matters, venture capital, private equity and trusts establishment.

In 2004 turnover amounted to € 0,6 million, deriving from the various business lines.

Structural costs, standing at € 0,5 million, recorded

a slight decrease over 2003 (-6%), resulting from a decrease of staff expenses and from a decrease of administrative expenses.

During the year, the reserve for bad debts was used for an amount of about € 12.000 in relation with old positions deemed not to be recoverable.

Net profit for the Company reached € 53.000.

#### **Sella Trust Lux S.A.**

The Company, based in Luxembourg, is specialized in the establishment and management of trusts under British law. From January 2004, the Company transferred to Sella Bank Luxembourg S.A. (formerly IBL) the branch of business related to the administration of companies under Luxembourg law, therefore concentrating its business on the activity in relation with trusts.

Due to this reorganization, the 2004 turnover of the Company, amounting to € 0,3 million, was reduced by half with respect to the previous year (€ 0,6 million). At the same time, structural costs proportionally decreased, so that the Company closed the financial year with a net profit of € 4.600, with a decrease with respect to the previous financial year.

### **ASSURANCE/INSURANCE**

#### **Brosel S.p.A.**

The Company, based in Biella and with an office in Palermo, carries out its business in the insurance brokerage and insurance advisory.

At the end of the financial year, the volume of managed premiums reached € 16,6 million, growing by about 10% over 2003. Net interest and other income, amounting to € 1,7 million, recorded an increase of 9% with respect to 2003.

Net insurance brokerage fees, standing at € 1,6 million, showed an increase of 9,6%, while net financial income, at € 31.000, recorded a decrease of about 18%.

Structural costs, amounting to € 1 million, recorded an increase of 12% over 2003, due both to a 11,1% increase of staff expenses (following the employment of

one person and the rise in wages according to the new national contract of the tertiary sector) and to a 15,3% increase of other administrative expenses.

Net profit for the year reached € 352.000, recording an increase of about 7,1% over 2003, mainly thanks to the marketing of new lines of insurance products.

#### **C.B.A. Vita S.p.A.**

The Company, based in Milan, carries out an activity in the life, health and accident insurance policies industry, managing a total insurance portfolio of € 602,1 million, with an increase of 13% over 2003.

Total collected premiums for 2004 amounted to € 101,9 million, mainly related to life insurance policies (€ 100,6 million), with a slight increase with respect to 2003.

Net fees, standing at € 1,5 million, recorded a slight increase with respect to 2003, thanks to a better inflow of index-linked premiums. A similar increase was recorded as regards net financial income, amounting to € 6,8 million. Therefore, net interest and other income stood at € 4,8 million, showing an increase with respect to the previous year.

Structural costs, amounting to € 2,3 million, recorded a slight decrease over 2003 (€ 2,4 million), of which € 1,1 million of staff expenses and € 1,2 of other administrative expenses.

Net profit for the year reached € 1,3 million (€ 255.000 in 2003).

#### **Sella Life Ltd**

Sella Life, based in Dublin and under Irish law, is specialized in assurance savings products, especially unit-linked policies, distributed in Italy and abroad by the distribution networks of Gruppo Banca Sella.

During 2004 the Company collected premiums for an amount of € 22 million, therefore reaching a total of its insurance portfolio of € 252 million.

Net interest and other income, standing at € 1,3 million, recorded a decrease of 30% with respect to 2003, due to the decrease of other income.

Structural costs, at € 2,2 million, were substantially in line with the previous financial year.

The financial year closed with a loss of € 990.000.

The Company, together with a turnover of the top management which took place at the end of the third quarter of 2004, also reviewed its strategic position on the market, focussing on two lines of business: customized insurance products placed by the Private Banking network of the Group and unit-linked products distributed in other EU countries. Results from this strategy are expected to be achieved in the next three years and will go on side by side with the review of the organizational structure.

### **SOFTWARE DEVELOPMENT AND IT SERVICES**

#### **Sella Synergy India Ltd**

The Company, based in Chennai (Madras, India), sets up and develops IT products exclusively directed to the companies and banks of the Group.

Turnover for 2004 was influenced by the demand of its only customer and amounted to € 1,6 million, showing an increase with respect to the previous year.

Net interest and other income, standing at € 1,7 million, recorded an increase of 10% over 2003. Structural costs, at € 1,8 million, increased by 21,3%, due to an increase of staff expenses (from € 0,6 million to € 0,8 million) owing to a growth in the number of staff, while other administrative expenses only recorded a slight increase. The company closed the financial year with a loss of € 94.000.

During the year the Company actively contributed to the analysis and development of IT projects commissioned by the foreign structures of the Group in Miami and Paris, and also by the internal structures of Banca Sella.

#### **Selir S.r.l.**

The Company, based in Galati (Romania), sets up and develops IT products and manages administrative services exclusively for the Group.

Net interest and other income, standing at € 0,9 million, recorded a decrease of 13,7% with respect to

a year earlier, while other income recorded a 7,1% decrease, following a reduction 10% of prices related to the IT sector.

Structural costs, at € 0,7 million, recorded an increase of 11,2% over 2003, due to a 6,4% increase of staff expenses, following the employment of 10 new people and amounting to € 0,5 million, and a 22,2% increase of other administrative expenses.

The Company closed the financial year with a net profit of € 49.000.

#### **Easy Nolo S.p.A.**

The Company, based in Biella, mainly carries out an activity in the POS and e-commerce sectors, involving POS devices rental, installation and maintenance to retailers and banks, creation and management of value added services via POS as for example phone recharge services, fidelity services, advisory and assistance ser-

vices for the creation of complex projects for the management of payments.

During 2004 the total number of POS (installation and maintenance) recorded a 13,3% growth over 2003, while the number of e-commerce customers increased by 1,5%.

Turnover for 2004 stood at € 6 million, growing by 62,5% over 2003.

Structural costs, standing at € 5,6 million recorded a remarkable increase over 2003, due to an increase in the number of staff, in amortizations and in administrative expenses related to higher volumes.

As a consequence, the difference between production value and production costs, equal to € 471.000, showing a 70,2% increase with respect to the previous year.

The Company closed the financial year with a net profit of € 149.000 (€ 61.000 of 2003).

## 2005 OUTLOOK

### ECONOMIC BACKGROUND

The macroeconomic background acting as frame of reference to the forecasted development of the Group in 2005 is based on the following assumptions:

- the growing globalization led to a change in international geopolitical and economic balances, leading to an increased importance of emerging economies on the international scenario. In particular, Chinese and Indian economies are living through high rates of growth. USA demand has confirmed its importance for the growth of emerging economies: any remarkable slow down of the growth of the USA economy will have inevitable negative repercussions on the international development. It is however deemed not likely that the USA economy might undergo a sharp slowdown during the 2005-2007 period, thanks to the restrictive fiscal policy, together with a monetary policy marked by moderate increases of the official discount rate, to allow for a growth of national savings and therefore a reduction of twin deficits. As regards Japan, after the disappointing growth levels of 2004, its economic development outlook shows a slight improvement. In the next three years, a positive contribution to the trend of growth in the Eurozone might come from investments, necessary to update processes and improve profitability, which at the moment are driven by a remarkably favourable financial situation and by the plenty of liquidity detained by enterprises;
- the outlook as regards Italian growth for the 2005-2007 period is still on the feeble side. Consumers confidence remains under the historical average: the lack of a structural improvement in the labour market might continue to weigh on the sentiment of families. Enterprises might further slow down the reorganization process and the Italian industrial system, moreover, appears to have no particular defences against the growing globalization and the strong development of international trade;
- short-term interest rates should follow a growing trend both in the USA and in Europe. In the Eurozone, in particular, the start of a restrictive monetary

policy, following an acceleration of economic growth, should limit the widening of spread with respect to the US curve. In the USA, only in the event of strong inflationary tendencies, which is however deemed unlikely to happen, would justify a more remarkable increase of the official discount rate by the Fed. Such considerations are grounds to believe that long-term interest rates, even if expected to grow, should not record a strong rise;

- a likely improvement, even if gradual, of US twin deficits in the next three years should allow for a stabilization of the US currency in terms of real exchange rates.

In connection with such a scenario, the following trends are forecasted for the Italian banking and financial system on the whole:

- feeble expectations for a growth of profits, as against the reduction of unit margins and the economic trend of the country;
- worsening of credit risk in the above mentioned three-year period as a consequence of the continued loss of competitiveness of Italy, more clear in the traditional manufacturing sector (for example textile and clothes);
- likely transformation of advisory and asset management structures following the new and more restrictive regulations and the remarkable drop of profitability of assets, as a consequence of a reallocation of customers portfolios, of the current level of rates and of the introduction of new specialized (ETF etc.) and alternative products (hedge funds, private equity, real estate investment trusts). Higher responsibility of intermediaries towards customers as far as their investment choices are concerned;
- further integration of European markets even as regards regulations. The adoption of IAS (International Accounting Standards), of the European Directives on investment services and savings taxation and of the Basel II Capital Accord will favour, besides having other effects, the reduction of barriers to the entrance of foreign competitors in our market, side by side with the entrance of Italian players in foreign markets;

- growth of customers of foreign origin deriving from immigration, who are getting more and more interested in banking products and services;
- increase of competition. The greater strength of many Italian players, following the reorganization of some of the most important Italian banking groups, will sharpen competition in general and will lead to the need of increasing the average expertise of employees, in particular as regards financial services.

## **STRATEGY, VOLUMES AND PROFITABILITY OF THE GROUP**

In connection with the above mentioned macroeconomic background and as stated in the three-year Strategic Plan, the Group in 2005 will focus its activity on the following guidelines, as already in 2004:

- to continue to grow in size and in the number of customers, aiming at a further geographical and business diversification, as well as at high quality of services;
- to strengthen of the organizational structure in order to reach a better control and to improve efficiency;
- to improve profitability and capital ratios.

During 2005 the strengthening of the role of the Parent company will continue, and will be completed by the transformation of Finanziaria Bonsel into a bank, so as to directly develop those businesses which, for their nature and related risks and/or for the fact of being carried out for the whole Group, shall be more properly carried out by the Parent company.

As a direct consequence of this new organization a different planning of activities carried out by the banks

of the Group, following the gradual reduction of head office structures (centralized at the Parent company), shall lead to their transformation into branch banking networks.

As regards the other subsidiaries, a further gradual reduction of their number will take place, as well as a different subdivision of activities among the remaining ones.

This evolution will allow the Group to improve its productivity and controls, at the same time reducing administrative and compliance expenses.

The strengthening of services and instruments related to control will continue, paying particular attention to the "culture of controls", as already widely described in the relevant section of this Annual Report.

The Group aims at recovering efficiency, so as to improve its productivity ratios and to bring the ratio of costs over net interest and other income (cost to income ratio) at a stable 65%.

As far as loans are concerned, after the high growth of 2004, favoured by a high demand of mortgage loans by the families, and against an expected moderate slowdown, the Group aims at a loans growth rate in line with 2004.

The companies working in the asset management sector, will continue to pursue quality, both as regards performances and efficiency of services.

The geographical expansion plan will involve the opening of new branches with the aim of strengthening already existing structures and developing areas in which the Group is not diffusely present yet.

The initiatives, even though put in practice using the usual prudence and following an economic background in line with the expected one, shall allow for a 2005 result exceeding that of the previous year.

## REMARKABLE FACTS AFTER CLOSING OF THE FINANCIAL YEAR

- On 1 January 2005 Banca Patrimoni e Investimenti S.p.A., new structure of the Group specialized in private banking, started its activity. The Bank was born from the merge of Gestnord Intermediazione Sim into Sella Investimenti Banca, both active in asset management. The integration of this two structures will allow for the exploitation of the special and complementary expertise of both of the previous structures, offering retail and institutional customers a high professionalism in private banking and asset management services, as well as in specialized brokerage on financial markets. The new Banks carries out its activity through 9 branches and 21 financial sales offices all over Italy.
- Opening of a new branch in Bassano del Grappa (province of Vicenza) for Banca Bovio Calderari and in Martina Franca (province of Taranto) and Molfetta (province of Bari) for Banca Ardit Galati.
- The opening of a new branch in Monza (province of Milan) for Banca Sella is expected to take place in the first days of April.

## OWN SHARES

Finanziaria Bansel S.p.A. holds 378.944 own shares. No other company included in the consolidation area has, during the financial year, held, purchased

or transferred shares or own quotas or of the Parent company.

## RECONCILIATION OF THE PARENT COMPANY'S FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

(figures in euro million)

	Capital	Reserves <sup>(1)</sup>	Revaluation reserves	Profit of the year	Total
<b>Financial statements of the Parent company:</b>	<b>20.000</b>	<b>115.324</b>		<b>2.007</b>	<b>137.331</b>
Profit of subsidiaries attributable to the Group				25.710	25.710
Profit of investments carried at equity				687	687
Dividends for the financial year		5.795		(5.795)	-
Reserves of subsidiaries attributable to the Group		98.028			98.028
Revaluation reserves of subsidiaries			11.279		11.279
Reserve for general banking risks of subsidiaries		55.123			55.123
Write-downs:					
- offsetting of write-downs on consolidated equity investments				16.232	16.232
- amortization of goodwill arising on consolidation and investments carried at equity				(12.071)	(12.071)
Offsetting of infra-group capital gains					-
<b>Consolidated financial statements</b>	<b>20.000</b>	<b>274.270</b>	<b>11.279</b>	<b>26.770</b>	<b>332.319</b>

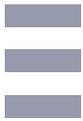
<sup>(1)</sup> The item also includes the "Reserve for general banking risks".

The difference between the Bank's financial statements and the consolidated financial statements follows the application of the criteria and methods described in part A, section 1 of the Ex-

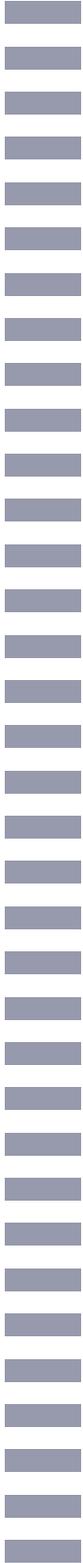
planatory Notes to the Financial Statements. These comply with the regulations in force and represent the situation and results of the Group as if it were only one business body.

Biella, 29 March 2005

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



**BOARD OF STATUTORY AUDITORS'  
CONSOLIDATED REPORT**



# BOARD OF STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 december 2004

Shareholders,

the Consolidated Financial Statements as at 31 December 2004, which are submitted to your attention, include the Consolidated Balance Sheet, the Consolidated Income Statement and the Explanatory Notes to the Financial Statements as well as the Annual Report. The year ended with a total net profit of € 26.770 thousand for the Group, net of minority interests for € 3.929 thousand and a Group shareholders' equity of € 277.192 thousand.

The Financial Statements were submitted to us by the Board of Directors together with the Annual Report and were prepared in accordance with the criteria, models, classifications, principles and evaluations in compliance with Law by Decree 87 of 27 January 1992 and with provision of Banca d'Italia No. 100 of 15 July 1992 and following supplements.

The financial statements submitted by each subsidiary are those prepared by the relevant Boards of Directors, due to be approved by the relevant shareholders' meetings.

According to the direct and assumed information we have, we acknowledge what here below illustrated.

The Companies being part of the Banking Group closed their financial statements on 31 December of each year; therefore the Group Consolidated Financial Statements were drawn up using their annual financial statements, except for Brosel S.p.A., which is consoli-

dated according to the equity method referring to its financial statements closed on 30 November 2004.

The Group Consolidated Financial Statements were drawn according to a line by line consolidation of all companies except for, besides the already mentioned Brosel S.p.A., C.B.A. Vita S.p.A., Sella Life Ltd, Banque Privée Martin Maurel Sella S.A.M. and Selcre S.p.A. in liquidation, which were consolidated according to the equity method.

The accounting policies and consolidation methods which were applied, exhaustively illustrated by the Directors in the Explanatory Notes to the Financial Statements, comply with the law and were correctly applied; we gave our approval to enter deferred charges.

The Explanatory Notes and the Annual Report contain all information as required by law and are consistent with the figures of the financial statements.

We agree with the allocation of goodwill arising on consolidation, amounting to € 20.749 thousand, net of negative goodwill arising on consolidation for € 9.106 thousand.

The Consolidated Financial Statements as at 31 December 2004 are currently being audited by Reconta, Ernst & Young S.p.A.

The Statutory Auditors

Alberto Rizzo

Vittorio Bernero

Alessandro Rayneri



**CONSOLIDATED FINANCIAL STATEMENTS OF  
GRUPPO BANCA SELLA AS AT 31 DECEMBER 2004**



## CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> <i>(figures in euro thousand)</i>	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>% variation</b>
10. Cash and deposits with central banks and post offices	106.711	90.630	17,74%
20. Treasury bills and other bills eligible for refinancing with central banks	236.795	375.535	-36,94%
30. Due from banks:	1.478.226	1.568.466	-5,75%
a) at sight	165.399	243.307	-32,02%
b) other deposits	1.312.827	1.325.159	-0,93%
40. Due from customers	5.189.348	4.805.166	8,00%
of which:			
- loans using third parties' funds in administration	17.677	17.357	1,84%
50. Bonds and other debt securities:	899.373	731.900	22,88%
a) issued by public bodies	670.975	579.018	15,88%
b) issued by banks	152.551	111.805	36,44%
of which:			
- own securities	41.185	38.580	6,75%
c) issued by financial institutions	69.369	31.443	120,62%
d) issued by other issuers	6.478	9.634	-32,76%
60. Equity shares, quotas and other share capital securities	10.178	16.535	-38,45%
70. Equity investments	57.340	50.288	14,02%
a) evaluated according to the equity method	4.553	4.403	3,41%
b) other	52.787	45.885	15,04%
80. Investments in subsidiaries:	40.990	40.526	1,14%
a) evaluated according to the equity method	40.990	40.526	1,14%
b) other	-	-	-
90. Goodwill arising on consolidation	20.749	31.390	-33,90%
100. Goodwill arising on application of the equity method	2.576	3.228	-20,20%
110. Intangible fixed assets	32.975	37.988	-13,20%
of which:			
- start-up costs	206	634	-67,51%
- goodwill	6.627	7.859	-15,68%
120. Tangible fixed assets	182.386	170.590	6,91%
140. Shares or own's units (nominal value € 189)	979	979	0,00%
150. Other assets	395.243	417.499	-5,33%
160. Accrued income and prepayments:	63.971	59.604	7,33%
a) accrued income	39.467	41.412	-4,70%
b) prepayments	24.504	18.192	34,70%
of which:			
- discounts on bond issues	304	42	623,81%
<b>Total assets</b>	<b>8.717.840</b>	<b>8.400.324</b>	<b>3,78%</b>

<b>LIABILITIES</b> <i>(figures in euro thousand)</i>	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>% variation</b>
10. Due to banks:	632.368	750.849	-15,78%
a) at sight	85.569	184.286	-53,57%
b) time deposits or with notice period	546.799	566.563	-3,49%
20. Due to customers:	5.745.737	5.362.280	7,15%
a) at sight	4.762.583	4.270.899	11,51%
b) time deposits or with notice period	983.154	1.091.381	-9,92%
30. Securities issued:	1.159.247	1.104.727	4,94%
a) bonds	1.019.989	953.900	6,93%
b) certificates of deposit	22.281	23.157	-3,78%
c) other	116.977	127.670	-8,38%
40. Third parties' funds in administration	17.680	17.357	1,86%
50. Other liabilities	341.716	415.331	-17,72%
60. Accruals and deferred income:	39.831	39.747	0,21%
a) accruals	17.215	18.134	-5,07%
b) deferred income	22.616	21.613	4,64%
70. Staff severance provision	41.317	38.273	7,95%
80. Provisions for risks and charges:	65.489	67.975	-3,66%
a) pensions and similar commitments	-	-	-
b) taxation	39.476	39.858	-0,96%
c) risks and charges arising from consolidation	-	-	-
d) other	26.013	28.117	-7,48%
90. Reserve for possible loan losses	13.627	13.773	-1,06%
100. Reserve for general banking risks	55.123	55.123	0,00%
110. Subordinated liabilities	254.836	211.544	20,46%
140. Minority interests	73.673	71.279	3,36%
150. Subscribed capital	20.000	20.000	0,00%
170. Reserves:	219.147	207.963	5,38%
a) legal reserve	6.368	6.278	1,43%
b) reserve for own shares	979	979	0,00%
c) statutory reserves	17.691	17.691	0,00%
d) other reserves	194.109	183.015	6,06%
180. Revaluation reserves	11.279	11.279	0,00%
200. Profit for the year	26.770	12.824	108,75%
<b>Total liabilities</b>	<b>8.717.840</b>	<b>8.400.324</b>	<b>3,78%</b>

<b>GUARANTEES AND COMMITMENTS</b> <i>(figures in euro thousand)</i>	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>% variation</b>
10. Guarantees given	332.142	366.568	-9,39%
of which:			
- acceptances	2.547	1.762	44,55%
- other guarantees	329.595	364.806	-9,65%
20. Commitments	379.646	424.178	-10,50%
of which:			
- for sales with repurchase engagement	-	-	-

## CONSOLIDATED INCOME STATEMENT

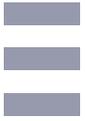
<i>(figures in euro thousand)</i>	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>% variation</b>
10. Interest receivable and similar income	323.095	317.252	1,84%
of which:			
- from due from customers	257.835	239.225	7,78%
- from debt securities	29.078	31.091	-6,47%
20. Interest payable and similar charges	(122.224)	(132.657)	-7,86%
of which:			
- on due to customers	(65.905)	(69.447)	-5,10%
- on securities issued	(25.048)	(29.067)	-13,83%
30. Dividends and other income:	4.342	4.435	-2,10%
a) from equity shares, quotas and other share capital securities	2.356	2.397	-1,71%
b) from equity investments	1.986	2.038	-2,55%
c) from equity investments in subsidiaries	-	-	-
40. Fees and commissions receivable	298.751	272.278	9,72%
50. Fees and commissions payable	(112.932)	(98.002)	15,23%
60. Dealing profits (losses)	26.021	32.025	-18,75%
70. Other operating income	49.939	52.551	-4,97%
80. Administrative expenses:	(310.234)	(291.774)	6,33%
a) staff expenses	(178.711)	(166.860)	7,10%
of which:			
- wages and salaries	(132.397)	(123.559)	7,15%
- social security charges	(34.908)	(32.230)	8,31%
- staff severance	(6.222)	(6.012)	3,49%
- pensions and similar commitments	(4.084)	(3.989)	2,38%
b) other administrative expenses	(131.523)	(124.914)	5,29%
90. Write-downs to tangible and intangible fixed assets	(45.033)	(57.973)	-22,32%
100. Provisions for a risks and charges	(10.077)	(14.415)	-30,09%
110. Other operating expenses	(6.321)	(7.083)	-10,76%
120. Write-downs to loans and provisions for guarantees and commitments	(52.693)	(39.066)	34,88%
130. Write-ups to loans and provisions for guarantees and commitments	9.341	9.024	3,51%
140. Provisions to the reserves for possible loan losses	(1.967)	(1.990)	-1,16%
150. Write-downs to financial fixed assets	(429)	(520)	-17,50%
170. Profit (loss) on equity investments in subsidiaries evaluated according to the equity method	710	266	166,92%
180. Profit on ordinary activities	50.289	44.351	13,39%
190. Extraordinary income	24.297	11.469	111,85%
200. Extraordinary expenses	(9.451)	(8.409)	12,39%
210. Extraordinary profit (loss)	14.846	3.060	385,16%
240. Income taxes for the year	(34.439)	(32.072)	7,38%
250. Minority interests	(3.926)	(2.515)	56,10%
<b>260. Profit for the year</b>	<b>26.770</b>	<b>12.824</b>	<b>108,75%</b>



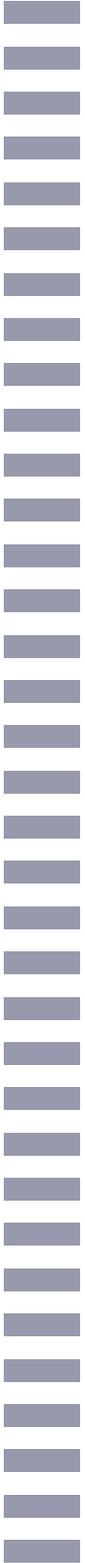
**EXPLANATORY NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**







**PART A - ACCOUNTING POLICIES**



## FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the financial year ended as at 31 December 2004, which includes the Balance Sheet, the Income Statement and the Explanatory Notes to the Financial Statements, was prepared in accordance with the regulations in force and it also contains the Board of Directors' Annual Report, as published in the present volume in the relevant section.

The Consolidated Financial Statements and the Explanatory Notes are shown in euro thousand.

For a better understanding of the Group's financial position, the Statement of changes in shareholders' equity and the Statement of cash flow are annexed.

The consolidated accounts are audited by Reconta, Ernst & Young S.p.A..

## SECTION 1 - ACCOUNTING PRINCIPLES

The principles adopted to prepare the Consolidated Financial Statements are in accordance with Law by Decree No. 87 of 27/1/1992, Law by Decree No. 213 of 24/6/1998 and to the instructions issued by Banca d'Italia (Provision of 30/7/1992 and following modifications and supplements), and are consistent with those used in the previous financial year.

The accounting policies hereafter discussed, where requested by the regulations in force, were fixed together with the Board of Auditors.

As regards quoted securities, a decision was taken to change the evaluation principles of securities entered in the financial statements, passing from a lower between book value and market value basis to a market value only basis; moreover, the use of the price at the end of period for the evaluation of positions (formerly the average of prices for the last month of the period was used) was deliberated. According to such a change, the following differences with the method previously used took place:

- capital gains are entered at Income Statement, evaluating them at end of period price and relevant to quoted securities previously not calculated;
- capital losses are entered evaluating them at end of period price, instead of using the average of prices for the last month of the period.

### 1. LOANS, GUARANTEES AND COMMITMENTS

Loans are stated at their estimated realizable value, calculated taking into account both the solvency of debtors and the guarantees received for the same loans.

Default interest matured during the year are entered in the Income Statement for the part collected or anyway deemed to be recoverable.

Estimated losses are determined on a case-by-case basis evaluation of non-performing cash loans and guarantees given and are integrated with evaluations of other loans likely to be recovered.

Losses ascertained during the financial year and the estimated losses for the same period on cash loans and on guarantees given are entered at item "Write-downs to loans and provisions for guarantees and commitments" of the Income Statement.

Write-ups to loans depreciated in previous financial years are entered at item "Write-ups to loans and provisions for guarantees and commitments".

No provisions were made for country risk, the amount of which is very limited and no losses are forecasted. Also, no losses for guarantees given are estimated.

Active and passive financial leasing operations are entered following the so-called "financial method", which provides that at the beginning of each contract the value

of the leased asset be equal to a granted loan, that during the life of the contract matured rents be equivalent to the instalments of a loan and that such instalments be subdivided into capital and interest components on the basis of the implicit rate of the contract.

## **2. SECURITIES AND OFF-BALANCE SHEET TRANSACTIONS (DIFFERENT FROM THOSE ON CURRENCIES)**

### **Investment securities**

Investment securities are valued at specific cost, including accrued issue discounts and adjusted by accrued dealing discounts, the latter being determined as the difference between the purchase price of the security and its redemption value, net of issue discounts not yet accrued.

Junior bonds relevant to the securitization operation of performing loans started in year 2000 are stated at the lower between original cost and their expected realizable value. Junior bonds relevant to the securitization of financial leases contracts, started in 2001, are stated at the lower between original cost to which the related accruals were added and the expected realizable value. Both expected realizable values were calculated following the recovery rate of the credit portfolio subjected to the securitization.

### **Dealing securities**

Securities not held as investment securities are valued as follows:

- securities quoted on organized markets are valued at market value, understood as the price of the last day of quotation, including accrued issue discounts;
- not quoted debt securities are valued at normal value, this being the value of quoted securities with same characteristics and/or calculated on the basis of other objective factors, such as the discounting of cash flows at market rates, including accrued issue discounts;
- stocks and other similar securities not quoted are valued at the lower of cost and normal value;

- mutual funds are valued at market value, understood as the price observed in the last working day of the financial year.

The original value of unquoted securities is reinstated if the reasons of the depreciation cease to apply.

Securities transactions to be settled are valued using the criteria applied to the destination portfolios.

Repurchase agreements, which bear the obligation for the transferee to re-sell such securities at forward, are stated as funding or loan financial operations.

Securities loan transactions are recorded as the combination of two transactions, functionally linked, of active or passive loans as counterpart for funding or loan financial transactions. These funding or loan transactions are assimilated to repurchase agreements transactions.

Foreign currency securities are valued using the same criteria as the above mentioned, converting the foreign currency value of the securities into euro at end of period spot exchange rates.

Cost value of securities is calculated on the so-called LIFO basis with annual increments.

### **Derivative contracts**

Derivative contracts are valued individually using the method pertaining to their relevant type (hedging contracts and trading derivative contracts).

The values calculated are entered into the balance sheet separately, without offsetting assets and liabilities.

#### Hedging derivative contracts

These are contracts carried out with the purpose of covering the risk of value variations of individual assets or liabilities, as well as any group of assets or liabilities, be they on or off-balance sheet, against the risk of market fluctuations.

A transaction is considered as hedging if one of the following documented conditions applies:

- intention of carrying out the hedging purpose;
- high degree of correlation between the technical and financial characteristics of the assets or liabilities

ties hedged and the characteristics of the hedging contract.

Should one only of the above mentioned conditions cease to apply, the contract is requalified as trading derivative contract.

Hedging derivative contracts are valued consistently with the assets or liabilities being hedged.

They are stated in the financial statements as follows:

*Balance Sheet:* the period elements of differentials or interest margins still to be accrued on contracts hedging the interest result concerning interest-bearing assets and liabilities are entered at item "Accrued income" or "Accruals";

*Income Statement:* should the aim of the hedging contract be to hedge the interest result concerning interest-bearing assets and liabilities, then the related economic effect will form part of the interest margin on an accrual basis. In this case the balance of differentials and margins is entered either among interest receivable or among interest payable, depending on their nature. On the contrary, should the derivative contract be carried out with the purpose of covering the risk of fluctuation of market prices or the exchange rate risk, the revenues or charges generated by the same are entered at item "Dealing profits/losses".

A similar evaluation method is used for matched dealing transactions (transactions in which two derivative contracts bearing opposite nature wholly offset).

#### Non-hedging derivative contracts.

Dealing contracts on securities, interest rates, indexes or other assets are valued as follows:

- contracts quoted on organized markets are stated at their market value on the closing day of the financial year;
- contracts linked to reference indicators subject to official survey are stated on the basis of their financial value, determined with reference to the market quotations for the above mentioned indicators on the closing day of the financial year.

They are entered in the financial statements as follows:

*Balance Sheet:* the figures relevant to the evaluation of non-hedging contracts are entered at items "Other assets" or "Other liabilities";

*Income Statement:* the economic effects of non-hedging derivative contracts are entered at item "Dealing profits/losses".

### **3. EQUITY INVESTMENTS**

Equity investments which are not significant are considered as investment securities and are stated at underwriting value and/or at acquisition cost, considered consistent with the capital of participated companies and with the strategic and economic value, excluding equity investments for which write-downs have been made following a lasting loss of value and/or following payments as hedging for losses.

Options on securities, which regard only the acquisition of unquoted equity investments, are valued at contract value excluding those for which a depreciation equal to the difference between book value and the amount of shareholders' equity of the participation object of the purchase option.

### **4. FOREIGN CURRENCY ASSETS AND LIABILITIES (INCLUDING OFF-BALANCE SHEET ITEMS)**

Assets, liabilities and off-balance sheet items in EMU currencies are converted into euro applying the relevant fixed conversion rates.

Assets, liabilities and off-balance sheet items in currencies other than EMU ones are converted into euro using the Banca d'Italia spot exchange rate applied on the last working day of the year.

There are no currency financial fixed assets (whether tangible or intangible), which are not covered, globally or specifically, on the spot or forward market.

Foreign currency forward transactions and derivative contracts are valued as follows:

- for hedging transactions, the forward engagement is valued at spot exchange rates applied at the end of the period and the difference with respect to contract value is stated in the Income Statement; the

differential between spot exchange rate at the date of underwriting and forward exchange rate is stated among "Interest" for the part relevant to the financial year;

- for dealing transactions the forward engagement is valued at the forward exchange rate observed on the closing day of the financial year.

For the present financial statements, those forward transactions having the aim of reducing foreign exchange risks relevant to foreign currency positions of the Group are considered hedging transactions.

## 5. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at contribution and/or purchase value, including related charges, additional costs for improvements and, as regards property, revaluations as by specific laws, net of amortizations yearly stated to Income Statement.

The higher contribution value of property was amortized applying to the same the standard tax rates reduced by half.

Calculated amortizations are deemed suitable to represent the residual duration of fixed assets and to face the obsolescence of highly technological assets.

Further write-downs were made to those fixed assets which suffered a lasting loss of value following exceptional natural events.

## 6. INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at contribution and/or purchase value, net of amortizations yearly stated to Income Statement.

Goodwill costs for the purchase of branches are amortized in ten years, according to the expected profit deriving from the activity of the branch.

Amortization quotas are entered according to the foreseen residual period of assets, in any case not exceeding the five years, excluding renovation costs for premises not belonging to the Group (the residual period of benefit of which is related to the duration of the relevant rent contracts), trademarks and goodwill, the value of which is amortized in ten years.

## 7. OTHER ITEMS

### Consolidation area

The Consolidated Financial Statements include the financial statements of the Companies belonging to the banking Group named "Gruppo Banca Sella", which also includes the company Sella Capital Markets in liquidation. The main businesses of the Group are banking and financial activities, as well as activities instrumental to the main businesses.

The banking Group was registered in the banks and banking groups roll of Banca d'Italia on 11 August 1992.

The consolidation area includes the Parent company Finanziaria Bansel S.p.A. and the controlled companies included in the following table.

Company	Activity
Banca Sella S.p.A.	Banking
Banca Bovio Calderari S.p.A.	Banking
Banca di Palermo S.p.A.	Banking
Banca Arditi Galati S.p.A.	Banking
Sella Investimenti Banca S.p.A.	Banking
Sella Bank AG	Banking
Sella Bank Luxembourg S.A.	Banking
Selban S.p.A.	Participation holding
B.C. Finanziaria S.p.A.	Participation holding
Insel S.r.l.	Participation holding

Sella Holding N.V.	Participation holding
Sella South Holding S.p.A.	Participation holding
International Capital Holding S.A.	Participation holding
Biella Leasing S.p.A.	Financial leasing
Consel S.p.A.	Consumer credit
Gestnord Fondi SGR S.p.A.	Asset management
Sella Capital Management SGR S.p.A.	Asset management
Sella Fund Management Ireland Ltd.	Mutual funds management
International Capital Gestion S.A.	Mutual funds management
Gestnord Intermediazione SIM S.p.A.	Brokerage and asset management
Sella Capital Markets SIM S.p.A. in liquidation	Brokerage and asset management
International Capital Bourse S.A.	Brokerage
Sella Consult SIMp.A.	Sales network
Sella Austria Financial Services AG	Sales network
Sella Adviser Ireland Ltd.	Securities advisory services
Fiduciaria Sella SIMp.A.	Dynamic trust
Selfid S.p.A.	Static trust
Sella Trust Lux S.A.	Trust
Sella Corporate Finance S.p.A.	Advisory services to corporate customers
Secursel S.r.l.	Securitization
Immobiliare Lanificio Maurizio Sella S.p.A.	Real estate management
Immobiliare Sella S.p.A.	Real estate management
Easy Nolo S.p.A.	IT devices rental
Selsoft Direct Marketing S.r.l.	Direct marketing
Selir S.r.l.	Software production
Sella Synergy India Ltd.	Software production

Banca Sella S.p.A. is a company resulting from the concentration, entered into effect on 1 December 1991, according to Law No. 218 30/7/1990 (Amato Law) and subsequent legislative decrees, of the pre-existing banking companies Banca Sella Società per Azioni and Banca Piemontese S.p.A.

Such operation and the following reorganizations of the Group highlighted a higher value of the contributed assets, of which the residual amount as at 31 December 2004 reached € 35.626 thousand. For tax purposes this amount is regulated by the provisions of art. 7 Law 218/90.

Following the same operation, a shareholders' equity reserve in suspension of taxation was entered into the bal-

ance sheet of the Parent company for a residual amount at year end of € 61.236 thousand.

The financial statements included in the consolidation area are those prepared by the relevant Boards of Directors for approval by the Shareholders' Assemblies. The financial statements of Group companies were duly reclassified, where necessary, in order to make them compliant with the criteria of Law by Decree No. 87 of 27/1/1992 and of the instructions issued by Banca d'Italia on 15/7/1992 and following modifications and supplements.

The closing of the financial year for all consolidating companies is fixed on 31 December of each year.

## Consolidation criteria

Equity investments in controlled companies belonging to the banking Group were consolidated line by line.

The acquisition value of equity investments in line by line consolidated companies is offset by the respective quotas of the Group in the subscribed capital, reserves, share premium account and reserve for general banking risks at the moment of the first consolidation (by agreement brought forward to 1 January 1993, date in which the Law by Decree 87/92 became effective) or of the acquisition, if after that date.

Positive goodwill resulting from the comparison between the equity investments belonging to the Group and the value of the equity investment, after any entry into assets and revaluation reserves, have been deducted from negative goodwill up to the amount of the latter. The residual amount was entered into Consolidated Balance Sheet assets and is amortized in 10 years, consistent with the future benefits deriving from investments and with the period necessary to the integration of the organizational structure of subsidiaries.

Higher amortizations were entered in the Income Statement for the financial year, following book value depreciations of some of the consolidated equity investments made by the single participants, for an amount equal to the difference between the depreciation that was made (which was offset in the Consolidated Financial Statements) and amortizations of positive goodwill deriving from consolidation of the same equity investments entered into the Consolidated Income Statement.

Participations in controlled companies which do not enter into the area of the banking Group, as well as other significant investments, are valued applying the equity method, with the exception of Fiduciaria Banknord S.p.A., which was not the object of consolidation, as the related participation will be divested.

The higher acquisition value with respect to the corresponding part of shareholders' equity was entered into balance sheet assets and amortized in 10 years.

Net profit and minority interests quotas were separately highlighted in the Consolidated Income Statement and in consolidated Balance Sheet liabilities.

The conversion of balance sheets in currencies different from the currency used for accountancy of the Group (euro) was made applying to each single caption of the balance sheet and of the income statement the exchange rates as at end of the financial year. The differences, originated by the conversion of shareholders' equity captions of the preceding year using exchange rates current at the end of the financial year, were entered directly in the consolidated shareholders' equity.

The relations between consolidated companies were removed, in particular:

- assets and liabilities relations and off-balance sheet operations;
- profits and charges relevant to operations;
- profits and losses resulting from dealing among Group companies on securities, currencies, financial instruments and other values included in assets, having a significant value or transacted at values different from market value.

## Loans

Loans to customers and to banks are stated on their granting. As regards current account transactions, advances and other grants, disbursement coincides with the moment of the performance of the transaction. As regards other transactions (bills, foreign transactions, securities), disbursement coincides with settlement date, conventionally being the debit or credit value date of the amounts on the customers' or banks' accounts.

The accounts are purged of any illiquid items, and the relevant net excess/deficit is stated among other assets and/or liabilities in the Balance Sheet.

The original value of loans is determined as follows:

- bills discounted and advances on bills subject to collection are entered at nominal value; interest to be accrued are entered in "Deferred income";
- current accounts: balances include interest and expenses related to the annual closing of accounts (even if due in the following year) as well as pending transactions at period end if relevant to the accounts in object;
- loans, deposits, financings and other grants are entered for their residual value of principal, besides

any interest on arrears accrued and not paid.

Financings bearing interest settled in advance are stated at nominal value. Interest not matured are entered in "Deferred income".

### **Securities**

"Treasury bills and other bills eligible for refinancing with central banks", "bonds and other debt securities" and "equity shares, quotas and other share capital securities" are stated with reference to their settlement date. As regards debt securities, settlement date is conventionally represented by the date of the calculation of interest and as regards capital securities by the contractual settlement date.

### **Payables**

Payables are stated at their nominal value.

Accounting policies, with regard to illiquid items and interest relevant to customers' and banks' accounts are parallel to those described above, relevant to loans.

"Due to customers" and "Due to banks" include funds collected by way of repurchase agreements transactions on securities.

"Debt securities" show the value of subordinated loans issued by the Banks and funds collected through the issue of certificates of deposit and bond loans, in addition to the value of own cheques, banker's drafts and issued commercial papers.

### **Prepayments and accrued income**

Prepayments and accrued income are calculated in accordance with the matching principle, proportionally with the accrued amount, taking into account settlement rules concerning the various specific relationships and the various specific technical forms.

### **Staff severance**

The provision for staff severance represents the accrued liabilities relevant to each employee, according to the law and the contractual agreements in force, taking into account the wages and the revaluation of the pre-existing fund.

## **Provisions for risks and charges**

### Provision for taxes and fees

The provision for taxes and fees represents the reserve for direct and indirect taxation relevant to the financial year and includes deferred taxation.

The provision for indirect taxation (stamp duty, tax on Stock Exchange contracts and substitute tax on medium/long-term loans) was calculated on the basis of a precise determination of the amounts due.

The provision for income taxes on companies (IRES), for the regional tax on industrial activities (IRAP) and for income taxes on companies and entities operating in foreign countries was prudently estimated with reference to the forecasted present and deferred fiscal charge, in accordance with the current fiscal legislation and taking into account the applicable tax exemptions.

It is to be noted that the measure of Banca d'Italia of 3/08/1999 states that all subjects issuing a banking-financial statement of accounts, besides "current" taxation, must also calculate deferred taxation, both on assets and on liabilities. The calculation of deferred taxation follows the need of taking into account the differences between tax rules regulating the calculation of income and civil law rules, and therefore the differences which may arise between fiscal values and book values in the calculation of income. Such differences may be lasting (i.e. producing irreversible charges and benefits) or temporary (destined to be reabsorbed); the latter generate "deferred" taxation. Liabilities for deferred taxation relevant to temporary taxable differences are entered into the provision for taxes; assets for taxes paid in advance relevant to temporary deductible differences are stated in item 150 "Other assets" of the Balance Sheet. The offsetting between liabilities for deferred taxation and assets for taxes paid in advance is done when these refer to the same company, to the same tax and fall due in the same period.

Deferred taxation related to assets and liabilities in suspension of taxation was not entered in the financial statements, as it is not likely that in the near future these could be used so as to determine their taxation.

The deferred fiscal effect, deriving from write-downs

on consolidation, is calculated in case the conditions which may bring variations in taxes in the short/medium term should appear.

#### Other provisions

"Other provisions" include the reserve for costs relevant to the financial year, for which the amount will be definitely assessed in subsequent years and prudential reserves in connection with engagements towards the Deposit Guarantee Scheme and in connection with risks and charges certain or likely to intervene, the amount of which cannot be determined at the closing of the financial year.

#### **Reserve for general banking risks**

The reserve, created in accordance with art. 11 Law by Decree No.87 of 27/1/1992, is set aside against the general business risks of banking activity.

#### **Reserve for possible loan losses**

The reserve for possible loan losses, which was created to face any possible losses on loans, has no function of adjustment on the total value of assets.

#### **Subscribed capital, share premium account, reserves and revaluation reserves**

These items show the subscribed capital, fully paid in and the reserves created during the years following shareholders' meetings deliberations and in accordance with the law.

As regards "Equity reserves" in suspension of taxation, provisions have been made only as against tax relief for taxes already paid following art. 1, Law by Decree No. 467 18/12/1997, as, at the moment, no operations are foreseen so as to determine further taxation.

#### **Guarantees and commitments**

This item includes the guarantees and commitments described in section 10 of the Explanatory Notes to the Financial Statements, which also includes assets lodged to guarantee the Group's debts, margins usable on credit lines and forward transactions and derivative contracts which are not shown, in accordance with the disposi-

tions, in the Balance Sheet. Guarantees given are entered at contract value of the commitment undertaken towards the beneficiary.

Commitments, forward transactions and the other above-mentioned items are stated as follows:

- deposit and loan contracts: on the basis of the amount to be granted and/or to be received;
- irrevocable lines of credit: on the basis of the available amount;
- securities and currencies purchase contracts: on the basis of "ex coupon" settlement price;
- derivative contracts on securities, currencies and other instruments involving the exchange of capital: on the basis of settlement price, with the exception of those contracts dealt with in markets which provide for the exchange of daily margins (futures, options) which are stated at nominal value;
- derivative contracts not involving the exchange of capital (contracts on interest rates and on indexes): on the basis of the relevant notional capital;
- other commitments and risks: on the basis of the contract value of the undertaken commitment.

Premiums paid and those collected for options on securities and on currencies are entered in the balance sheet until the period date of the operation or its expiry date.

The premium represents the value of the option contract.

#### **Administration and dealing on behalf of third parties**

Assets purchased or sold in the name and on behalf of third parties are not stated in the Balance Sheet.

Details concerning these assets are shown in the relevant sections of the Explanatory Notes to the Financial Statements.

#### **Interest payable and receivable**

Interest are entered in the financial statements on an accrual basis and include other charges and revenues in accordance with art. 13 Law by Decree No. 87 of 27/1/1992.

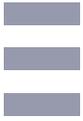
**Dividends**

Dividends in favour of the Group are entered in the financial year in which they are deliberated by the relevant shareholders' assemblies, which usually coincides with the moment of collection.

**Comparability of financial statements**

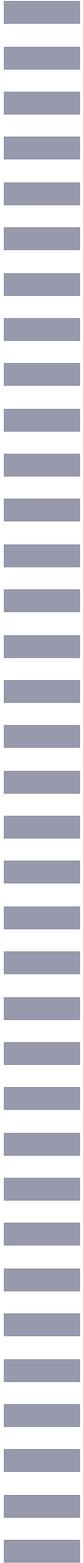
The figures shown in the financial statements are

substantially comparable with those of the previous financial year. The variation of the consolidation area which is stated in the "statement of changes in shareholders' equity" is to be referred to the modification of the ownership percentage of some of the companies already included in the consolidation area in the previous financial year.



## **PART B – INFORMATION ABOUT CONSOLIDATED BALANCE SHEET**

(all figures are shown in euro thousand)



## SECTION 1 LOANS

### 1.1 Caption 30 "Due from banks". Detailed items

	2004	2003
a) Due from central banks	242.565	431.033
b) Bills eligible for refinancing with central banks	-	-
c) Receivable for financial leases	2.476	2.959
d) Repurchase agreements	717.395	572.388
e) Securities loaned	-	-

### 1.2 Situation of cash loans to banks

	Gross value	Total write-downs	Net value
<b>A. Doubtful loans</b>	<b>46</b>	-	<b>46</b>
A.1 Non-performing loans	-	-	-
A.2 Watchlist loans	-	-	-
A.3 Loans being restructured	-	-	-
A.4 Restructured loans	-	-	-
A.5 Non guaranteed loans exposed to country risk	46	-	46
<b>B. Performing loans</b>	<b>1.478.180</b>	-	<b>1.478.180</b>
<b>Total</b>	<b>1.478.226</b>	-	<b>1.478.226</b>

### 1.3 Movements in doubtful loans to banks

Description	Non-performing loans	Watchlist loans	Loans being restructured	Restructured loans	Non guaranteed loans exposed to Country risk
<b>A. Gross value as of 01/01/2004</b>	-	-	-	-	<b>1.539</b>
A.1 of which: for default interest	-	-	-	-	-
<b>B. Increases</b>	-	-	-	-	<b>23</b>
B.1 inflows from performing loans	-	-	-	-	14
B.2 default interest	-	-	-	-	-
B.3 transfers from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	-	-	-	-	9
<b>C. Decreases</b>	-	-	-	-	<b>1.516</b>
C.1 outflows to performing loans	-	-	-	-	6
C.2 write-offs	-	-	-	-	-
C.3 collections	-	-	-	-	-
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	1.510
<b>D. Gross value as of 31/12/2004</b>	-	-	-	-	<b>46</b>
D.1 of which: for default interest	-	-	-	-	-

### 1.5 Caption 40 "Due from customers". Detailed items

	2004	2003
a) Bills eligible for refinancing with central banks	18.070	17.531
b) Receivable for financial leases	621.826	502.290
c) Repurchase agreements	-	284
d) Securities loaned	7.789	858

## 1.6 Secured loans to customers

	2004	2003
<b>a) Mortgages</b>	<b>1.504.557</b>	<b>1.112.924</b>
<b>b) Pledged assets:</b>		
1. Cash deposits	28.581	73.961
2. Securities	89.396	116.642
3. Other instruments	39.740	39.000
	<b>157.717</b>	<b>229.603</b>
<b>c) Guarantees given by:</b>		
1. Governments	-	-
2. Other public bodies	374	438
3. Banks	20.746	19.524
4. Other operators	1.017.204	892.725
	<b>1.038.324</b>	<b>912.687</b>
<b>Total</b>	<b>2.700.598</b>	<b>2.255.214</b>

## 1.7 Situation of cash loans to customers

	Gross value	Total write-downs	Net value
<b>A. Doubtful loans</b>	<b>310.293</b>	<b>154.567</b>	<b>155.726</b>
A.1 Non-performing loans	207.415	135.133	72.282
A.2 Watchlist loans	94.609	18.104	76.505
A.3 Loans being restructured	-	-	-
A.4 Restructured loans	4.986	1.330	3.656
A.5 Non guaranteed loans exposed to country risk	3.283	-	3.283
<b>B. Performing loans</b>	<b>5.035.877</b>	<b>2.255</b>	<b>5.033.622</b>
<b>Total</b>	<b>5.346.170</b>	<b>156.822</b>	<b>5.189.348</b>

## 1.8 Movements in doubtful loans during the year

Description	Non-performing loans	Watchlist loans	Loans being restructured	Restructured loans	Non guaranteed loans exposed to Country risk
<b>A. Gross value as of 01/01/2004</b>	<b>200.029</b>	<b>103.099</b>	-	<b>709</b>	<b>4.288</b>
of which: for default interest	43.725	201	-	-	-
<b>B. Increases</b>	<b>65.140</b>	<b>98.513</b>	<b>4.969</b>	<b>4.989</b>	<b>1.461</b>
B.1 inflows from performing loans	8.255	72.695	4.969	-	1.371
B.2 default interest	7.883	-	-	73	-
B.3 transfers from other categories of doubtful loans	44.748	-	-	4.916	-
B.4 other increases	4.254	25.818	-	-	90
<b>C. Decreases</b>	<b>57.754</b>	<b>107.003</b>	<b>4.969</b>	<b>712</b>	<b>2.466</b>
C.1 outflows to performing loans	-	14.046	-	-	2.171
C.2 write-offs	30.694	-	-	-	-
C.3 collections	22.274	37.983	53	712	-
C.4 disposals	3.760	-	-	-	-
C.5 transfers to other categories of doubtful loans	-	44.747	4.916	-	-
C.6 other decreases	1.026	10.227	-	-	295
<b>D. Gross value as of 31/12/2004</b>	<b>207.415</b>	<b>94.609</b>	-	<b>4.986</b>	<b>3.283</b>
of which: for default interest	45.246	138	-	73	-

## 1.9 Movements in write-downs during the year

Description	Non-performing loans	Watchlist loans	Loans being restructured	Restructured loans	Non guaranteed loans exposed to country risk	Performing loans
<b>A. Total write-downs as of 01/01/2004</b>	<b>119.915</b>	<b>13.166</b>	-	-	-	<b>1.611</b>
A.1 of which: for default interest	33.503	201	-	-	-	-
<b>B. Increases</b>	<b>50.495</b>	<b>15.707</b>	<b>1.800</b>	<b>1.330</b>	-	<b>1.401</b>
B.1 write-downs	40.907	14.936	1.800	-	-	1.401
B.1.1 of which: for default interest	7.649	583	-	-	-	-
B.2 use of reserves for possible loan losses	28	-	-	-	-	-
B.3 transfers from other categories of loans	9.507	-	-	1.330	-	-
B.4 other increases	53	771	-	-	-	-
<b>C. Decreases</b>	<b>35.277</b>	<b>10.769</b>	<b>1.800</b>	-	-	<b>757</b>
C.1 write-ups from valuations	1.045	867	470	-	-	-
C.1.1 of which: for default interest	194	-	-	-	-	-
C.2 write-ups from collection	4.212	390	-	-	-	-
C.2.1 of which: for default interest	1.166	-	-	-	-	-
C.3 write-offs	29.728	-	-	-	-	218
C.4 transfers to other categories of doubtful loans	-	9.021	1.330	-	-	486
C.5 other decreases	292	491	-	-	-	53
<b>D. Total write-downs as of 31/12/2004</b>	<b>135.133</b>	<b>18.104</b>	-	<b>1.330</b>	-	<b>2.255</b>
D.1 of which: for default interest	35.408	138	-	-	-	-

## Caption 10 "Cash and balances with central banks and post offices". Composing items

	Euro-in currencies	Other currencies	Total
Cash	91.562	4.314	95.876
Postal orders	2	-	2
Other instruments with cashier	9	4	13
	<b>91.573</b>	<b>4.318</b>	<b>95.891</b>
Free deposits with Banca d'Italia and with local central banks	5.808	4.556	10.364
Deposits with post offices	355	101	456
	<b>6.163</b>	<b>4.657</b>	<b>10.820</b>
<b>Total</b>	<b>97.736</b>	<b>8.975</b>	<b>106.711</b>

## Caption 30 "Due from banks". Composing items

	Euro-in currencies	Other currencies	Total
<b>At sight</b>			
Cash balances on current accounts for services rendered	68.363	67.227	135.590
Sight deposits	14.953	-	14.953
Other technical forms (caution money)	14.856	-	14.856
	<b>98.172</b>	<b>67.227</b>	<b>165.399</b>
<b>Other credits</b>			
With Banca d'Italia and with local central banks	239.628	2.937	242.565
Term deposits	144.739	205.652	350.391
Credits for leasing contracts	2.476	-	2.476
Repurchase agreements	704.009	-	704.009
Repurchase agreements related to securities loaned	13.386	-	13.386
	<b>1.104.238</b>	<b>208.589</b>	<b>1.312.827</b>
<b>Total</b>	<b>1.202.410</b>	<b>275.816</b>	<b>1.478.226</b>
of which: residents	982.334	144.244	1.126.578
non residents	220.076	131.572	351.648

**Caption 40 "Due from customers". Composing items**

	<b>Euro-in currencies</b>	<b>Other currencies</b>	<b>Total</b>
Current accounts	704.105	10.843	714.948
Advances	501.356	37.224	538.580
Advances not settled on current account	-	-	-
Other loans not settled on current account	858.563	56.317	914.880
Other loans (personal loans and mortgage loans)	1.935.379	3.884	1.939.263
Loans using third parties' funds in administration	17.677	-	17.677
Consumer credits	326.195	-	326.195
Credits for leasing contracts	621.826	-	621.826
Repurchase agreements	-	-	-
Securities loaned	7.789	-	7.789
Risk in loan portfolio (including prepaid income)	32.895	-	32.895
Non-performing loans	72.268	13	72.281
Other technical forms	3.007	7	3.014
<b>Total</b>	<b>5.081.060</b>	<b>108.288</b>	<b>5.189.348</b>
of which: residents	4.978.578	80.019	5.058.597
non residents	102.482	28.269	130.751

**Number of loan customer accounts, including personal loans**

	<b>2004</b>	<b>2003</b>
Euro-in currencies	379.732	382.364
Other currencies	903	1.287
	<b>380.635</b>	<b>383.651</b>
Number of outstanding repurchase agreements and securities loaned	62	80

## SECTION 2 SECURITIES

### 2.1 Investment securities

	Book value	Market value
<b>1. Debt Securities</b>	<b>89.006</b>	<b>93.903</b>
1.1 Government securities	79.089	83.986
- quoted	79.089	83.986
- unquoted	-	-
1.2 Other securities	9.917	9.917
- quoted	-	-
- unquoted	9.917	9.917
<b>2. Equities</b>	<b>417</b>	<b>305</b>
- quoted	417	305
- unquoted	-	-
<b>Total</b>	<b>89.423</b>	<b>94.208</b>

Capital gains as at 31/12/2004 on the whole amounted to € 4,8 million.

### 2.2 Changes in investment securities during the year

<b>A. Opening balance</b>	<b>94.263</b>
<b>B. Increases</b>	<b>5.393</b>
B.1 Purchases	5.205
B.2 Write-ups and revaluations	-
B.3 Transfers from dealing securities portfolio	-
B.4 Other changes	188
<b>C. Decreases</b>	<b>10.233</b>
C.1 Sales	-
C.2 Redemptions	10.203
C.3 Write-downs	-
C.4 Transfers to dealing securities portfolio	-
C.5 Other changes	30
<b>D. Closing balance</b>	<b>89.423</b>

The controlled companies, following the resolutions of their relevant Boards of Directors, have identified the technical characteristics of investment securities consequently fixing their size.

The book value of the Group's investment securities portfolio amounts to € 89,4 million, of which € 79,1 million of Italian Government Bonds, showing a decrease if compared to € 94,3 million as at end of the previous financial year.

A Long-term Treasury Bill of October 2004 represents almost the whole of item C "Decreases" (€ 10,2 million), belonging to Banca di Palermo and reimbursed at maturity. The comparison between book value and market value, calculated on the basis of the arithmetic mean of prices observed in the second half of 2004, highlights capital gains for € 4,8 million.

## 2.3 Dealing securities

	Book value	Market value
<b>1. Debt securities</b>	<b>1.047.162</b>	<b>1.047.290</b>
1.1 Government securities	806.416	806.416
- quoted	806.416	806.416
- unquoted	-	-
1.2 Other securities	240.746	240.874
- quoted	193.020	193.018
- unquoted	47.726	47.856
<b>2. Equities</b>	<b>9.761</b>	<b>9.761</b>
- quoted	9.675	9.675
- unquoted	86	86
<b>Total</b>	<b>1.056.923</b>	<b>1.057.051</b>

Capital gains as at 31/12/2004 amount to a total of € 0,1 million.

According to a change of the accounting principles regarding securities, which passed from the lesser between book value and market value to market value only, here below are shown the effects resulting from the change with respect to the previous method (figures in euro million):

	Previous accounting principle (lesser between book value and market value)	Current accounting principle (market value)	Impact 2004
Capital gains and write-ups	0,30	1,13	+0,82
Capital losses	-1,28	-1,47	- 0,19
<b>Total</b>	<b>-0,98</b>	<b>-0,34</b>	<b>+0,64</b>

The global positive impact of € 0,6 million includes two components: € 0,3 million relevant to previous financial years (capital gains matured in previous financial years) and € 0,3 million relevant to the current financial year.

The global impact of the change in method relevant to previous financial years amounts to € 0,6 million, whereas capital gains relevant to 2004 amount to € 0,3 million.

Unrecorded capital gains on unquoted securities amounted to € 0,1 million.

## 2.4 Changes in dealing securities

<b>A. Opening balance</b>	<b>1.029.707</b>
<b>B. Increases</b>	<b>69.979.060</b>
B.1 Purchases	69.954.036
- Debt securities:	36.868.165
- government securities	31.477.097
- other securities	5.391.068
- Equities	33.085.871
B.2 Write-ups and revaluations	1.149
B.3 Transfers from investment securities portfolio	-
B.4 Other changes	23.875
<b>C. Decreases</b>	<b>69.951.844</b>
C.1 Sales and redemptions	69.948.323
- Debt securities:	36.846.556
- government securities	31.526.909
- other securities	5.319.647
- Equities	33.101.767
C.2 Write-downs	1.468
C.3 Transfers to investment securities portfolio	-
C.4 Other changes	2.053
<b>D. Closing balance</b>	<b>1.056.923</b>

Dealing securities are held by the companies of the Group for treasury purposes or for customers' dealing purposes and are stated in Balance Sheet assets for an amount of € 1.056,9 million. The moderate increase, if compared to the amount of € 1.029,7 million of the previous financial year, is due both to the slight decrease of Banca Sella's securities portfolio (amounting to € 851,2 million) and to the slight increase of the securities portfolio of the other banks of the Group.

The already small quantity of "Equities" was further diminished during the financial year, passing from € 15,9 million in 2003 to € 9,8 million in 2004.

Write-downs for capital losses on dealing securities portfolio, emerging from the comparison between book values and the arithmetic means of the prices observed in the month of December, were up to € 1,5 million (item C.2).

From a similar comparison emerge unrecorded capital gains for € 0,1 million.

Other changes in increases and decreases (items B.4 and C.4) represent profits and losses on the dealing of securities and on exchange rates, positive and negative differences of exchange rates on currency positions and discounts on issues (including profits and losses).

## SECTION 3 EQUITY INVESTMENTS

### 3.1 Significant investments

Name of companies	Head office	Type of relationship	Net worth <sup>(A)</sup>	Economic outcome <sup>(B)</sup>	Ownership		% Voting rights	Consolidated book value
					Owner	%		
<b>A. Subsidiary companies</b>								
<b>A.1 Line by line</b>								
1. <b>FINANZIARIA BANSEL S.p.A.</b>	Biella	1	137.331	2.007				
2. <b>SELBAN S.p.A.</b>	Biella	1	9.007	188	A.1 1	92,9650%	92,9650%	XXX
3. <b>BANCA SELLA S.p.A.</b>	Biella	1	321.608	26.864	A.1 1	95,0200%	95,0200%	XXX
					A.1 2	4,9800%	4,9800%	XXX
4. <b>INSEL S.r.l.</b>	Biella	1	35.927	(457)	A.1 3	99,9900%	99,9900%	XXX
					A.1 1	0,0100%	0,0100%	XXX
5. <b>GESTNORD FONDI SGR S.p.A.</b>	Milano	1	18.885	1.135	A.1 3	81,0519%	81,0519%	XXX
					A.1 4	5,0000%	5,0000%	XXX
					A.1 6	1,2222%	1,2222%	XXX
					A.1 18	10,0000%	10,0000%	XXX
6. <b>SELLA CONSULT SIMp.A.</b>	Biella	1	4.847	1.302	A.1 3	79,0081%	79,0081%	XXX
					A.1 18	10,0000%	10,0000%	XXX
					A.1 1	3,4750%	3,4750%	XXX
7. <b>SELLA CAPITAL MANAGEMENT SGR S.p.A.</b>	Milano	1	5.424	415	A.1 3	85,9261%	85,9261%	XXX
					A.1 6	2,5000%	2,5000%	XXX
					A.1 18	10,0000%	10,0000%	XXX
8. <b>GESTNORD INTERMEDIAZIONE SIM S.p.A.</b>	Torino	1	21.690	(355)	A.1 3	47,0255%	47,0255%	XXX
					A.1 6	8,6922%	8,6922%	XXX
9. <b>BIELLA LEASING S.p.A.</b>	Biella	1	35.162	5.834	A.1 3	76,8409%	76,8409%	XXX
10. <b>SELLA CORPORATE FINANCE S.p.A.</b>	Biella	1	1.224	53	A.1 3	99,5000%	99,5000%	XXX
					A.1 9	0,5000%	0,5000%	XXX
11. <b>IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.</b>	Biella	1	17.538	264	A.1 3	99,9527%	99,9527%	XXX
					A.1 4	0,0473%	0,0473%	XXX
12. <b>IMMOBILIARE SELLA S.p.A.</b>	Biella	1	3.769	(45)	A.1 3	99,0099%	99,0099%	XXX
					A.1 4	0,9901%	0,9901%	XXX
13. <b>SELFTO DIRECT MARKETING S.p.A.</b>	Biella	1	329	17	A.1 3	99,9000%	99,9000%	XXX
					A.1 4	0,1000%	0,1000%	XXX
14. <b>SELIR S.r.l.</b> <sup>(C)</sup>	Romania	1	666	49	A.1 24	99,9017%	99,9017%	XXX
15. <b>B.C. FINANZIARIA S.p.A.</b>	Biella	1	36.829	667	A.1 3	78,7965%	78,7965%	XXX
					A.1 4	4,0138%	4,0138%	XXX
16. <b>FIDUCIARIA SELLA SIMp.A.</b>	Biella	1	4.700	750	A.1 3	43,0500%	43,0500%	XXX
					A.1 2	30,0000%	30,0000%	XXX
					A.1 18	10,0000%	10,0000%	XXX
17. <b>SELFID S.p.A.</b>	Biella	1	944	81	A.1 2	88,0000%	88,0000%	XXX
18. <b>BANCA BOVIO CALDERARI S.p.A.</b>	Trento	1	31.829	2.111	A.1 15	71,0000%	71,0000%	XXX
19. <b>SELLA SOUTH HOLDING S.p.A.</b>	Biella	1	52.905	848	A.1 3	75,0000%	75,0000%	XXX
					A.1 4	25,0000%	25,0000%	XXX
20. <b>SELLA BANK AG</b> <sup>(D)</sup>	Switzerland	1	26.786	511	A.1 24	78,6912%	78,6912%	XXX
21. <b>SELLA CAPITAL MARKETS SIM S.p.A.</b> in liquidation	Milano	1	9.215	137	A.1 3	71,6675%	71,6675%	XXX
					A.1 4	8,3385%	8,3385%	XXX
					A.1 5	10,0000%	10,0000%	XXX
					A.1 18	4,9418%	4,9418%	XXX
					A.1 34	3,9914%	3,9914%	XXX
22. <b>SELLA SYNERGY INDIA Ltd.</b> <sup>(E)</sup>	India	1	305	(87)	A.1 24	99,9999%	99,9999%	XXX

Name of companies	Head office	Type of relationship	Net worth <sup>(A)</sup>	Economic outcome <sup>(B)</sup>	Ownership		% Voting rights	Consolidated book value
					Owner	%		
23. <b>BANCA DI PALERMO S.p.A.</b>	Palermo	1	20.584	432	A.1 19	72,6544%	72,6544%	XXX
					B. 2	5,0000%	5,0000%	XXX
24. <b>SELLA HOLDING N.V.</b>	The Netherlands	1	15.462	(9.310)	A.1 3	95,1041%	95,1041%	XXX
					A.1 4	4,8959%	4,8959%	XXX
25. <b>SELLA BANK LUXEMBOURG S.A.</b>	Luxembourg	1	10.712	(3.615)	A.1 24	88,9504%	88,9504%	XXX
26. <b>SELLA ADVISER IRELAND Ltd.</b> in liquidation	Ireland	1	118	(30)	A.1 24	100,0000%	100,0000%	XXX
27. <b>SELLA FUND MANAGEMENT IRELAND Ltd.</b> in liquidation	Ireland	1	174	(13)	A.1 24	100,0000%	100,0000%	XXX
28. <b>CONSEL S.p.A.</b>	Torino	1	12.342	1.989	A.1 3	76,8409%	76,8409%	XXX
29. <b>INTERNATIONAL CAPITAL HOLDING S.A.</b>	France	1	11.193	(5.103)	A.1 24	94,0766%	94,0766%	XXX
30. <b>INTERNATIONAL CAPITAL BOURSE S.A.</b>	France	1	6.602	143	A.1 29	99,7667%	99,7667%	XXX
31. <b>INTERNATIONAL CAPITAL GESTION S.A.</b>	France	1	2.610	205	A.1 29	84,4949%	84,4949%	XXX
32. <b>SELLA TRUST LUX S.A.</b>	Luxembourg	1	452	5	A.1 24	99,0000%	99,0000%	XXX
					A.1 3	1,0000%	1,0000%	XXX
33. <b>SECURSEL S.r.l.</b>	Milano	1	12	1	A.1 1	80,0000%	80,0000%	XXX
34. <b>BANCA ARDITI GALATI S.p.A.</b>	Lecce	1	49.951	1.549	A.1 19	51,2500%	51,2500%	XXX
35. <b>SELLA INVESTIMENTI BANCA S.p.A.</b>	Torino	1	7.772	(1.009)	A.1 3	99,9999%	99,9999%	XXX
					A.1 1	0,0001%	0,0001%	XXX
36. <b>EASY NOLO S.p.A.</b>	Biella	1	1.581	149	A.1 3	84,4444%	84,4444%	XXX
37. <b>SELLA AUSTRIA FINANCIAL SERVICES AG</b>	Austria	1	(287)	(399)	A.1 24	90,4110%	90,4110%	XXX
<b>B. Investments carried at equity</b>								
1. <b>BROSEL S.p.A.</b>	Biella	1	1.122	352	A.1 3	60,5000%	60,5000%	XXX
					A.1 18	10,0000%	10,0000%	XXX
2. <b>C.B.A. VITA S.p.A.</b>	Milano	1	38.951	1.334	A.1 3	48,2667%	48,2667%	XXX
					A.1 4	30,0000%	30,0000%	XXX
					A.1 5	8,0000%	8,0000%	XXX
					A.1 18	5,0000%	5,0000%	XXX
3. <b>SELLA LIFE Ltd.</b>	Ireland	1	4.657	(990)	A.1 24	100,0000%	100,0000%	XXX
4. <b>SELCRE S.p.A.</b> in liquidation	Biella	8	38	(70)	B. 1	39,0000%	39,0000%	XXX
					A.1 3	10,0000%	10,0000%	XXX
5. <b>MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.</b>	Monaco	8	10.102	503	A.1 24	45,0000%	45,0000%	XXX
<b>C. Other significant investments</b>								
1. <b>FIDUCIARIA BANKNORD S.p.A.</b> <sup>(F)</sup>	Milano	8	619	8	A.1 4	20,0000%	20,0000%	0

<sup>(A)</sup> Taken from the relevant balance sheets as at 31/12/2004, keeping into account all equity transactions performed within such date.

<sup>(B)</sup> Amount already included in the "net worth" item as referred in the "net worth" column.

<sup>(C)</sup> The countervalue in euro was determined by applying the exchange rate ROL/EUR of 39,465 as at 31/12/2004.

<sup>(D)</sup> The countervalue in euro was determined by applying the exchange rate CHF/EUR of 1,5440 as at 31/12/2004.

<sup>(E)</sup> The countervalue in euro was determined by applying the exchange rate INR/EUR of 59,6659 as at 31/12/2004.

<sup>(F)</sup> Balance sheet figures as at 31/12/2003.

Type of relationship: 1 - control, majority of voting rights in annual shareholders' meeting  
8 - associated company

Here below are stated the operations relevant to subsidiaries which took place during the year.

**Increase of participation of the Group in the following companies:**

- Banca di Palermo S.p.A.: from 71,70% to 72,65%, through the purchase of 381.743 shares by Sella South Holding S.p.A.;
- Gestnord Fondi SGR S.p.A.: from 96,27% to 97,27%, through the purchase of 140.000 shares by Banca Sella;
- International Capital Holding S.A.: from 91,70% to 94,08%, through the purchase of 7.540 shares by Sella Holding N.V.;
- Sella Austria Financial Services AG (formerly Sella Austria Consult AG): from 86,44% to 90,41%, through the underwriting by Sella Holding N.V. of the whole of the capital increase of the company;
- Sella Synergy India Ltd: from 51,00% to 100% through the purchase of 489.993 shares by Sella Holding N.V.;
- Easy Nolo S.p.A.: from 79% to 84,44% through the underwriting by Banca Sella also of unoptioned shares on occasion of the increase in capital of the company and also through the purchase of 1.000 shares by Banca Sella.

**Transactions with Group companies:**

- CBA Vita S.p.A.: purchase by Banca Sella of 3.000.000 shares put up for sale by Sella Capital Markets SIM in liquidation;
- Seldata S.r.l.: purchase aimed at the following takeover of the Company by Immobiliare Lanificio Maurizio Sella S.p.A. of 514.904 shares put up for sale by Banca Sella.

**Participations of the Group set at zero:**

- P.P.M. Professional Portfolio Management AG, following the merge into Sella Bank AG;
- Seldata S.r.l., following the merge into Immobiliare Lanificio Maurizio Sella S.p.A.;
- Mindview S.p.A., following the liquidation of the Company;
- Multilife S.r.l., following the transfer of the whole participation held by Banca Bovio Calderari.

### 3.2 Assets and liabilities towards Group companies

	2004	2003
<b>a) Assets</b>	<b>69</b>	<b>1</b>
1. Due from banks	-	-
of which : subordinated	-	-
2. Due from financial institutions	-	-
of which : subordinated	-	-
3. Due from other customers	69	1
of which : subordinated	-	-
4. Bonds and other debt securities	-	-
of which : subordinated	-	-
<b>b) Liabilities</b>	<b>15.874</b>	<b>20.257</b>
1. Due to banks	-	-
2. Due to financial institutions	-	-
3. Due to other customers	15.874	20.257
4. Securities issued	-	-
5. Subordinated liabilities	-	-
<b>c) Guarantees and commitments</b>	<b>1.875</b>	<b>-</b>
1. Guarantees given	1.875	-
2. Commitments	-	-

### 3.3 Assets and liabilities towards participated companies (other than subsidiaries)

	2004	2003
<b>a) Assets</b>	<b>6.374</b>	<b>63.605</b>
1. Due from banks	5.390	21.523
of which : subordinated	-	-
2. Due from financial institutions	2	2
of which : subordinated	-	-
3. Due from other customers	982	2.638
of which : subordinated	-	-
4. Bonds and other debt securities	-	39.442
of which : subordinated	-	-
<b>b) Liabilities</b>	<b>29.288</b>	<b>21.542</b>
1. Due to banks	17.861	6.321
2. Due to financial institutions	5.211	5.507
3. Due to other customers	6.216	4.714
4. Securities issued	-	5.000
5. Subordinated liabilities	-	-
<b>c) Guarantees and commitments</b>	<b>5.284</b>	<b>347</b>
1. Guarantees given	5.284	347
2. Commitments	-	-

### 3.4 Caption 70 "Equity investments". Composing items

	2004	2003
<b>a) In banks</b>	<b>25.155</b>	<b>22.058</b>
1. Quoted	-	-
2. Unquoted	25.155	22.058
<b>b) In financial institutions</b>	<b>5.860</b>	<b>6.740</b>
1. Quoted	-	-
2. Unquoted	5.860	6.740
<b>c) In others</b>	<b>26.325</b>	<b>21.490</b>
1. Quoted	-	-
2. Unquoted	26.325	21.490
<b>Total</b>	<b>57.340</b>	<b>50.288</b>

### Caption 70 "Equity investments". Detailed items

Name of company	Activity	Ownership percentage	Book value
Martin Maurel Sella Banque Privée S.A.M.	banking	45,000%	4.550
Bancapulia S.p.A.	banking	8,992%	8.538
Banca Cesare Ponti S.p.A.	banking	7,660%	3.457
Unicredit Banca Mediocredito S.p.A.	banking	2,051%	8.427
Chancery Plc	banking	1,915%	10
Banca del Lavoro e del Piccolo Risparmio S.p.A.	banking	0,300%	54

Name of company	Activity	Ownership percentage	Book value
I.C.C.R.E.A. Holding S.p.A.	banking	0,011%	48
Banca Passadore S.p.A.	banking	0,009%	8
Banca di Trento e Bolzano S.p.A.	banking	0,004%	4
Banca Intesa S.p.A.	banking	0,001%	59
Fiduciaria Banknord S.p.A.	finance	20,000%	-
Private Wealth Management SGR S.p.A.	finance	14,745%	334
Selcre S.p.A.	finance	10,000%	3
Alcmena S.p.A.	finance	10,000%	312
Pasiphae S.p.A.	finance	10,000%	312
Efitel S.p.A.	finance	10,000%	681
Patrimoines et Selections S.A.	finance	10,000%	222
Compagnie Financiere Martin Maurel S.A.	finance	9,637%	2.196
Corporate Finance - Ponti S.p.A.	finance	5,000%	2
Pensplan Invest SGR S.p.A.	finance	4,444%	439
T.I.S.E. S.p.A.	finance	2,129%	131
Istifid S.p.A.	finance	1,414%	21
Finpiemonte S.p.A.	finance	0,616%	287
SI Holding S.p.A.	finance	0,175%	41
Finpuglia S.p.A.	finance	0,062%	7
Centro Pensioni Complementari Regionali S.p.A.	finance	0,060%	103
Finest S.p.A.	finance	0,049%	65
Sella Global Strategy Sicav	finance	variable	42
Sella Sicav Lux	finance	variable	36
Sella Capital Management Sicav	finance	variable	100
Mobilmat S.p.A.	non finance	15,000%	570
Finanza World S.p.A.	non finance	15,000%	37
Interporto dell'Area Ionico Salentina S.p.A.	non finance	12,125%	132
Biella Intraprendere S.p.A.	non finance	11,953%	108
S.I.N. S.r.l.	non finance	10,000%	10
Borsa Italiana S.p.A.	non finance	8,820%	15.707
Gruppo di Azione locale zona Monti Picentini	non finance	7,692%	1
Centro Sviluppo Aosta S.p.A.	non finance	6,003%	62
Sace - Aeroporto di Cerrione S.p.A.	non finance	5,802%	292
MTS Società per il Mercato dei Titoli di Stato S.p.A.	non finance	5,000%	2.575
G.A.L. Gruppo Azione Locale S.p.A.	non finance	4,255%	2
Pallacanestro Biella S.p.A.	non finance	4,000%	9
Consorzio Abienergia	non finance	3,846%	1
SIA Società Interbancaria per l'Automazione S.p.A.	non finance	3,566%	6.313
Le Ciminiere S.r.l.	non finance	3,333%	21
E- MID S.p.A.	non finance	2,500%	151
FO.R.U.M. S.c.ar.l.	non finance	2,339%	5
Consorzio Patti Chiari	non finance	1,630%	25
Consulservice S.p.A.	non finance	1,361%	1
SSB Società per i Servizi Bancari S.p.A.	non finance	1,163%	58
Centrale dei Bilanci S.p.A.	non finance	1,000%	465
Multitel S.p.A.	non finance	0,980%	127
Città Studi S.p.A.	non finance	0,612%	101
SI.TE.BA S.p.A.	non finance	0,383%	17
Euros S.p.A. Cefor & Istinform Consulting	non finance	0,190%	-
Patto Territoriale dell'Agro S.p.A.	non finance	0,154%	3
Idroenergia S.c.ar.l.	non finance	0,067%	1
S.W.I.F.T.	non finance	0,031%	31
Caf Dottori Commercialisti S.p.A.	non finance	0,001%	-
Consorzio per la Tutela del Credito	non finance	variable	26
<b>Total</b>			<b>57.340</b>

### 3.5 Caption 80 "Investments in subsidiaries ". Composing items

	2004	2003
<b>a) In banks</b>	-	-
1. Quoted	-	-
2. Unquoted	-	-
<b>b) In financial institutions</b>	-	-
1. Quoted	-	-
2. Unquoted	-	-
<b>c) In others</b>	<b>40.990</b>	<b>40.526</b>
1. Quoted	-	-
2. Unquoted	40.990	40.526
<b>Total</b>	<b>40.990</b>	<b>40.526</b>

### 3.6 Changes during the year in equity investments

#### 3.6.1 Investments in subsidiaries

<b>A. Opening balance</b>	<b>40.526</b>
<b>B. Increases</b>	<b>464</b>
B.1 Purchases	-
B.2 Write-ups	-
B.3 Revaluations	-
B.4 Other changes	464
<b>C. Decreases</b>	<b>-</b>
C.1 Sales	-
C.2 Write-downs	-
C.3 Other changes	-
<b>D. Closing balance</b>	<b>40.990</b>
<b>E. Total revaluations</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>-</b>

#### 3.6.2 Other equity investments

<b>A. Opening balance</b>	<b>50.288</b>
<b>B. Increases</b>	<b>13.839</b>
B.1 Purchases	13.029
B.2 Write-ups	-
B.3 Revaluations	-
B.4 Other changes	810
<b>C. Decreases</b>	<b>6.787</b>
C.1 Sales	6.284
C.2 Write-downs	429
of which: permanent write-downs	429
C.3 Other changes	74
<b>D. Closing balance</b>	<b>57.340</b>
<b>E. Total revaluations</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>3.065</b>

## SECTION 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

### 4.1 Changes during the year in tangible fixed assets

	Property	Furniture and equipment	Property waiting to be leased	Total
<b>A. Opening balance</b>	<b>101.402</b>	<b>20.901</b>	<b>48.287</b>	<b>170.590</b>
<b>B. Increases</b>	<b>2.385</b>	<b>15.487</b>	<b>33.086</b>	<b>50.958</b>
B.1 Purchases	2.000	12.325	33.086	47.411
B.2 Write-ups	-	-	-	-
B.3 Revaluations	-	-	-	-
B.4 Other changes	385	3.162	-	3.547
<b>C. Decreases</b>	<b>2.987</b>	<b>14.717</b>	<b>21.458</b>	<b>39.162</b>
C.1 Sales	86	185	-	271
C.2 Write-downs	2.538	13.984	-	16.522
a) Amortizations	2.538	13.984	-	16.522
b) Permanent write-downs	-	-	-	-
C.3 Other changes	363	548	21.458	22.369
<b>D. Closing balance</b>	<b>100.800</b>	<b>21.671</b>	<b>59.915</b>	<b>182.386</b>
<b>E. Total revaluations</b>	<b>21.662</b>	<b>96</b>	<b>-</b>	<b>21.758</b>
<b>F. Total write-downs</b>	<b>19.058</b>	<b>146.858</b>	<b>-</b>	<b>165.916</b>
a) Amortizations	19.058	146.718	-	165.776
b) Permanent write-downs	-	140	-	140

### 4.2 Changes during the year in intangible fixed assets

	Software	Expenses for rented fixed assets	Goodwill	Other	Total
<b>A. Opening balance</b>	<b>17.130</b>	<b>634</b>	<b>7.859</b>	<b>12.365</b>	<b>37.988</b>
<b>B. Increases</b>	<b>7.484</b>	<b>52</b>	<b>-</b>	<b>4.321</b>	<b>11.857</b>
B.1 Purchases	7.324	48	-	4.317	11.689
B.2 Write-ups	-	-	-	-	-
B.3 Revaluations	-	-	-	-	-
B.4 Other changes	160	4	-	4	168
<b>C. Decreases</b>	<b>9.836</b>	<b>480</b>	<b>1.232</b>	<b>5.322</b>	<b>16.870</b>
C.1 Sales	-	-	-	-	-
C.2 Write-downs	9.743	480	1.232	4.985	16.440
a) Amortizations	9.743	480	1.232	4.985	16.440
b) Permanent write-downs	-	-	-	-	-
C.3 Other changes	93	-	-	337	430
<b>D. Closing balance</b>	<b>14.778</b>	<b>206</b>	<b>6.627</b>	<b>11.364</b>	<b>32.975</b>
<b>E. Total revaluations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>70.293</b>	<b>9.583</b>	<b>5.458</b>	<b>19.178</b>	<b>104.512</b>
a) Amortizations	70.293	9.583	5.458	19.178	104.512
b) Permanent write-downs	-	-	-	-	-

In the years 2001 to 2004, some Banks of the Group and the relevant trade unions stipulated agreement for the use of the Solidarity Fund for the support of income, employment and reconversion and professional requalification of employees belonging to credit institutions. As by the instructions issued by Banca d'Italia (memorandum No.735 of 20/02/2003) the relevant items in the financial statements were recorded as follows:

- Banca Sella: amortization quota relevant to 2004 amounting to € 369.846 at item 90 of the Income Statement ("Write-downs to tangible and intangible fixed assets"), reducing the amount at item 90 of Balance Sheet assets ("Intangible fixed assets") to € 739.692;
- Banca Arditi Galati: amortization quota relevant to 2004 amounting to € 663.767 at item 90 of the Income Statement ("Write-downs to tangible and intangible fixed assets"), reducing the amount at item 90 of Balance Sheet assets ("Intangible fixed assets") to € 1.735.000;
- Banca Bovio Calderari: amortization quota relevant to 2004 amounting to € 59.656 at item 90 of the Income Statement ("Write-downs to tangible and intangible fixed assets"), reducing the amount at item 90 of Balance Sheet assets ("Intangible fixed assets") to € 178.968.

## SECTION 5 OTHER ASSETS

### 5.1 Caption 150 "Other assets". Composing items

	2004	2003
Current account cheques drawn on third parties still to be transacted	55.691	61.548
Current account cheques drawn by customers still to be processed	29.315	23.238
Expired coupons and securities in negotiation	4.592	11.277
Prepaid taxes	70.544	36.583
Taxes paid in advance on staff severance	1.138	1.569
Overpaid advance of tax withholding and indirect taxation	2.500	2.149
Tax credit on dividends	-	4.417
Due from tax authority	19.279	30.692
Assets for taxes paid in advance (Assets for deferred taxation)	16.803	15.035
Withholding taxes	642	482
Due from premiums paid on purchased options not yet exercised	10.266	1.779
Premiums on derivative contracts still to be settled at maturity	12.191	14.570
Revaluation of forward transactions and derivative contracts	26.374	27.904
Caution money established on own account	926	10.744
Fees and commissions to be debited	27.820	36.364
Sundry payment orders to be debited	69.585	80.190
Write-downs to illiquid balances from portfolio transactions	-	-
Items in transit between branches which are not attributed to specific accounts	1.696	6.296
Advances towards suppliers	10.830	14.326
Stored forms	495	569
Grants due for work-experience contracts	758	766
Adjustments from consolidation	4.781	16.867
Other items	29.017	20.134
<b>Total</b>	<b>395.243</b>	<b>417.499</b>

The composition of item "Assets on taxes paid in advance" is shown in Part B, Section 7 ("Provisions").

### 5.2 Caption 160 "Prepayments and accrued income". Composing items

	2004	2003
<b>Accrued income on:</b>		
Interest on due from banks	2.373	2.239
Interest on due from customers	14.176	14.102
Interest on securities in own portfolio	9.661	9.086
Differentials on derivative contracts	2.388	2.788
Financial leases	1.851	6.831
Fees and sundry proceeds	8.469	6.093
Other	549	273
	<b>39.467</b>	<b>41.412</b>
<b>Prepayments on:</b>		
Advanced interest to banks and customers	746	374
Fees and commissions	15.975	12.826
Administrative expenses (rents, insurances, etc.)	7.089	4.531
Discounts on bond issues	304	42
Other	390	419
	<b>24.504</b>	<b>18.192</b>
<b>Total</b>	<b>63.971</b>	<b>59.604</b>

### 5.4 Distribution of subordinated assets

	2004	2003
a) Due from banks	-	-
b) Due from customers	-	-
c) Bonds and other debt securities	12.955	5.313
<b>Total</b>	<b>12.955</b>	<b>5.313</b>

## SECTION 6 PAYABLES

### 6.1 Caption 10 "Due to banks". Detailed items

	2004	2003
a) Repurchase agreements	94.709	45.520
b) Securities borrowed	13.386	3.943

### 6.2 Caption 20 "Due to customers". Detailed items

	2004	2003
a) Repurchase agreements	777.979	903.120
b) Securities borrowed	-	-

### Caption 10 "Due to banks". Composing items

	Euro-in currencies	Other currencies	Total
<b>At sight</b>			
Cash balances on current accounts for services rendered	50.951	3.761	54.712
Sight deposits	20.723	10.134	30.857
	<b>71.674</b>	<b>13.895</b>	<b>85.569</b>
<b>Forward or upon notice</b>			
Term deposits	77.495	131.352	208.847
Grants not settled on current accounts	228.308	1.549	229.857
Repurchase agreements	94.709	-	94.709
Securities borrowed	13.386	-	13.386
Advances payable on deferred bills	-	-	-
	<b>413.898</b>	<b>132.901</b>	<b>546.799</b>
<b>Total</b>	<b>485.572</b>	<b>146.796</b>	<b>632.368</b>
of which: residents	391.105	72.469	463.574
non residents	94.467	74.327	168.794

### Caption 20 "Due to customers". Composing items

	Euro-in currencies	Other currencies	Total
<b>At sight</b>			
Saving deposits	531.221	-	531.221
Liabilities current accounts	3.974.434	254.725	4.229.159
Other	2.203	-	2.203
	<b>4.507.858</b>	<b>254.725</b>	<b>4.762.583</b>
<b>Forward or upon notice</b>			
Term deposits	15.847	621	16.468
Liabilities current accounts and other term deposits	98.325	62.224	160.549
Repurchase agreements	770.190	-	770.190
Repurchase agreements on securities borrowed	7.789	-	7.789
Other technical forms	25.127	3.031	28.158
	<b>917.278</b>	<b>65.876</b>	<b>983.154</b>
<b>Total</b>	<b>5.425.136</b>	<b>320.601</b>	<b>5.745.737</b>
of which: residents	5.078.930	151.664	5.230.594
non residents	346.206	168.937	515.143

### Number of outstanding current accounts with customers

	2004	2003
Saving deposits	197.802	186.832
Current accounts	352.885	342.993
	<b>550.687</b>	<b>529.825</b>
Number of outstanding repurchase agreement transactions	2.833	3.456

### Caption 30 "Securities issued". Composing items

	Euro-in currencies	Other currencies	Total
<b>Bonds:</b>			
Non-convertible	1.019.989	-	1.019.989
<b>Certificates of deposit:</b>			
Short term	17.506	182	17.688
Medium/long term	4.555	38	4.593
<b>Other instruments:</b>			
Commercial papers	83.900	-	83.900
Bankers' drafts	31.715	41	31.756
Own cheques	1.321	-	1.321
<b>Total</b>	<b>1.158.986</b>	<b>261</b>	<b>1.159.247</b>
of which: residents	905.377	220	905.597
non residents	253.609	41	253.650

	2004	2003
Number of outstanding certificates of deposit	1.166	1.785

### Caption 40 "Third parties funds in administration". Composing items

	Euro-in currencies	Other currencies	Total
Treasury	-	-	-
Regions	17.492	-	17.492
Other territorial authorities	188	-	188
Other public administration authorities	-	-	-
<b>Total</b>	<b>17.680</b>	<b>-</b>	<b>17.680</b>

## SECTION 7 PROVISIONS

### 7.1 Caption 90 “Reserves for possible loan losses”. Composing items

	2004	2003
Reserve for possible loan losses	13.627	13.773

### 7.2 Changes in caption 90 “Reserves for possible loan losses”

<b>A. Opening balance</b>		<b>13.773</b>
<b>B. Increases</b>		<b>1.980</b>
B.1 Provisions		1.967
B.2 Other changes		13
<b>C. Decreases</b>		<b>2.126</b>
C.1 Utilizations		500
C.2 Other changes		1.626
<b>D. Closing balance</b>		<b>13.627</b>

### 7.3 Caption 80/d “Provisions for risks and charges - Other provisions”. Composing items

	2004	2003
For engagement towards the Deposit Guarantee Scheme	2.698	2.099
To cover losses resulting from claims by receivers of bankrupt customers	2.619	3.179
To cover the risk related to fluctuations of securities portfolio	1.150	771
To cover the risk related to operations of Sella Bank Luxembourg	3.933	10.382
To cover reimbursement of benefits deriving from law by decree 153/99 (Ciampi law)	1.511	-
To cover charges of different nature	14.102	11.686
<b>Total</b>	<b>26.013</b>	<b>28.117</b>

### 7.4 Changes in assets for deferred taxation

	2004	2003
<b>1. Opening balance as at 31/12/2003</b>	<b>15.219</b>	<b>9.873</b>
<b>2. Increases</b>	<b>8.735</b>	<b>8.736</b>
2.1 Taxes paid in advance arisen during the year	8.279	8.549
2.2 Other increases	456	187
<b>3. Decreases</b>	<b>6.473</b>	<b>3.390</b>
3.1 Taxes paid in advance annulled during the year	6.392	3.311
3.2 Other decreases	81	79
<b>4. Closing balance as at 31/12/2004</b>	<b>17.481</b>	<b>15.219</b>

The above mentioned changes have income statement impact. No assets for deferred taxation having net balance sheet impact were recorded.

## 7.5 Changes in liabilities for deferred taxation

	2004	2003
<b>1. Opening balance as at 31/12/2003</b>	<b>402</b>	<b>615</b>
<b>2. Increases</b>	<b>912</b>	<b>197</b>
2.1 Deferred taxes arisen during the year	912	150
2.2 Other increases	-	47
<b>3. Decreases</b>	<b>183</b>	<b>410</b>
3.1 Deferred taxes annulled during the year	182	409
3.2 Other decreases	1	1
<b>4. Closing balance as at 31/12/2004</b>	<b>1.131</b>	<b>402</b>

The above mentioned changes have income statement impact. No assets for deferred taxation having net balance sheet impact were recorded.

## Changes in caption 80/d "Provisions for risks and charges - Other provisions"

<b>Balance as at 31/12/2003</b>	<b>28.117</b>
<b>decreases</b>	
- Used to cover charges resulting from claims by receivers of bankrupt customers	1.285
- Used to cover depreciations of securities portfolio	771
- Used to cover charges of different nature	2.131
- Transfer to out-of-period income of the exceeding part	1.086
- Transfer to out-of-period income of the exceeding part Sella Bank Luxembourg S.A.	6.951
- Other variations	46
<b>increases</b>	
- Provisions charged to income statement for risks related to Sella Bank Luxembourg S.A.	1.675
- Provisions charged to income statement for reimbursement of benefits deriving from law by decree 153/99	1.511
- Provisions charged to income statement	6.794
- Other variations	186
<b>Balance as at 31/12/2004</b>	<b>26.013</b>

It was not deemed necessary to make any provisions following sentence No. 425 of 09/10/2000 of the Constitutional Court, which ratified the illegitimacy for excess of proxy of art. 25 par. 3 of Law by Decree 342/99, the content of which guaranteed the validity of clauses relating to capitalization of interest of contracts outstanding at the date in which deliberation CICR of 09/02/2000 was put into force. The Council of State, with the above mentioned sentence has not judged the issue, but pointed out the inadequacy of the proxy law as source of the regulations for the issue of the disposition thereof.

Therefore the Group, as regards interest due on interest, on the basis of the scholars' and the courts' past and recent guidelines and of well-grounded objective elements, holds fully valid the clauses relevant to capitalization of interest written in the contracts for current accounts and the procedures followed, and holds groundless any request for reimbursement that customers may put forward.

With decision C (2001) 3955 of 11/12/2001, the European Commission stated that Law by Decree 153/99 (known as "Ciampi law") is identified as "State aid" and therefore is not compliant with EC rules. The Italian Government (Law by Decree 63/2002) in part applied the EC Decision suspending the application of the Law by Decree starting from year 2001. With Law by Decree 282/2002 the Government requested the disbursement of an amount equal to the taxes not paid as a consequence to such regulations and relevant to tax periods in which such regulations were applied.

Banca Sella, as well as other main Italian banks, has assigned the Italian Banking Association (ABI) the mandate to appeal to the relevant European Court. Such appeal was deposited on 21/02/2002 with the Court of First Instance of the Community (case T-36/02). The Italian Government also has opposed such Decision by applying to the Court of Justice of the Community (case C-66/02).

A court order of 09/07/2003 of the Court of First Instance declared the suspension of the proceedings begun by ABI (case T-36/02) until the European Court has delivered its judgement on case C-66/02.

On 03/02/2005 case C-66/02, which sets the Italian Government against the European Commission, was heard before the European Court, sitting in open court. The sitting was heard together with the hearing of case C-184/04 relevant to some preliminary questions raised by the Tax Committee of the province of Genoa in order to issue its final judgement on the appeal deposited by a main Italian bank. The Italian Government Counsel repeated the defense made in the already deposited memorials, confirmed its favourable support to the presence of the bank in the lawsuit, concluded insisting on the annulment of the Decision of EU Commission of 11/12/2001. It is to be pointed out that the publication of the decision of the European Court will take at least 10 months from the day of the sitting in open court which took place on 03/02/2005.

Gruppo Banca Sella in previous financial years benefited of tax reliefs as provided for by Law by Decree 153/1999, for a total amount of about € 1,2 million. The Group thought, coherently with the judicial action in which it is involved, not to disburse the amount requested, because of the fact that there are well-grounded reasons to believe that the benefits may not be identified as "State aid". Such tax regulations, indeed, (i) are not selective and do not identify an ad hoc aid; (ii) they neither distort nor menace competition inside the European Union, also considering that Italian banks are damaged by a higher taxation than other member Countries; (iii) they do not influence international trade among member countries. Nevertheless, even though such benefits were identified as "State aid", it is deemed that the same are nevertheless due, on the basis of the fundamental principles of the EU regulations on legitimate expectations and proportionality.

On the prudence principle the Group has however deemed to allocate to "provision for risks and charges - other" (item 80/d of the Balance Sheet) an amount of € 1,5 million entered at item "provisions for risks and charges" (item 100 of the Income Statement). Such provision includes both tax reliefs benefited in previous financial years and interest and sanctions provided for by law by decree 282/2002.

### Changes in caption 70 "Staff severance fund"

<b>Balance as at 31/12/2003</b>	<b>38.273</b>
<b>decreases</b>	
- Severance payments to staff	1.498
- Advances given according to the law	918
- Other variations	591
<b>increases</b>	
- Provision as total covering of year-accrued quotas	5.881
- Other variations	170
<b>Balance as at 31/12/2004</b>	<b>41.317</b>

### Caption 80/a "Provisions for risks and charges - Provisions for pensions and similar commitments". Composing items

	2004	2003
For pensions	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### Changes in caption 80/a " Provisions for risks and charges - Provisions for pensions and similar commitments"

<b>Balance as at 31/12/2003</b>	<b>-</b>
<b>decreases</b>	
- Payments made during the year	-
- Other payments	-
- Other variations	-
<b>increases</b>	
- Provisions for the financial year	-
<b>Balance as at 31/12/2004</b>	<b>-</b>

### Caption 80/b "Provisions for risks and charges - Provisions for taxes and fees" Composing items

	2004	2003
Income taxes: IRES and similar	27.367	28.843
Income taxes: IRAP	10.603	9.742
Deferred taxation	453	218
Shareholders' equity tax	211	192
Indirect taxes and levies	842	863
<b>Total</b>	<b>39.476</b>	<b>39.858</b>

## Changes in caption 80/b "Provisions for risks and charges - Provisions for taxes and fees"

<b>Balance as at 31/12/2003</b>	<b>39.858</b>
<b>decreases</b>	
- Payments made during the year	37.988
- Transfer to out-of-period income of the exceeding part	103
- Use of deferred taxation fund for accrued taxation	184
- Other decreases	83
<b>increases</b>	
Provisions for the financial year:	
- Income taxes	36.234
- Indirect taxes and levies	737
- Deferred taxation	340
- Other increases	665
<b>Balance as at 31/12/2004</b>	<b>39.476</b>

### Deferred taxation

*As regards deferred taxation, please refer also to Part A, Section 1, Accounting Policies, Provisions for risks and charges, Provision for taxes and fees section.*

*The main assets related to taxes paid in advance (deferred tax assets) as at end 2004 are in particular related to the following items:*

- 1. fiscal losses for the financial year, which can be offset with future fiscal profits: € 1,15 million;*
- 2. depreciation of due from customers for the part exceeding the maximum annual limit, deductible in various financial years: € 4,56 million;*
- 3. depreciation of equity investments, for the amount deductible in subsequent financial years: € 3,36 million;*
- 4. provision for risks and charges of different nature, deductible in the financial year in which the charges become certain: € 5,73 million.*

*Liabilities for deferred taxation as at end 2004 are in particular related to the following items:*

- 1. capital gains deriving from the sale of investments, kept for at least three financial years, taxable in five years: € 0,2 million;*
- 2. charges for the incentive of early retirement, deductible at the moment of actual disbursement: € 0,14 million.*

*Where the conditions pointed out by the injunction of Banca d'Italia were fulfilled, liabilities for deferred taxation are totally offset with the assets for deferred taxation.*

*As regards tax rates used for the calculation of deferred taxation, reference was made to weighted average rates in case of fractions of the same income taxed with different rates.*

### Amounts and variations related to liabilities for deferred taxation not included in sub-caption 80/b "Provisions for taxes and fees".

*Deferred taxation on reserve for possible loan losses for default interest, in which was set aside the recoverable part of default interests, was deducted from capital for supervisory purposes.*

*Total deferred taxation on reserve for possible loan losses for default interest as at 31/12/2004: € 3,1 million.*

### Amounts and variations of temporary taxable differences for which do not apply the requirements for recording among liabilities for deferred taxation.

*Reserves in tax suspension: these are reserves for shareholders' net capital in suspension of taxation, for which it was not undertaken, and it is believed it is not likely to be undertaken in the future, any behaviour so as to integrate the requirements for the taxation of the same.*

*Fixed assets revalued in tax suspension: these are fixed assets which have been revalued in suspension of taxation according to special laws. For such assets no behaviour directed to integrate the requirements for the taxation of the same was undertaken, nor it is believed will be undertaken in the future.*

## SECTION 8 CAPITAL, EQUITY RESERVES, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

### Caption 150 "Subscribed capital". Composing items

	2004	2003
Ordinary shares No. 40.000.000 (nominal value € 0,50)	20.000	20.000

Unchanged as against the previous financial year.

### Caption 170 "Reserves". Composing items

	2004	2003
<b>a) Legal Reserve</b>	<b>6.368</b>	<b>6.278</b>
<b>b) Statutory Reserve</b>	<b>17.691</b>	<b>17.691</b>
<b>c) Other Reserves:</b>		
- Reserve for assets and liabilities contribution ex Law 30/7/1990 No. 218	64.449	64.449
- Extraordinary reserve	14.850	14.838
- Reserve for own shares	979	979
- Other	114.810	103.728
<b>Total</b>	<b>219.147</b>	<b>207.963</b>

No deferred taxation was recorded relevant to any of the reserves in suspension of taxation (with regard to this please cp. Section 7 "Provisions" - "Provision for taxes and fees").

### Caption 180 "Revaluation reserves". Composing items

	2004	2003
Reserves ex Law 2/12/1975 No. 576	-	-
Reserves ex Law 19/3/1983 No. 72	-	-
Reserves ex Law 21/11/2000 No. 342	11.279	11.279
<b>Total</b>	<b>11.279</b>	<b>11.279</b>

### Caption 100 "Reserves for general banking risks ". Composing items

	2004	2003
Reserves for general banking risks	55.123	55.123

### Caption 200 "Profit for the year ". Composing items

	2004	2003
Profit for the year	26.770	12.824

### Caption 140 "Minority interests ". Composing items

	2004	2003
Minority interests	73.673	71.279

Minority interests, on the basis of equity ratios, of revaluation reserves, of reserve for general banking risks and of reserves for possible loan losses, amount to € 2,8 million.

### Caption 110 "Subordinated liabilities". Composing items

Subordinated loans	Issuing institution	Maturity	Interest rate <sup>(*)</sup>	Amount
EUR bonds issued on 01/06/1999	Banca Sella	01/06/2005	2,45%	5.000
EUR bonds issued on 01/06/1999	Banca Ardit Galati	01/06/2005	3,50%	366
EUR bonds issued on 01/07/1999	Banca di Palermo	01/07/2005	3,45%	300
EUR bonds issued on 20/12/1999	Banca Bovio Calderari	20/12/2005	2,65%	2.000
EUR bonds issued on 15/05/2000	Banca Sella	15/05/2006	2,45%	10.000
EUR bonds issued on 01/11/2000	Banca Sella	01/11/2006	2,40%	10.000
EUR bonds issued on 31/01/2001	Banca di Palermo	31/01/2007	2,70%	600
EUR bonds issued on 03/09/2001	Banca Sella	03/09/2007	2,40%	21.000
EUR bonds issued on 15/10/2001	Banca di Palermo	15/10/2007	4,25%	1.200
EUR bonds issued on 18/11/2002	Banca di Palermo	18/11/2008	2,45%	1.840
EUR bonds issued on 15/12/2002	Banca Sella	15/12/2008	2,20%	20.000
EUR bonds issued on 20/12/2002	Banca Ardit Galati	20/12/2008	3,90%	2.000
EUR bonds issued on 20/12/2002	Banca Ardit Galati	20/12/2008	2,15%	2.000
EUR bonds issued on 18/09/2003	Banca Ardit Galati	18/09/2010	2,35%	2.479
EUR bonds issued on 18/09/2003	Banca Ardit Galati	18/09/2010	4,10%	5.000
EUR bonds issued on 22/09/2003	Banca di Palermo	22/09/2011	2,50%	2.200
EUR bonds issued on 01/10/2003	Banca Bovio Calderari	01/10/2009	2,45%	10.000
EUR bonds issued on 15/10/2003	Banca Sella	15/10/2009	2,25%	10.000
EUR bonds issued on 01/12/2004	Banca Ardit Galati	01/12/2010	2,70%	578
EUR bonds issued on 01/12/2004	Banca Bovio Calderari	01/12/2010	2,70%	848
EUR bonds issued on 15/12/2004	Banca Sella	15/12/2014	2,724%	50.000
<b>Total</b>				<b>157.411</b>

### Hybrid capital instruments

	Issuing institution	Maturity	Interest rate <sup>(*)</sup>	Amount
Bonds issued on 16/09/2002	Banca Sella	16/03/2013	2,55%	50.000
Bonds issued on 01/09/2003	Banca Sella	01/09/2014	2,40%	24.612
Bonds issued on 15/07/2004	Banca Sella	15/07/2015	2,45%	7.813
<b>Total</b>				<b>82.425</b>

### Tier 3 subordinated liabilities

	Issuing institution	Maturity	Interest rate <sup>(*)</sup>	Amount
Bonds issued on 16/09/2002	Banca Sella	16/03/2005	2,43%	15.000
<b>Total</b>				<b>15.000</b>

(\*) As at 31/12/2004

#### Subordinated loans

The floating rate bond loan issued on 1/06/1999 (Banca Sella) was already reimbursed for four years as at 1/06/2004 and will be reimbursed for the last time on 1/06/2005.

The fixed rate bond loan issued on 1/06/1999 (Banca Ardit Galati) was already reimbursed for four years as at 1/06/2004 and will be reimbursed for the last time on 1/06/2005.

The floating rate bond loan issued on 1/07/1999 (Banca di Palermo) was already reimbursed for four years as at 1/07/2004 and will be reimbursed for the last time on 1/07/2005.

The floating rate bond loan issued on 20/12/1999 (Banca Bovio Calderari) was already reimbursed for four years as at 20/12/2004 and will be reimbursed for the last time on 20/12/2005.

The floating rate bond loan issued on 15/05/2000 (Banca Sella) was already reimbursed for three years as at 15/05/2004 and will be reimbursed in other two years, starting from 15/05/2005.

The floating rate bond loan issued on 01/11/2000 (Banca Sella) was already reimbursed for three years as at 01/11/2004 and will be reimbursed in other two years, starting from 01/11/2005.

The floating rate bond loan issued on 31/01/2001 (Banca di Palermo) was already reimbursed for two years as at 31/01/2004 and will be reimbursed in other three years, starting from 31/01/2005.

The floating rate bond loan issued on 3/09/2001 (Banca Sella) was already reimbursed for two years as at 3/09/2004 and will be reimbursed in other three years, starting from 3/09/2005.

The fixed rate bond loan issued on 15/10/2001 (Banca di Palermo) was already reimbursed for two years as at 15/10/2004 and will be reimbursed in other three years, starting from 15/10/2005.

The floating rate bond loan issued on 18/11/2002 (Banca di Palermo) was reimbursed for the first time as at 18/11/2004 and will be reimbursed in other four years, starting from 18/11/2005.

The floating rate bond loan issued on 15/12/2002 (Banca Sella) was reimbursed for the first time as at 15/12/2004 and will be reimbursed in other four years, starting from 15/12/2005.

The floating rate bond loan issued on 20/12/2002 (Banca Ardit Galati) was reimbursed for the first time as at 20/12/2004 and will be reimbursed in other four years, starting from 20/12/2005.

The fixed rate bond loan issued on 20/12/2002 (Banca Ardit Galati) was reimbursed for the first time as at 20/12/2004 and will be reimbursed in other four years, starting from 20/12/2005.

The floating rate bond loan issued on 18/09/2003 (Banca Ardit Galati) will be reimbursed in only one solution at maturity.

The fixed rate bond loan issued on 18/09/2003 (Banca Ardit Galati) will be reimbursed in only one solution at maturity.

The floating rate bond loan issued on 22/09/2003 (Banca di Palermo) will be reimbursed in five years, starting from 22/09/2007.

The floating rate bond loan issued on 1/10/2003 (Banca Bovio Calderari) will be reimbursed in five years, starting from 1/10/2005.

The floating rate bond loan issued on 15/10/2003 (Banca Sella) will be reimbursed in five years, starting from 15/10/2005.

The floating rate bond loan issued on 1/12/2004 (Banca Ardit Galati) will be reimbursed in five years, starting from 1/12/2005.

The floating rate bond loan issued on 1/12/2004 (Banca Bovio Calderari) will be reimbursed in five years, starting from 1/12/2005.

The floating rate bond loan issued on 15/12/2004 (Banca Sella) will be reimbursed in five years starting from 15/12/2010, save for the right of the issuer of wholly reimburse the bond loan, with Banca d'Italia authorization, on 15/12/2009 and at each subsequent date on which interest will fall due.

#### Hybrid capital instruments

The floating rate upper tier 2 subordinated loan issued on 16/09/2002 will be reimbursed in one solution at maturity on 16/03/2013.

The floating rate upper tier 2 subordinated loan issued on 01/09/2003 will be reimbursed in one solution at maturity on 01/09/2014.

The floating rate upper tier 2 subordinated loan issued on 15/07/2004 will be reimbursed in one solution at maturity on 15/07/2015.

Upper tier 2 subordinated loans (hybrid capital instruments) comply with the requirements of Banca d'Italia in order to be recorded among the components of the capital for supervisory purposes. In particular:

- there are no early redemption clauses;

- the reimbursement at maturity is subject to authorization of Banca d'Italia;

- in case of losses involving a decrease in subscribed capital and in reserves such as to go under the minimum required capital for authorization to carry out banking activity, the amount of such liabilities and the related interest may be used to cover the losses, in order to allow the issuing entity to continue in its activity;

- in case of liquidation of the Bank the loan bearer can only be reimbursed subsequently to all other creditors who are not similarly subordinated.

#### Tier 3 subordinated liabilities

The floating rate tier 3 subordinated loan issued on 16/09/2002 was reimbursed in one solution at maturity on 16/03/2005.

Such subordinated loan complies with the requirements issued by Banca d'Italia concerning the deductibility from capital for supervisory purposes on market risks.

In particular:

- initial maturity is not less than two years;

- the payment of interest and of capital shall be suspended in case capital for supervisory purposes of Banca Sella should go under the minimum regulatory requirements fixed by Banca d'Italia;

- in case of liquidation of the Bank the loan bearer can only be reimbursed subsequently to all other creditors who are not similarly subordinated.

### Caption 90 "Goodwill arising on consolidation". Composing items

	2004	2003
<b>Positive goodwill arising on consolidation</b>		
Opening balance	110.222	92.116
Increases during the year	1.178	18.108
Decreases during the year	(781)	(2)
Transfer from goodwill arising on application of the equity method	-	-
<b>Total</b>	<b>110.619</b>	<b>110.222</b>
<b>Negative goodwill arising on consolidation</b>		
Opening balance	9.124	9.118
Increases during the year	-	6
Decreases during the year	(18)	-
<b>Total</b>	<b>9.106</b>	<b>9.124</b>
<b>Positive goodwill arising on consolidation</b>		
Net goodwill	101.513	101.098
<b>Write-downs</b>		
Referring to previous financial years	69.708	47.372
Transfer from goodwill arising on application of the equity method	-	-
Referring to the financial year	11.419	22.336
Offsetting of amortizations for transfers	(363)	-
<b>Positive goodwill arising on consolidation</b>	<b>20.749</b>	<b>31.390</b>

For the companies belonging to the French subgroup (International Capital Holding, International Capital Bourse and International Capital Gestion) it was deemed to accelerate the amortization process of goodwill paid on acquisition, so as to adjust it to current value, therefore involving total write-downs for € 4,2 million.

**Caption 100 "Goodwill arising on application of the equity method". Composing items**

	2004	2003
<b>Positive goodwill arising on application of the equity method</b>		
Opening balance	7.081	7.179
Increases during the year	-	7
Decreases during the year	-	(105)
Transfer to positive goodwill arising on consolidation	-	-
<b>Total</b>	<b>7.081</b>	<b>7.081</b>
<b>Write-downs</b>		
Referring to previous financial years	3.853	3.223
Referring to the financial year	652	671
Write-off of amortizations for transfers	-	(41)
Transfer to positive goodwill arising on consolidation	-	-
<b>Positive goodwill arising on application of the equity method</b>	<b>2.576</b>	<b>3.228</b>

**8.1 Consolidated capital for supervisory purposes and supervisory requirements as at 31/12/2004**

	2004	2003
<b>A. Consolidated capital for supervisory purposes</b>		
A.1 Tier 1 capital	334.393	290.758
A.2 Tier 2 capital	258.228	216.774
A.3 Items to be deducted	5.454	8.032
A.4 Capital for supervisory purposes	587.167	499.500
<b>B. Minimum consolidated regulatory requirements</b>		
B.1 Credit risks	418.363	395.781
B.2 Market risks	8.520	11.119
of which:		
- risks of dealing securities portfolio	8.520	11.119
- exchange rate risks	-	-
B.3 Third level subordinated loans	8.520	11.119
B.4 Other requirements	9.917	4.712
B.5 Total requirements	436.800	411.612
<b>C. Risk-weighted assets and adequacy ratios</b>		
C.1 Risk-weighted assets	5.460.000	5.145.150
C.2 Tier 1 capital/Risk-weighted assets	6,12%	5,65%
C.3 Capital for supervisory purposes/Risk-weighted assets	10,91%	9,92%

## SECTION 9 OTHER LIABILITIES

### 9.1 Caption 50 "Other liabilities". Composing items

	2004	2003
Amounts available to third parties	75.489	71.432
Premiums collected on options not yet exercised	4.089	1.200
Due to suppliers and fees to be paid to third parties	51.255	47.233
Due to tax authorities on account of third parties	12.551	11.154
VAT to be payed	513	449
Provisions for staff expenses (including payments to be made to tax authorities and social security institutions)	30.980	31.493
Remuneration paid to directors and to statutory auditors	820	1.342
Contributions due to other bodies	848	822
Payments as hedging of recalled bills	117	102
Evaluation of forward transactions and derivative contracts	34.352	36.501
Premiums on derivative contracts to be settled at maturity	7.750	2.756
Amounts of third parties as caution deposits	8.717	22.022
Adjustments deriving from consolidation	-	-
Due to special purpose vehicle companies for securitization operations	-	3.412
Write-downs for illiquid balances of the portfolio	54.808	83.932
Transfers to be performed	42.367	82.220
Other items	17.060	19.261
<b>Total</b>	<b>341.716</b>	<b>415.331</b>

### 9.2 Caption 60 "Accruals and deferred income". Composing items

	2004	2003
<b>Accrued expenses on:</b>		
Interest on amounts due to banks	1.413	1.636
Interest on amounts due to customers	1.890	1.546
Interest on securities issued	7.224	7.624
Interest on subordinated liabilities	1.316	1.181
Differentials on derivative contracts	3.958	4.800
Fees and commissions	91	278
Leases indexation	30	16
Other	1.293	1.053
	<b>17.215</b>	<b>18.134</b>
<b>Deferred income on:</b>		
Advanced interest on due from customers	2.539	1.577
Discounted notes	794	1.124
Fees and commissions	3.643	3.825
Other income	480	524
Interest on financial leases	15.086	14.460
Other	74	103
	<b>22.616</b>	<b>21.613</b>
<b>Total</b>	<b>39.831</b>	<b>39.747</b>

## SECTION 10 GUARANTEES AND COMMITMENTS

### 10.1 Caption 10 "Guarantees given". Composing items

	Residents	Non residents	Total
<b>a) Commercial guarantees:</b>			
- Acceptances	1.875	569	2.444
- Endorsements and sureties	236.339	583	236.922
- Documentary credits	7.504	477	7.981
	<b>245.718</b>	<b>1.629</b>	<b>247.347</b>
<b>b) Financial guarantees:</b>			
- Acceptances	103	-	103
- Endorsements and sureties	41.815	6.955	48.770
	<b>41.918</b>	<b>6.955</b>	<b>48.873</b>
<b>c) Assets given in guarantee:</b>			
- Caution deposits for third parties	35.922	-	35.922
<b>Total</b>	<b>323.558</b>	<b>8.584</b>	<b>332.142</b>

### 10.2 Caption 20 "Commitments". Composing items

	Residents	Non residents	Total
<b>a) Commitments to grant finance (certain to be called on):</b>			
- purchase of securites not yet settled	186.060	39.566	225.626
- loans to be granted to customers	3.713	-	3.713
- deposits to be made with banks	1.234	13.878	15.112
- granted mortgage loans to be disbursed	38.121	180	38.301
	<b>229.128</b>	<b>53.624</b>	<b>282.752</b>
<b>b) Commitments to grant finance (not certain to be called on):</b>			
- engagement to the Deposit Guarantee Scheme	11.387	-	11.387
- available margins on granted irrevocable credit lines	22.095	-	22.095
- other commitments and risks	60.315	3.097	63.412
	<b>93.797</b>	<b>3.097</b>	<b>96.894</b>
<b>Total</b>	<b>322.925</b>	<b>56.721</b>	<b>379.646</b>

### 10.3 Assets lodged to guarantee the Group's liabilities

	2004	2003
Securities lodged with Banca d'Italia to guarantee advances	59.816	17.093
Securities lodged to guarantee bankers' drafts	13.372	14.419
Securities lodged to guarantee repurchase agreements	532.854	503.340
Securities lodged to guarantee other transactions	54.079	33.394

### 10.4 Unused lines of credit

	2004	2003
a) Central banks	218.898	414.861
b) Other banks	-	-

## 10.5 Forward transactions

Transaction categories	Hedging	Dealing	Other
<b>1. Purchases</b>	<b>759.748</b>	<b>1.015.411</b>	-
1.1 Securities	-	436.509	-
- Purchases	-	273.291	-
- Sales	-	163.218	-
1.2 Currencies	759.748	578.902	-
- Currency against currency	141.553	101.887	-
- Purchases against euro	296.577	243.995	-
- Sales against euro	321.618	233.020	-
<b>2. Deposits and loans</b>	-	-	<b>99.519</b>
- To be granted	-	-	57.126
- To be received	-	-	42.393
<b>3. Derivative contracts</b>	<b>2.185.148</b>	<b>621.414</b>	-
3.1 With exchange of capital	553.577	116.366	-
a) Securities	-	44.066	-
- Purchases	-	4.042	-
- Sales	-	40.024	-
b) Currencies	553.577	72.300	-
- Currency against currency	95.173	-	-
- Purchases against euro	234.055	36.150	-
- Sales against euro	224.349	36.150	-
c) Other instruments	-	-	-
- Purchases	-	-	-
- Sales	-	-	-
3.2 Without exchange of capital	1.631.571	505.048	-
a) Currencies	145.705	-	-
- Currency against currency	-	-	-
- Purchases against euro	80.856	-	-
- Sales against euro	64.849	-	-
b) Other instruments	1.485.866	505.048	-
- Purchases	511.370	217.370	-
- Sales	974.496	287.678	-

Among purchases and sales indicated at item 3.2 b) are included € 102,6 million of basis swaps.

Among purchases and sales indicated at items 3.2 a) and 3.2 b) are included € 52,5 million of options included in bond issues, € 75,9 million of options included in interest rate swaps contracts, € 273,5 million of options included in mortgages and € 29,1 million of options included in financial lease contracts.

## SECTION 11 CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

### 11.1 Significant exposures

	2004	2003
a) Amount	132.620	162.650
b) Number	2	3

### 11.2 Distribution of due from customers by category of borrower

	2004	2003
a) Governments	11.423	10.418
b) Other public bodies	17.794	18.259
c) Non-financial institutions	2.567.815	2.455.798
d) Financial institutions	251.546	382.860
e) Family businesses	337.720	283.762
f) Other operators	2.003.050	1.654.069
<b>Total</b>	<b>5.189.348</b>	<b>4.805.166</b>

### 11.3 Distribution of loans to resident non-financial institutions and family businesses

	2004	2003
a) Commerce, salvage and repairs	617.714	623.493
b) Other services for sale	570.011	332.849
c) Construction and public works	300.257	367.143
d) Textiles, leather and footwear, clothing	267.978	321.879
e) Hotels and public concerns	175.959	81.807
f) Other	951.967	983.331
<b>Total</b>	<b>2.883.886</b>	<b>2.710.502</b>

### 11.4 Distribution of guarantees given by category of counterparty

	2004	2003
a) Governments	-	1
b) Other public bodies	2.427	2.002
c) Banks	9.885	3.015
d) Non-financial institutions	236.762	224.913
e) Financial institutions	42.604	57.700
f) Family businesses	13.820	13.380
g) Other	26.644	56.401
<b>Total</b>	<b>332.142</b>	<b>357.412</b>

## 11.5 Geographical distribution of assets and liabilities

	Italy	Other E.U. Countries	Other Countries	Total
<b>1. Assets</b>	<b>7.226.553</b>	<b>423.463</b>	<b>163.904</b>	<b>7.813.920</b>
1.1 Due from banks	1.126.578	265.483	86.165	1.478.226
1.2 Due from customers	5.058.597	90.396	40.355	5.189.348
1.3 Securities	1.041.378	67.584	37.384	1.146.346
<b>2. Liabilities</b>	<b>6.871.481</b>	<b>604.011</b>	<b>334.376</b>	<b>7.809.868</b>
2.1 Due to banks	463.574	40.569	128.225	632.368
2.2 Due to customers	5.230.594	309.520	205.623	5.745.737
2.3 Securities issued	905.597	253.609	41	1.159.247
2.4 Other accounts	271.716	313	487	272.516
<b>3. Guarantees and commitments</b>	<b>646.483</b>	<b>54.510</b>	<b>10.795</b>	<b>711.788</b>

## 11.6 Maturities of assets and liabilities

	Specified duration							Unspecified duration	Total
	at sight	up to 3 months	beyond 3 months up to 12 months	beyond 1 year up to 5 years		beyond 5 years			
				fixed rate	indexed rate	fixed rate	indexed rate		
<b>1. Assets</b>	<b>1.516.054</b>	<b>2.703.742</b>	<b>1.154.819</b>	<b>770.244</b>	<b>1.538.381</b>	<b>179.974</b>	<b>1.538.240</b>	<b>322.793</b>	<b>9.724.247</b>
1.1 Treasury bonds eligible for refinancing	177	10.550	55.862	14.482	89.834	2.513	63.377	-	236.795
1.2 Due from banks	178.785	1.010.200	44.599	-	873	-	1.204	242.565	1.478.226
1.3 Due from customers	1.120.083	922.243	547.845	570.530	945.024	63.739	939.656	80.228	5.189.348
1.4 Bonds and other debt securities	61	62.035	179.377	72.902	426.143	4.710	154.145	-	899.373
1.5 Off-balance sheet transactions	216.948	698.714	327.136	112.330	76.507	109.012	379.858	-	1.920.505
<b>2. Liabilities</b>	<b>5.071.458</b>	<b>2.075.049</b>	<b>855.182</b>	<b>413.386</b>	<b>784.268</b>	<b>66.345</b>	<b>447.005</b>	<b>-</b>	<b>9.712.693</b>
2.1 Due to banks	98.955	300.435	184.529	1.133	31.031	13.362	2.923	-	632.368
2.2 Due to customers	4.797.778	904.463	43.496	-	-	-	-	-	5.745.737
2.3 Securities issued	40.330	166.508	115.343	112.251	680.939	20.876	23.000	-	1.159.247
- Bonds	6.197	78.380	100.066	110.624	680.846	20.876	23.000	-	1.019.989
- Certificates of deposit	1.056	7.228	12.277	1.627	93	-	-	-	22.281
- Other securities	33.077	80.900	3.000	-	-	-	-	-	116.977
2.4 Subordinated liabilities	-	15.200	32.526	5.100	59.800	5.880	136.330	-	254.836
2.5 Off-balance sheet transactions	134.395	688.443	479.288	294.902	12.498	26.227	284.752	-	1.920.505

## 11.7 Assets and liabilities in foreign currencies

	2004	2003
<b>a) Assets</b>		
1. Due from banks	275.816	217.967
2. Due from customers	108.288	198.184
3. Securities	3.353	5.468
4. Equity investments	822	2.565
5. Other accounts (cash)	8.975	8.345
	<b>397.254</b>	<b>432.529</b>
<b>Other items</b>	<b>1.589</b>	<b>1.393</b>
<b>Total</b>	<b>398.843</b>	<b>433.922</b>
<b>b) Liabilities</b>		
1. Due to banks	146.796	129.194
2. Due to customers	320.601	304.421
3. Securities issued	261	284
	<b>467.658</b>	<b>433.899</b>
<b>Other items</b>	<b>485</b>	<b>1.193</b>
<b>Total</b>	<b>468.143</b>	<b>435.092</b>

## 11.8 Loans securitization

### QUALITATIVE INFORMATION

#### BANCA SELLA

Banca Sella, as servicer of the securitization operation, continued the activity of collection and management of the credits related to the operation of purchase of performing mortgage loans granted by Banca Sella and purchased as provided for by Law 130/1999 of 29/12/2000; the operation was finalized on 26/04/2001 with the bonds issue by Secursel s.r.l., special purpose vehicle company controlled by Finanziaria Bansel.

The amounts collected relevant to year 2004 are here below summarized (figures in euro units):

- Capital	15.660.056
- Interest	5.537.257
- Advanced redemptions (capital)	6.347.124
- Other collections	120.622

As at 31/12/2004 loans to be collected amounted to € 108.749.397, of which € 263.956 at maturity. Non-performing loans amounted to € 1.411.833, of which € 1.342.828 in the line of capital. None of the positions originated depreciations.

A cash credit line of € 5.100.000 was granted by Banca Sella to the transferee company to face any lack of liquidity that might arise if the flows generated by the collection were not adequate to guarantee remuneration to creditors. As at 31/12/2004 the liquidity credit line has not been used nor has it been used during the year.

#### BIELLA LEASING

During 2004, as provided for by the structure of the operation, Biella Leasing paid Secursel s.r.l. (special purpose vehicle company controlled by Finanziaria Bansel) the flows deriving from the collection of leasing rents for a total amount of € 81.624.624. Collections for the period from 25/12/2004 to 31/12/2004, amounting to € 1.440.159 were credited to Secursel on 1/1/2005. On 28/11/2003 the last transfer of credits (revolving) was made and the phase of progressive reimbursement of capital to the underwriters of notes has begun. Reimbursements on senior notes, for a total of € 78.427.800, were made on 01/03/2004, 28/05/2004, 30/08/2004 and 29/11/2004.

The collections for the financial year may be summarized as follows (figures in euro units):

- Collection of leases (capital + interest)	75.532.459
- Advanced redemptions	6.092.165
- Residual capital debt as at 31/12/2004	117.037.959

In year 2004 € 4.191.671 of interest were paid to underwriters of senior and mezzanine bonds, while on 01/03/2004, 28/05/2004, 30/08/2004 and 29/11/2004 € 3.787.775 were on the whole paid to Biella Leasing, as remuneration of the junior bond (excess spread). The actual payment of such remuneration has not taken place yet, as it is subject to the reimbursement in full of the capital in relation to the issued notes. Biella Leasing S.p.A. received € 377.341 for its activity as "servicer".

## SECTION 12 ASSET MANAGEMENT AND DEALING ON BEHALF OF THIRD PARTIES

### 12.1 Securities dealing

	2004	2003
<b>a) Purchases</b>	<b>90.387.570</b>	<b>107.549.778</b>
1. Settled	89.727.262	106.223.285
2. Unsettled	660.308	1.326.493
<b>b) Sales</b>	<b>92.211.091</b>	<b>108.115.429</b>
1. Settled	91.551.183	106.776.727
2. Unsettled	659.908	1.338.702

Purchases and sales made during the financial year on behalf of third parties are related to:  
- futures and options contracts transacted on the IDEM market as far as activity on derivative instruments is concerned;  
- contracts transacted on the MTA, NM, EXPANDI and SEDEX markets as far as activity on cash is concerned;  
- contracts transacted on the MOT and EUROMOT markets as far as activity on bonds and Government bonds is concerned.

### 12.2 Assets under management

	2004	2003
Assets managed on behalf of customers	6.866.711	5.956.398

The above mentioned assets managed on behalf of customers do not include cash (current accounts and deposits), which amounted to € 322,9 million in 2004 and € 400,2 million in 2003.

The aggregate of assets under management by the Group on the whole therefore amounted to € 7.189,6 million in 2004 with respect to € 6.356,6 million in 2003.

### 12.3 Securities custody and administration

	2004	2003
<b>a) Third party securities held in deposit - excluding assets under management (*)</b>	<b>14.679.158</b>	<b>13.109.156</b>
of which:		
funds units managed by companies (according to Law No. 77, 23/03/1983)		
included in consolidation	4.655.382	4.050.241
<b>b) Third party securities deposited with third parties</b>	<b>15.084.124</b>	<b>15.441.031</b>
<b>c) Bank's portfolio securities deposited with third parties</b>	<b>1.011.377</b>	<b>1.084.069</b>
	(*) of which:	
	- in custody	13.901.025
	- as guarantee	778.133
		12.621.423
		487.733
		<b>14.679.158</b>
		<b>13.109.156</b>

### 12.4 Collection of receivables on behalf of third parties: debit and credit write-downs

	2004	2003
<b>a) "Debit" write-downs</b>	<b>852.792</b>	<b>796.849</b>
1. Current accounts	3.542	4.435
2. Central portfolio	413.102	421.589
3. Cash	202.346	188.243
4. Other accounts	233.802	182.582
<b>b) "Credit" write-downs</b>	<b>907.600</b>	<b>880.781</b>
1. Current accounts	5.200	4.980
2. Transferors of notes and documents	847.554	828.995
3. Other accounts	54.846	46.806

## Securitizations

### STATE OF THE SECURITIZATION BY BANCA SELLA S.P.A.

Summary table of securitized assets and bonds issued (figures in euro units).

	Situation as at 31/12/2004
<b>A) Securitized assets</b>	<b>111.858.368</b>
A1) Loans	108.749.397
A3) Other:	3.108.971
- Loans to be collected	1.350.466
- Accrued income on interest accrued	26.921
- Accrued income on interest on loans	1.731.584
<b>B) Investment of cash deriving from the management of loans</b>	<b>8.247.775</b>
B3) Cash	4.932.405
B4) Repurchase agreements investments	3.315.370
<b>C) Bonds issued</b>	<b>112.394.708</b>
C1) Class A bonds	93.042.708
C2) Class B bonds	17.300.000
C3) Class C bonds	2.052.000
<b>E) Other liabilities</b>	<b>7.696.179</b>
- Due to third parties	12.333
- Accruals on interest on swaps	150.065
- Accruals on interest accrued on securities	481.825
- Accruals on withholding taxes on interest	1.757
- Sundry debts	170.654
- Debts for interest on class C bond	6.879.545
<b>F) Interest payable on bonds issued</b>	<b>4.210.764</b>
<b>G) Servicing fees to be paid</b>	<b>657.492</b>
- Servicing fees	598.761
- Fees for other services	58.731
<b>H) Other charges</b>	<b>1.025.373</b>
- Interest payable on swaps	1.017.331
- Other charges	8.042
<b>I) Interest generated by securitized assets</b>	<b>5.537.257</b>
<b>L) Other income</b>	<b>371.629</b>
- Income from the assignment of credits	120.622
- Interest receivable	56.509
- Sundry reimbursements	-
- Income from repurchase agreements	194.498

## QUANTITATIVE INFORMATION

### Cash flow relevant to the loans

All securitized loans are classified as performing resident mortgage loans belonging to Banca Sella S.p.A.. The relevant cash flow is stated here below (figures in units of euro):

Residual value of purchased loans	132.099.407
Collections for capital quota until 31/12/2004	15.660.057
Collections for advanced redemptions	6.347.125
Value of loans as at 31/12/2004	110.092.225
of which non-performing loans as at 31/12/2004	1.421.331
of which performing loans	108.749.397
Other loans	3.108.970

The situation since the beginning of the operation is stated here below:

Original value of purchased loans	203.746.450
Residual value of purchased loans as at 31/12/2001	180.265.763
Residual value of purchased loans as at 31/12/2002	155.648.073
Residual value of purchased loans as at 31/12/2003	130.984.262
- capital quota matured up to 31/12/2004	(15.660.057)
- capital quota for advanced redemptions as at 31/12/2004	(6.347.125)
- capital quota as non-performing loans as at 31/12/2004	(227.683)
Residual value of purchased loans as at 31/12/2004	108.749.397

#### Evolution of expired loans

As at 31/12/2004 the amount of matured quotas was equal to € 263.956, of which € 195.474 of capital and € 68.482 of interest on unpaid quotas.

Non-performing loans as at 31/12/2004 amounted to a total of € 1.411.833, of which € 1.342.828 of capital and € 69.005 of interest.

As at 31/12/2004 non-performing loans positions were 33. As at 31/12/2004, considering that properties for each position were sufficient as guarantee, no losses are forecasted. At the date of approval of the financial statements, the processes for the recovery of the same were being carried on.

#### Distribution of loans by residual maturity

	No.	Residual value (in units of euro)
0 to 3 months	60	173.457
above 3 months to 1 year	109	573.725
above 1 year to 5 years	1.249	27.293.502
beyond 5 years	1.826	80.708.713
	<b>3.244</b>	<b>108.749.397</b>

#### Geographical distribution of loans

All loans are denominated in euro and all debtors are resident in Italy.

#### Distribution of risk

Class of risk	No.	Residual value (in units of euro)
€ 0 to € 25.823	1.502	22.829.352
above € 25.823 to € 77.470	1.567	66.255.434
above € 77.470 to € 258.230	168	17.130.196
beyond € 258.230	7	2.534.415
	<b>3.244</b>	<b>108.749.397</b>

## STATE OF THE SECURITIZATION BY BIELLA LEASING S.p.A.

Summary table of securitized assets and bonds issued (figures in euro units).

	Situation as at 31/12/2004
<b>A) Securitized assets</b>	<b>120.030.426</b>
A1) Loans	117.037.959
A3) Other:	2.992.467
- Loans to be collected	2.183.378
- Loans for matured quotas	455.023
- Accrued income on interest accrued	34.087
- Accrued income on interest on loans	319.979
<b>B) Investment of cash deriving from the management of loans</b>	<b>10.219.837</b>
B3) Cash	6.290.363
B4) Repurchase agreements investments	3.929.474
<b>C) Bonds issued</b>	<b>123.732.200</b>
C1) Class A bonds	108.572.200
C2) Class B bonds	12.500.000
C3) Class C bonds	2.660.000
<b>E) Other liabilities</b>	<b>6.495.047</b>
- Due to third parties	833.138
- Accruals on interest on swaps	53.338
- Accruals on interest accrued on securities	283.358
- Accruals on withholding taxes on interest	1.402
- Sundry debts	55.529
- Debts for interest on class C bond	5.268.282

<b>F) Interest payable on bonds issued</b>	<b>7.178.328</b>
<b>G) Servicing fees to be paid</b>	<b>412.389</b>
- Servicing fees	358.930
- Fees for other services	53.459
<b>H) Other charges</b>	<b>3.558.707</b>
- Interest payable on swaps	913.814
- Other charges	2.644.893
<b>I) Interest generated by securitized assets</b>	<b>9.969.309</b>
<b>L) Other income</b>	<b>1.204.130</b>
- Income from the assignment of credits	917.517
- Interest receivable	84.873
- Income from repurchase agreements	201.740

## QUANTITATIVE INFORMATION

### Cash flow relevant to the loans

All securitized loans are classified as performing resident mortgage loans belonging to Biella Leasing S.p.A.

Collections made by Biella Leasing S.p.A. as servicer were wholly credited to Secursel S.r.l. at the expected dates. The total of collections as servicer for the activity carried out in 2004 amounted to € 81.624.624.

Collections relevant to days from 23/12/2004 to 31/12/2004 amounting to € 2.183.378, were credited to Secursel S.r.l. in the first days of 2005.

The situation since the beginning of the operation is stated here below:

Original value of purchased loans	202.102.345
Residual value of purchased loans as at 31/12/2002	188.616.147
Residual value of purchased loans as at 31/12/2003	188.365.229
- capital quota matured up to 31/12/2004	(64.157.931)
- capital quota for advanced redemptions as at 31/12/2004	(5.924.267)
- capital quota as non-performing loans as at 31/12/2004	(1.245.072)
Residual value of purchased loans as at 31/12/2004	177.037.959

### Evolution of expired loans

As at 31/12/2004 the amount of matured quotas was equal to € 455.023 includes expired quotas to be collected for € 436.127 of capital and € 18.896 of interest. Such amount is to be processed and collected in the first months of 2005.

The amount of loans deriving from non-performing contracts or contracts the goods of which were object of theft, net of recoveries, amounts to € 528.086 wholly deducted from remuneration of class C bond, as provided for by assignment contract.

With regard to matured loans, recovery procedures were promptly put in place.

### Distribution of loans by residual maturity

	Residual value (in units of euro)
0 to 3 months	12.378.257
above 3 months to 1 year	31.338.537
above 1 year to 5 years	61.905.412
beyond 5 years	11.415.753
	<b>117.037.959</b>

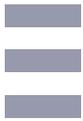
### Geographical distribution of loans

All loans are denominated in euro and all debtors are resident in Italy.

### Distribution of risk

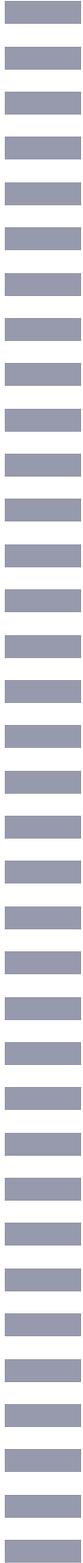
Class of risk	No.	Residual value (in units of euro)
€ 0 to € 25.823	3.778	24.341.240
above € 25.823 to € 77.470	475	20.355.630
above € 77.470 to € 258.230	254	35.806.804
beyond € 258.230	90	36.534.285
	<b>4.597</b>	<b>117.037.959</b>





## **PART C – INFORMATION ABOUT CONSOLIDATED INCOME STATEMENT**

(all figures are shown in euro thousand)



## SECTION 1 INTEREST

### 1.1 Caption 10 "Interest receivable and similar income". Composing items

	2004	2003
a) On due from banks	34.768	45.074
of which:		
- on deposits with central banks	1.872	1.895
b) On due from customers	257.835	239.225
of which:		
- on loans using third parties' funds in administration	2	1
c) On debt securities	29.078	31.091
d) Other interest receivable	1.414	1.862
e) Positive balance of differentials on hedging transactions	-	-
<b>Total</b>	<b>323.095</b>	<b>317.252</b>

### 1.2 Caption 20 "Interest payable and similar charges". Composing items

	2004	2003
a) On due to banks	24.658	27.809
b) On due to customers	65.905	69.447
c) On securities issued	25.048	29.067
of which:		
- on certificates of deposit	450	585
d) On third parties' funds in administration	2	1
e) On subordinated liabilities	5.309	5.654
f) Negative balance of differentials on hedging transactions	1.302	679
<b>Total</b>	<b>122.224</b>	<b>132.657</b>

### 1.3 Caption 10 "Interest receivable and similar income". Detailed items

	2004	2003
a) On assets denominated in foreign currency	19.356	15.732

### 1.4 Caption 20 "Interest payable and similar charges". Detailed items

	2004	2003
a) On liabilities denominated in foreign currency	13.448	12.260

## SECTION 2 COMMISSIONS

### 2.1 Caption 40 "Fees and commissions receivable". Composing items

	2004	2003
<b>a) Guarantees given</b>	<b>2.284</b>	<b>2.307</b>
<b>b) Credit derivatives</b>	-	-
<b>c) Asset management, dealing and consulting:</b>	<b>168.442</b>	<b>156.869</b>
1. securities dealing*	55.367	55.440
2. currencies dealing	1.283	1.104
3. asset management:		
3.1 individual	28.978	27.862
3.2 collective	36.084	34.948
4. securities custody and administration	2.229	1.997
5. custodian bank services	9.156	8.287
6. securities placement (including mutual funds quotas)	8.644	5.468
7. acceptance of orders*	13.400	10.269
8. consultancy activities	932	861
9. distribution of third parties services:		
9.1 assets under management		
a. individual	43	39
b. collective	-	-
9.2 insurance products	8.085	5.422
9.3 other products	4.241	5.172
<b>d) Payment and collection services</b>	<b>84.151</b>	<b>72.540</b>
<b>e) Servicing for securitization operations</b>	<b>958</b>	<b>1.170</b>
<b>f) Tax collection services</b>	-	-
<b>g) Other services</b>	<b>42.916</b>	<b>39.392</b>
<b>Total</b>	<b>298.751</b>	<b>272.278</b>

\* To make comparison homogeneous please note that in 2003 an amount of € 1,1 million was transferred from item c) 1. securities dealing to item c) 7. acceptance of orders.

### 2.2 Caption 40 "Fees and commissions receivable". Detailed items: distribution channels of products and services

	2004	2003
<b>a) Own branches:</b>	<b>75.131</b>	<b>71.663</b>
1. assets under management	60.531	58.339
2. securities placement	4.271	3.710
3. third parties' products and services	10.329	9.614
<b>b) "Door-to-door" sale:</b>	<b>10.944</b>	<b>7.248</b>
1. assets under management	4.531	4.471
2. securities placement	4.373	1.758
3. third parties' products and services	2.040	1.019
<b>Total</b>	<b>86.075</b>	<b>78.911</b>

### 2.3 Caption 50 "Fees and commissions payable". Composing items

	2004	2003
<b>a) Guarantees received</b>	-	-
<b>b) Credit derivatives</b>	-	-
<b>c) Asset management, dealing and consulting:</b>	<b>67.078</b>	<b>59.738</b>
1. securities dealing	26.991	22.079
2. currencies dealing	7	8
3. asset management:		
3.1 own securities portfolio	-	-
3.2 third parties' securities portfolio	2.276	1.660
4. securities custody and administration	2.853	1.993
5. securities placement	4.135	5.189
6. "door-to-door" sales of securities, financial products and services	30.816	28.809
<b>d) Payment and collection services</b>	<b>43.060</b>	<b>34.952</b>
<b>e) Other services</b>	<b>2.794</b>	<b>3.312</b>
<b>Total</b>	<b>112.932</b>	<b>98.002</b>

### Caption 40 "Fees and commissions receivable - Other services". Detailed items

	2004	2003
1. Commissions on loans to customers	10.812	9.247
2. Expenses refunds and other income on loans granted to customers	15.585	14.824
3. Commissions and fees on relations with banks	20	42
4. Refund of post outlays, print-out, etc.	4.524	3.747
5. Safe-deposits boxes	169	170
6. Commissions for funding activities on behalf of third party	1	2
7. Commissions on credit and debit cards	5.255	4.789
8. Trusteeship services	2.213	2.548
9. Other	4.337	4.023
<b>Total</b>	<b>42.916</b>	<b>39.392</b>

### Caption 50 "Fees and commissions payable - Other services". Detailed items

	2004	2003
1. Fees and commissions for relations with banks, Banca d'Italia and U.I.C. (Office of the Comptroller of the Currency)	396	417
2. Commissions paid to brokers for treasury transactions	1.499	1.448
3. Other	899	1.447
<b>Total</b>	<b>2.794</b>	<b>3.312</b>

## SECTION 3 DEALING PROFITS/LOSSES

### 3.1 Caption 60 “ Dealing profits (losses)”. Composing items

Voci/Operazioni	Securities transactions		Forex transactions		Other transactions	
	2004	2003	2004	2003	2004	2003
A.1 Revaluations	1.232	95	-	-	759	323
A.2 Depreciations	(1.572)	(1.909)	-	-	(1.559)	(611)
B. Other profits/losses	23.260	28.683	3.553	4.874	348	570
<b>Total</b>	<b>22.920</b>	<b>26.869</b>	<b>3.553</b>	<b>4.874</b>	<b>(452)</b>	<b>282</b>

	2004	2003
1. Government bonds	3.585	3.874
2. Other debt securities	8.467	9.778
3. Equity shares	14.682	15.889
4. Derivative contracts on securities	(3.814)	(2.672)

## SECTION 4 ADMINISTRATIVE EXPENSES

### 4.1 Average number of employees by category

	2004	2003
a) Executive cadres	71	71
b) III and IV level cadres	348	327
c) Other employees	3.228	3.125
<b>Total</b>	<b>3.647</b>	<b>3.523</b>

### Caption 80 "Administrative expenses". Composing items

	2004	2003
<b>a) Staff expenses:</b>	<b>178.711</b>	<b>166.860</b>
Wages and salaries	132.397	123.560
Social security charges	34.908	32.230
Staff severance	6.222	6.012
Pensions and similar commitments	4.084	3.989
Other	1.100	1.069
<b>b) Other administrative expenses:</b>	<b>110.702</b>	<b>104.777</b>
Legal fees and notarial charges	4.715	4.326
Software maintenance and consultancy	12.166	7.578
Forms and stationery	1.595	1.583
Leasing of machines and software	3.282	4.364
Other leases and expenses for outsourced services	19.839	19.661
Phone bills for data transmission	5.272	5.329
Purchase of equipment for EDP centre	146	166
Postage, telegraph	5.933	4.830
Telephone	3.692	4.250
Transport	966	664
Cleaning of premises	1.567	1.786
Security and cash escorting	2.464	2.410
Electricity and heating	3.685	3.769
Maintenance and repair expenses	4.595	4.471
Property rents	16.071	15.555
Sundry insurances	3.370	3.246
Advertising and entertainment	2.732	3.755
Donations	94	258
Subscriptions	340	281
Contributions to associations	1.256	1.349
Gadgets for the staff	289	374
Staff training	1.090	669
Information and enquiries	2.327	1.758
Travel expenses	4.713	3.589
Interbank network expenses	727	1.203
Other	7.776	7.553
<b>Indirect duties and taxes:</b>	<b>20.821</b>	<b>20.137</b>
- Stamp duty	15.155	14.843
- Municipal tax on property	497	544
- Tax on shareholders' equity	45	59
- Other	5.124	4.691
<b>Total other administrative expenses</b>	<b>131.523</b>	<b>124.914</b>
<b>Total</b>	<b>310.234</b>	<b>291.774</b>

## SECTION 5 WRITE-DOWNS, WRITE-UPS AND PROVISIONS

**Caption 90 "Write-downs to tangible and intangible fixed assets". Composing items**

	2004	2003
<b>a) Intangible fixed assets</b>	<b>16.440</b>	<b>16.585</b>
<b>b) Tangible fixed assets:</b>	<b>16.522</b>	<b>18.381</b>
Property	2.538	2.513
Furniture and installations	13.984	15.868
<b>c) Goodwill arising on consolidation and on application of the equity method</b>	<b>12.071</b>	<b>23.007</b>
<b>Total</b>	<b>45.033</b>	<b>57.973</b>

*For the companies belonging to the French subgroup (International Capital Holding, International Capital Bourse and International Capital Gestion) it was deemed to accelerate the amortization process of goodwill paid on acquisition, so as to adjust it to current value, therefore involving total write-downs for € 4,2 million.*

**Caption 100 "Provisions for risk and charges." Composing items**

	2004	2003
Engagement towards the Deposit Guarantee Scheme	601	469
Charges related to disputes with bankrupt companies	816	635
Fluctuation of securities portfolio	1.150	771
Risks related to Sella Bank Luxembourg activity	1.641	10.382
Reimbursement of benefits deriving from law by decree 153/99	1.511	-
Other charges	4.358	2.158
<b>Total</b>	<b>10.077</b>	<b>14.415</b>

**Caption 120 "Write-downs to loans and provisions for guarantees and commitments". Composing items**

	2004	2003
<b>a) Write-downs to loans</b>	<b>52.693</b>	<b>39.066</b>
of which:		
- general write-downs for country risk	-	-
- other general write-downs	1.349	920
<b>b) Provisions for guarantees and commitments</b>	<b>-</b>	<b>-</b>
of which:		
- general provisions for country risk	-	-
- other general provisions	-	-
<b>Total</b>	<b>52.693</b>	<b>39.066</b>

*The item "other general write-downs" includes € 1,3 million of provisions made by the subsidiary Consel S.p.A. related to ordinary consumer credit activity.*

**Caption 130 "Write-ups to loans and provisions for guarantees and commitments". Composing items**

	2004	2003
a) Write-ups to loans <sup>(1)</sup>	9.341	9.024
b) Provisions for guarantees and commitments	-	-
<b>Total</b>	<b>9.341</b>	<b>9.024</b>
<i><sup>(1)</sup> of which:</i>		
<i>interest collected on non-performing loans</i>	<i>820</i>	<i>798</i>
<i>recovery of non-performing loans previously written down</i>	<i>8.521</i>	<i>8.226</i>
	<b>9.341</b>	<b>9.024</b>

**Caption 140 "Provisions to the reserve for possible loan losses". Composing items**

	2004	2003
Provisions for the financial year	1.967	1.990

**Caption 150 "Write-downs to financial fixed assets". Composing items**

	2004	2003
Write-downs to equity investments	429	520

**Caption 170 "Profit on investments evaluated according to the equity method". Composing items**

	2004	2003
Profit (loss) for the year	710	266

## SECTION 6 OTHER INCOME STATEMENT CAPTIONS

### 6.1 Caption 70 "Other operating income". Composing items

	2004	2003
Property rental income and other similar revenues	990	894
Expenses recovery and other revenues on deposits and current accounts	10.155	9.848
Recovery of charges for staff attached to other companies	166	210
Recovery of stamp duty and other taxes	17.063	16.301
Expenses recovery and other income from financial leases	3.309	2.932
Capital gains on the sale of financial leased assets	608	352
Income for software services	5.472	4.697
Profit on junior bonds from securitization operations	4.206	5.162
Tax credit on dividends	-	4.314
Recovery of interest on payments and collections settled in clearing house	879	947
Premiums received on options	350	-
Other	6.741	6.894
<b>Total</b>	<b>49.939</b>	<b>52.551</b>

### 6.2 Caption 110 "Other operating expenses". Composing items

	2004	2003
Capital losses on the sale of financial leased assets	139	879
Insurance on leased assets	176	154
Reimbursement of interest on payments and collections settled in clearing house	1.370	1.393
Premiums paid on options	299	-
Other	4.337	4.657
<b>Total</b>	<b>6.321</b>	<b>7.083</b>

### 6.3 Caption 190 "Extraordinary income". Composing items

	2004	2003
Gains on the disposal of tangible and intangible fixed assets	39	274
Gains on the disposal of investment securities	-	159
Gains on the disposal of equity investments	5.486	1.997
Out-of-period income on items referring to previous financial years	6.848	6.466
Out-of-period income on provisions for risks and charges of Sella Bank Luxembourg S.A. in excess	6.951	-
Other	4.973	2.573
<b>Total</b>	<b>24.297</b>	<b>11.469</b>

### 6.4 Caption 200 "Extraordinary expenses". Composing items

	2004	2003
Losses on the disposal of tangible and intangible fixed assets	57	351
Losses on the disposal of equity investments	42	-
Out-of-period expenses and cancellation of assets (various cancellations, losses due to robberies - quotas not covered by insurance, etc)	5.585	6.928
Deferred taxation relevant to previous financial years	58	-
Other	3.709	1.130
<b>Total</b>	<b>9.451</b>	<b>8.409</b>

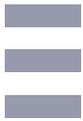
### 6.5 Caption 220 "Income taxes for the year". Composing items

	2004	2003
Current taxation	35.596	37.570
Variation of taxes paid in advance	(1.887)	(5.239)
Variation of deferred taxation	730	(259)
<b>Total</b>	<b>34.439</b>	<b>32.072</b>

## SECTION 7 OTHER INFORMATION REGARDING INCOME STATEMENT

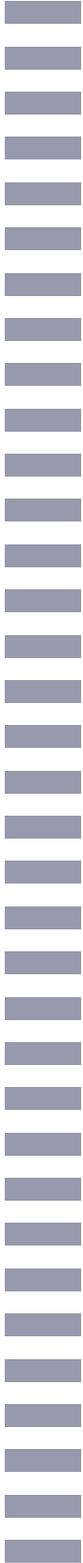
### 7.1 Geographical distribution of revenues

	Italy	Other countries	Total
Interest receivable and similar income	305.196	17.899	323.095
Dividends and other income	4.218	124	4.342
Commissions receivable	252.060	46.691	298.751
Profits (losses) on sundry financial transactions	19.749	6.272	26.021
Other operating income	49.094	845	49.939
<b>Total</b>	<b>630.317</b>	<b>71.831</b>	<b>702.148</b>



## **PART D – OTHER INFORMATION**

(all figures are shown in euro thousand)



## **SECTION 1**

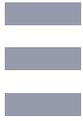
# **DIRECTORS AND STATUTORY AUDITORS**

### **1.1 Remuneration paid to directors and statutory auditors**

	<b>2004</b>	<b>2003</b>
a) Directors	1.839	1.717
b) Statutory auditors	211	214

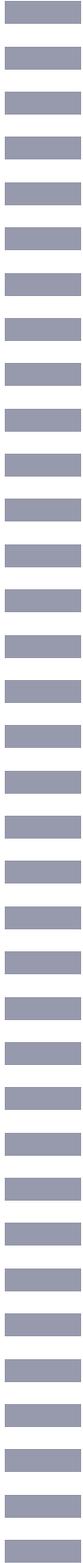
### **1.2 Loans and guarantees given**

	<b>2004</b>	<b>2003</b>
a) Directors	408	1.347
b) Statutory auditors	223	974



## **ANNEXES**

(all figures are shown in euro thousand)



## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended as at 31/12/2003 and 31/12/2004

	Subscribed capital	Reserves		Reserve for general banking risk	Profit for the year	Total
		Legal reserve	Other reserves			
<b>Balances as at 31/12/2002</b>	<b>20.000</b>	<b>6.139</b>	<b>201.026</b>	<b>54.823</b>	<b>14.360</b>	<b>296.348</b>
Allocation of net profit:						
- Various disbursements					(140)	(140)
- Dividends distributed					(2.377)	(2.377)
- Allocation to the legal reserve		139			(139)	-
- Allocation to reserves			11.404		(11.404)	-
- Provision to the reserve for general banking risks				300	(300)	-
- Changes in scope of consolidation and other changes			1.814			1.814
- Exchange rate differences for the translation of foreign currency financial statements			(1.280)			(1.280)
- Profit for year 2003					12.824	12.824
<b>Balances as at 31/12/2003</b>	<b>20.000</b>	<b>6.278</b>	<b>212.964</b>	<b>55.123</b>	<b>12.824</b>	<b>307.189</b>
Allocation of net profit:						
- Various disbursements					(140)	(140)
- Dividends distributed					(1.703)	(1.703)
- Allocation to the legal reserve		90			(90)	-
- Allocation to reserves			10.891		(10.891)	-
- Provision to the reserve for general banking risks						-
- Changes in scope of consolidation			(69)			(69)
- Exchange rate differences for the translation of foreign currency financial statements			272			272
- Profit for year 2004					26.770	26.770
<b>Balances as at 31/12/2004</b>	<b>20.000</b>	<b>6.368</b>	<b>224.058</b>	<b>55.123</b>	<b>26.770</b>	<b>332.319</b>

## STATEMENT OF CASH FLOW

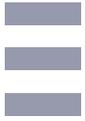
### Funds generated and taken

	2004	2003
Profit for the year	26.770	12.824
Provision to the reserve for possible loan losses	1.967	1.990
Write-downs to the items which do not create movements in the available financial balances:		
- Write-downs to tangible and intangible fixed assets	45.033	57.973
- Provision to the staff severance provision	5.881	5.324
<b>Total funds generated by operations</b>	<b>79.651</b>	<b>78.111</b>
Shareholders' equity (change in scope of consolidation, exchange rate differences for the conversion of foreign currency financial statements and other changes)	203	534
Reserve for possible loan losses (exchange rate differences for the conversion of foreign currency financial statements)	13	3
Other funds generated and taken:		
Increases (Decreases)		
- Due to banks	(118.481)	(290.191)
- Due to customers	383.457	408.401
- Securities issued	54.520	14.188
- Other liabilities	(73.292)	41.746
- Accruals and deferred income	84	(5.406)
- Provisions for risks and charges	(2.486)	10.416
- Minority interests	2.394	(5.091)
- Subordinated liabilities	43.292	24.777
- Staff severance provision (increase for purchase of corporate business)	-	-
- Increases of funds for changes in scope of consolidation	-	-
<b>Total</b>	<b>369.355</b>	<b>277.488</b>

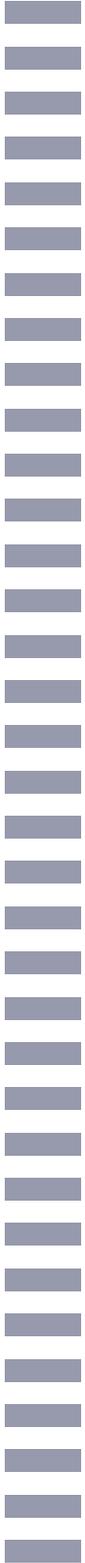
### Application of funds

	2004	2003
Dividends paid	1.703	2.377
Various disbursements	140	140
Acquisitions of tangible and intangible fixed assets	39.745	1.190
Variation on goodwill arising on consolidation and on application of the equity method	778	17.661
Use of the staff severance provision	2.837	2.060
Use of the reserve for possible loan losses	2.126	2.651
Other funds applied:		
Increases (Decreases)		
- Cash and balances with central banks	16.081	(1.840)
- Securities	28.733	73.233
- Due from banks	(90.240)	(486.359)
- Due from customers	384.182	677.816
- Equity investments, shares and similar instruments	1.159	(8.540)
- Other assets	(22.256)	2.808
- Prepayments and accrued income	4.367	(5.709)
<b>Total</b>	<b>369.355</b>	<b>277.488</b>





**AUDITORS' REPORT**



**AUDITORS' REPORT**  
**pursuant to art. 2409-ter of the Italian Civil Code**  
(Translation from the original Italian text)

To the Shareholders of  
Finanziaria Bansel S.p.A.

1. We have audited the consolidated financial statements of the company Finanziaria Bansel S.p.A. - Banca Sella Group - as of and for the year ended 31 December 2004. These consolidated financial statements are the responsibility of the company Finanziaria Bansel S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. Our audit was made in accordance with auditing standards generally accepted in Italy. In accordance with such standards we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such consolidated financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The audits of the financial statements of certain fully consolidated subsidiaries, which represent approximately 13% of consolidated total assets and approximately 19% of consolidated "interest and related income" and consolidated "commission income", is the responsibility of other auditors.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated 29 April 2004.

3. In our opinion, the consolidated financial statements of Finanziaria Bansel S.p.A. - Banca Sella Group - comply with the Italian regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the Group consolidated financial position of Finanziaria Bansel S.p.A. - Banca Sella Group - as of 31 December 2004, and the consolidated results of its operations for the year then ended.
4. We bring to your attention the following:
  - certain items of the consolidated assets are recorded at the conferred value arising as per Law 30 July 1990 n. 218 (Amato Law on banking concentrations). The higher value of the conferred assets in respect of the amounts originally recorded by the pre-existing company, of which the residual amount is indicated in the notes to the consolidated financial statements, is regulated for fiscal purposes by the above mentioned Law. The notes to the consolidated financial statements also disclose the residual amount at year end of the equity reserve in suspense of taxation recorded by the parent company as a consequence of the above described conferral;

- the estimated costs related to the early retirement of personnel have been accounted for as intangible assets and amortized as allowed by the specific law, in alternative to the charging the entire amount to the income statement in the year in which the liability arises. The effects on the consolidated financial statements arising from the mentioned accounting treatment are disclosed in the notes to the consolidated financial statements;

Turin, 29 April 2004

Reconta Ernst & Young S.p.A.  
Signed by: Guido Celona, Partner

