



# BANCA SELLA HOLDING

Established in 1886

## ANNUAL REPORT

# 2008

122<sup>TH</sup> FINANCIAL YEAR

Joint stock company

Head Office in Biella – share capital and reserves € 447.753.864

Member of the Deposit scheme

Registered on the Banks and Banking Groups Roll

TAX and VAT number 01709430027

13900 Biella (Italy) – via Italia, 2

Tel. 015.35011 – Telefax 015.351767 – Swift SELB IT 22

Web site: [www.gruppobancasella.it](http://www.gruppobancasella.it)

*This in an English translation of the Italian Original "BANCA SELLA HOLDING – RELAZIONE E BILANCIO 2008".*

*It contains the Financial Statements at 31 December 2008, consisting of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow report and the notes to the statements, accompanied by the report on operations. In case of doubt, the Italian version prevails.*

Centre insert: Fondazione Sella archive photographs

**Vittorio Sella**, Ecrins from Glacier Blanc, 13 August 1888

**Vittorio Sella**, Several crevasses and seracs, Grand Sagne, Ecrins from Glacier Blanc, 13 August 1888

**Vittorio Sella**, Pelvoux from the left moraine of Glacier Blanc, 13 August 1888

**Vittorio Sella**, Pelvoux, Pic Sans Nom from Glacier du Selé, 16 August 1888



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## Main corporate boards and committees

### BOARD OF DIRECTORS

in office up to the approval of the 2009 financial statements

Chairman	* Maurizio Sella
Deputy Chairman	* Lodovico Sella
Deputy Chairman	* Franco Sella
Chief Executive Officer and General Manager	* Pietro Sella
Director	Mario Cattaneo
“	Mario Renzo Deaglio
“	Pier Vittorio Magnani
“	Enzo Panico
“	Giovanni Rosso
“	Marco Scarzella
“	* Federico Sella
“	* Sebastiano Sella
“	Vittorio Sella
“	Marco Weigmann
“	Giovanni Zanetti

\* Member of the executive committee

### BOARD OF STATUTORY AUDITORS

in office up to the approval of the 2008 financial statements

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

### AUDIT COMMITTEE

Chairman	Marco Weigmann
	Mario Cattaneo
	Giovanni Zanetti

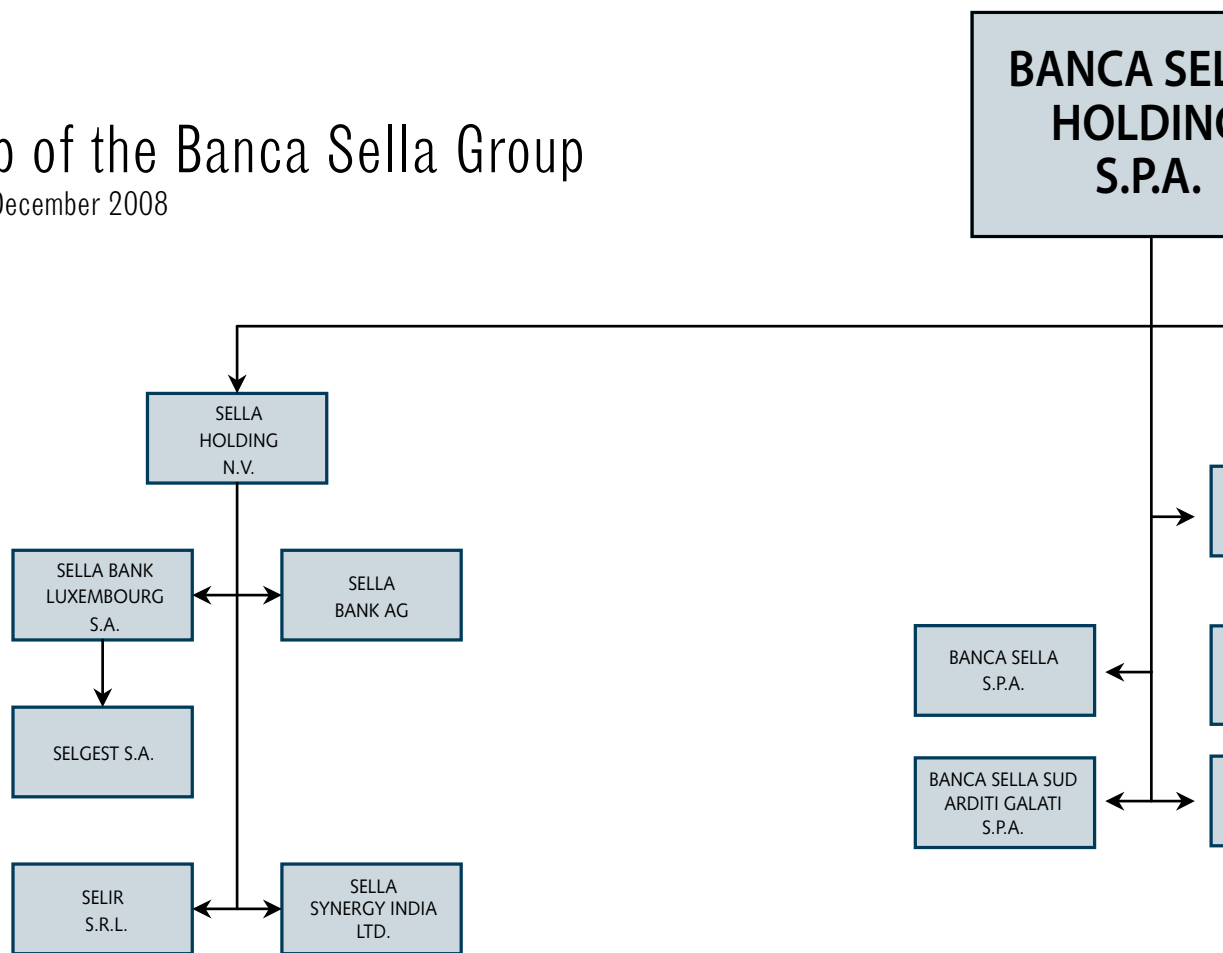
### INDEPENDENT AUDITORS


Independent auditors	Deloitte & Touche S.p.A.
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# Map of the Banca Sella Group

at 31 December 2008



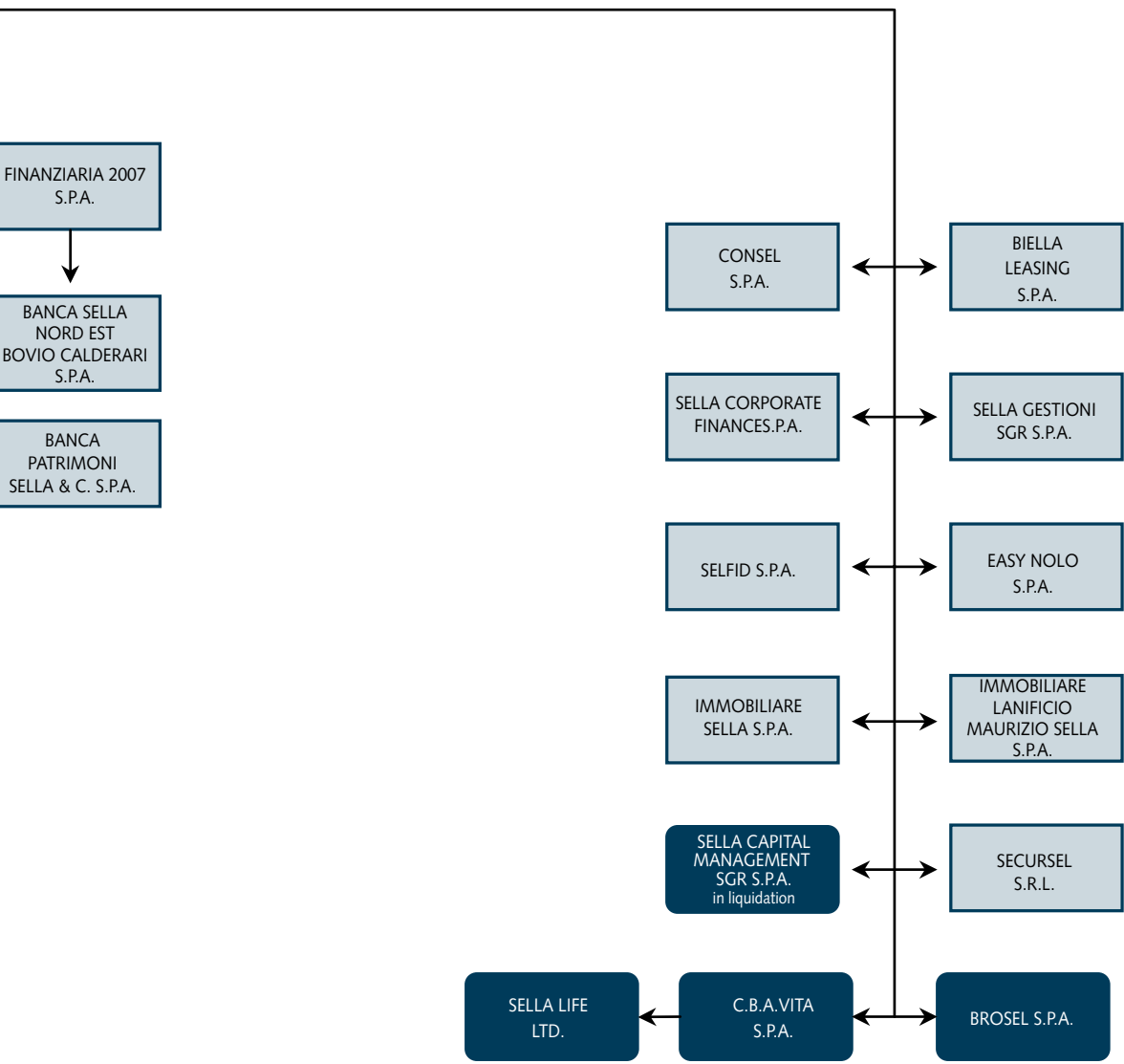
 Controlled companies but not included in the Group's perimeter

Other Me-by-line consolidated companies: Mars 2600 s.r.l. (Special purpose vehicle of the Group's securitization operations).

Net equity method consolidated companies: Martin Maurel Sella Banque Privee Monaco S.A.M.  
 Banca Monte Parma S.p.A.  
 HI-MTF SIM S.p.A.  
 InChiaro Assicurazioni S.p.A.  
 S.C.P. VDP 1  
 Retail Italia s.r.l.

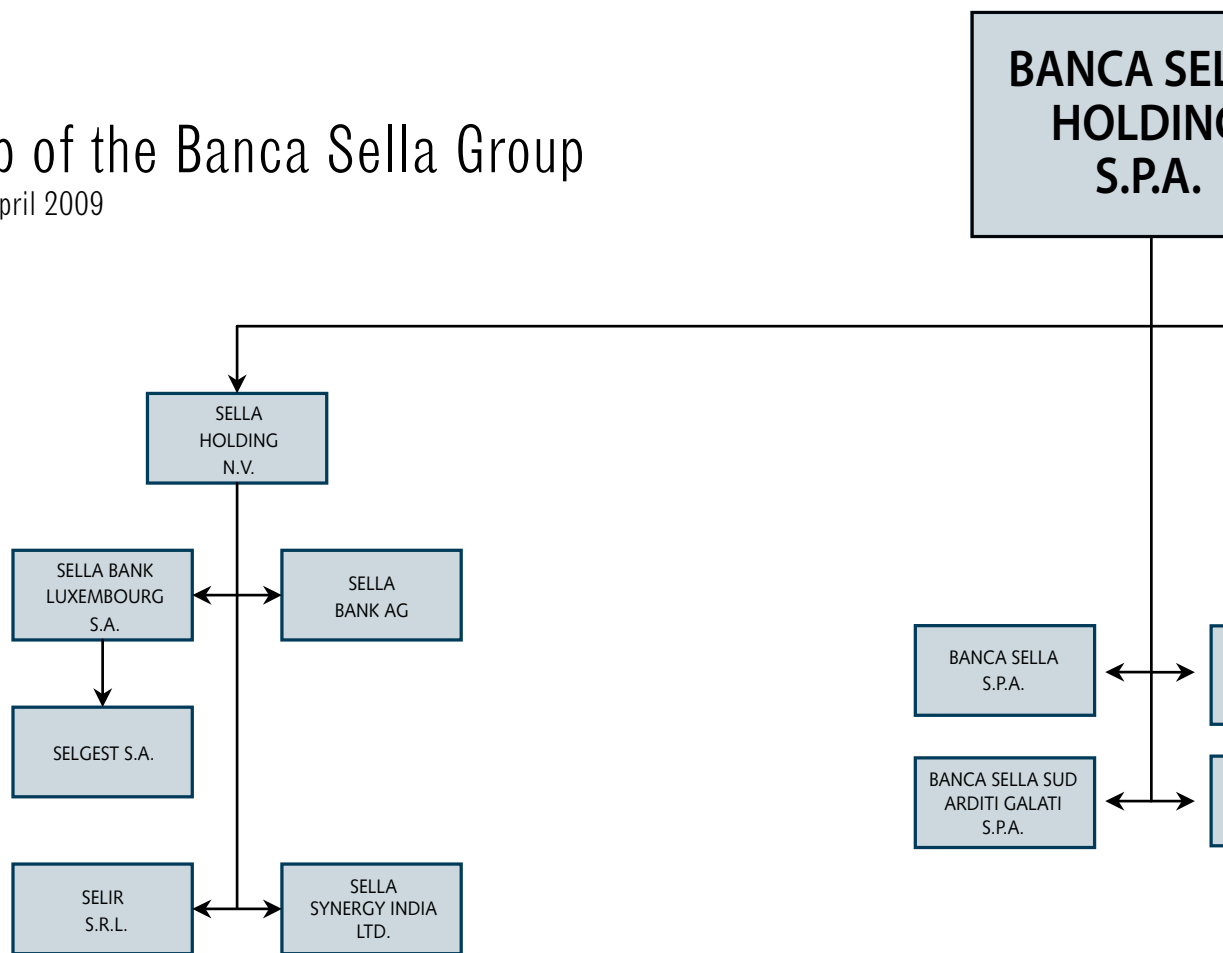



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# Map of the Banca Sella Group

at 1° April 2009



 Controlled companies but not included in the Group's perimeter

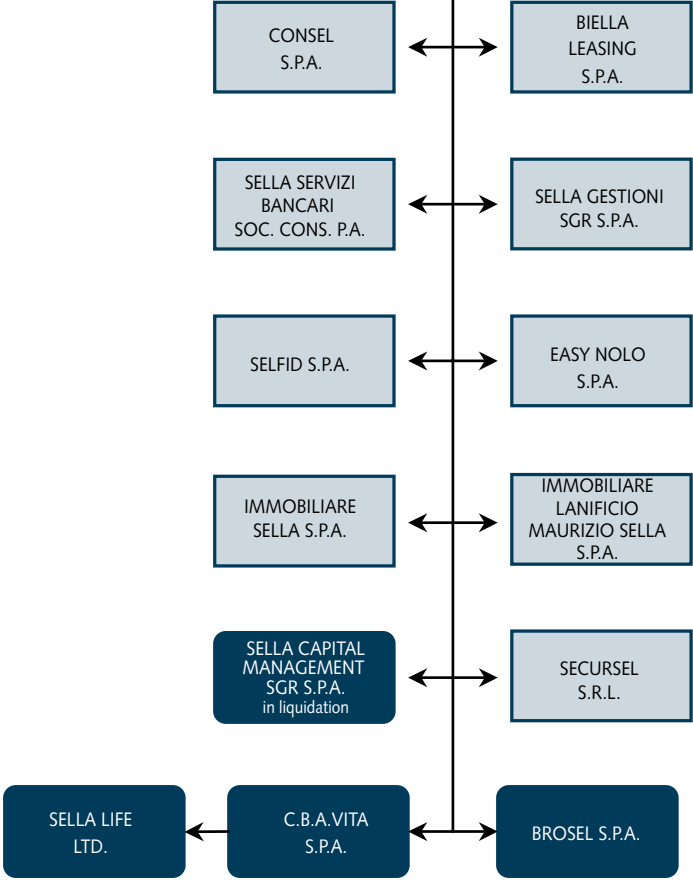
Other Me-by-line consolidated companies: Mars 2600 s.r.l. (Special purpose vehicle of the Group's securitization operations).

Net equity method consolidated companies: Martin Maurel Sella Banque Privee Monaco S.A.M.  
 Banca Monte Parma S.p.A.  
 HI-MTF SIM S.p.A.  
 InChiaro Assicurazioni S.p.A.  
 S.C.P. VDP 1  
 Retail Italia s.r.l.

LLA  
G

BANCA SELLA  
NORDEST  
BOVIO CALDERARI  
S.P.A.

BANCA  
PATRIMONI  
SELLA & C. S.P.A.





## Territorial organisation of the Banca Sella Group (April 2009)

**BANCA SELLA HOLDING S.p.A.**  
Head Office  
13900 BIELLA, Via Italia 2  
Tel. 015 35011 - Fax 015 351767  
web site: [www.gruppobancasella.it](http://www.gruppobancasella.it)

### ITALIAN DISTRIBUTION NETWORK

**Regione Piemonte**  
**Biella Sede**

Via Italia 2 015/ 35011

### FOREIGN DISTRIBUTION NETWORK

**Venezuela**  
**CARACAS**

Representative office  
Studio Backer&McKenzie

### BANKS OF THE GROUP

**BANCA SELLA S.p.A.**  
Head office  
13900 BIELLA, Via Italia 2  
Tel. 015 35011 - Fax 015 2433900  
14-05-200914-05-2009  
Web site: [www.sella.it](http://www.sella.it)

### REGIONE PIEMONTE

<b>Acqui Terme</b>	Via Marconi 15/17/19	0144/325077
<b>Alba</b>	Piazza Cristo Re 12	0173/ 284244
<b>Alessandria</b>	Via Migliara 5	0131/68154
<b>Alpignano</b>	Via Mazzini 33	011/ 9664431
<b>Andorno Micca</b>	Via Cavalieri Di Vittorio Veneto 77	015/ 2475211

<b>Avigliana</b>	Corso Torino 37/39/43	011/ 9312925
<b>Banchette</b>	Via Castellamonte 3	0125/ 612766
<b>Beinasco</b>	Strada Torino 104	011/3499873
<b>Biella Sede</b>	Via Italia 2	015/35011
<b>Biella - Borsino</b>	Via Italia 2	015/23291
<b>Biella 1</b>	Via Lamarmora 18	015/ 28669-0
<b>Biella 2</b>	Piazza Martiri Della Liberta' 8	015/ 355459-0
<b>Biella 3</b>	Piazza Adua 12	015/ 8408192
<b>Biella 4</b>	Via Milano 53	015/355237
<b>Biella 5</b>	Via Fratelli Rosselli 108	015/ 8408205
<b>Biella 6</b>	Via Pettinengo 22	015/ 562676
<b>Biella 7</b>	Via Torino 53	015/ 406287
<b>Biella 8</b>	Via Tripoli 33 Ang.via Galimberti	015/ 403149
<b>Biella 9</b>	Via Domenico Modugno 1/h – C/o "Gli Orsi"	015/2535162
<b>Borgaro Torinese</b>	Via Gramsci 2	011/4500276
<b>Borgo San Dalmazzo</b>	Via Boves 17/d	0171/261947
<b>Borgomanero</b>	Corso Garibaldi 106	0322/835920
<b>Borgosesia</b>	Pzza Cavour 13	0163/ 200379
<b>Bra</b>	Via Verdi 15	0172/432158
<b>Brusnengo</b>	Piazza Ubertalli 12	015/ 985476
<b>Bussoleno</b>	Via Torino 29	0122/ 640476
<b>Caluso</b>	Via Bettoia 61	011/ 9831684
<b>Candelo</b>	Piazza Castello 17/18	015/ 2536815
<b>Carignano</b>	Via Umberto I 27	011/9697115
<b>Carmagnola</b>	Corso Matteotti 6/8 Ang.via Chiffi	011/9713077
<b>Casale Monferrato</b>	Via Saffi 33	0142/ 454133
<b>Castellamonte</b>	Via P. Educ 48	0124/ 513185
<b>Castiglionetorinese</b>	Piazza Vittorio Veneto 1	011/9818393
<b>Cavaglia</b>	Via Rondolino 1	0161/ 96397
<b>Chiaverano</b>	Corso Centrale 67	0125/ 54375
<b>Chieri</b>	Via Vittorio Emanuele 44	011/ 9412210
<b>Chiusa Di San Michele</b>	Via General Cantore 2	011/ 9643332
<b>Chivasso</b>	Via Italia 2	011/ 9172939
<b>Cigliano</b>	Via Umberto I Angolo Via Gramsci	0161/423046
<b>Ciriè - Via D'oria</b>	Via Andrea D'oria 14/10	011/ 9211265
<b>Collegno</b>	Via Primo Levi 1	011/4151680
<b>Cossato Sede</b>	Piazza Cavour 8	015/980165
<b>Cossato 1</b>	Via Martiri Della Libertà 177	015/ 983259
<b>Cossato 2</b>	Via Marconi 76	015/9840067
<b>Crescentino</b>	Corso Roma 66/68	0161/834560
<b>Cuneo</b>	Via XXVIII Aprile 15/17	0171/ 697780
<b>Cuorgnè</b>	Via Torino 3	0124/ 650434
<b>Favria</b>	Via Caporal Cattaneo 2	0124/ 348885
<b>Fossano</b>	Piazza Dei Battuti Rossi 1	0172/633042
<b>Gaglianico</b>	Via Gramsci 75	015/ 2543541
<b>Gattinara</b>	Viale Marconi 60	0163/834464

<b>Giaveno</b>	Via Roma 15	011/ 9364122
<b>Grugliasco</b>	Via Spanna 3	011/ 784697
<b>Ivrea</b>	Corso Nigra 1	0125/ 45847
<b>Ivrea 1</b>	Corso Vercelli 124	0125/ 616821
<b>Lanzo Torinese</b>	Via Xi Settembre 4	0123/324100
<b>Lessona</b>	Piazza Gaudenzio Sella 1	015/ 981949
<b>Moncalieri</b>	P.za Caduti Libert� e dell'indipendenza 6	011/ 6406892
<b>Mongrando</b>	Via Roma 20	015/666261
<b>Montanaro</b>	Via Matteotti 8	011/ 9193093
<b>Nichelino</b>	Piazza Camandona 25/27	011/6274438
<b>None</b>	Piazza Vigo 1/a	011/ 9904045
<b>Novara</b>	Corso Torino 35/37	0321/ 466611
<b>Occhieppo Inferiore</b>	Via Martiri Della Liberta' 18/a	015/ 2593686
<b>Orbassano</b>	Via Roma 27	011/ 9031751
<b>Oulx</b>	Corso Torino 5	0122/830846
<b>Ovada</b>	Piazza Garibaldi 8	0143/ 833128
<b>Pianezza</b>	Via Giolitti 7	011/ 9663741
<b>Pinerolo</b>	Corso Torino 63/b	0121/ 321787
<b>Pocapaglia</b>	Strada Macellai 53	0172/ 423669
<b>Pollone</b>	Via Caduti Per La Patria 35	015/ 61591
<b>Ponderano</b>	Piazza Garibaldi 1	015/ 2544330
<b>Pont Canavese</b>	Via Roscio 5	0124/860025
<b>Ponzone</b>	Piazza Xxv Aprile 28	015/777046
<b>Residenti Estero</b>	Via Italia 2	015/3501553
<b>Rivarolo Canavese</b>	Corso Torino 54/56	0124/ 29919
<b>Rivoli</b>	Piazza Martiri Della Liberta' 2	011/ 9580608
<b>Rivoli - Cascine Vica</b>	Corso Francia 201/b	011/ 9574364
<b>Romano Canavese</b>	Viale Marconi 34	0125/ 712341
<b>Rosta</b>	Via Rivoli 63	011/ 9541241
<b>Salussola</b>	Via Martiri Della Libert� 45	0161/ 997243
<b>San Carlo Canavese</b>	Strada Cirie' 73	011/ 9214820
<b>San Francesco Al Campo</b>	Via Torino 9/2	011/ 9276848
<b>San Germano Chisone</b>	Piazzetta Dell'orso 4	0121/ 58577
<b>San Mauro Torinese</b>	Piazza Mochino 12	011/8222136
<b>Sandigliano</b>	Via Maroino 7	015/ 2493200
<b>Sangano</b>	Via Bert 11	011/ 9085858
<b>Santhi�</b>	Via Sant Ignazio 2	0161/ 930445
<b>Savigliano</b>	Piazza Del Popolo 25	0172/ 33961
<b>Settimo Torinese</b>	Via Italia 18/b	011/ 8978181
<b>Settimo T.se I</b>	Via Regio Parco 2	011/8952119
<b>Succ.le Telematica Cl.ordinaria</b>	P.zza Adua 12	015/84617211
<b>Susa</b>	Corso Inghilterra 46	0122/ 629690
<b>Tollegno</b>	Via Xx Settembre 6/8	015/ 421523
<b>Torino Sede</b>	Piazza Castello 127	011/ 5620738
<b>Torino 1</b>	Corso Francia 185	011/ 752646
<b>Torino 3</b>	Via San Donato 34/36	011/ 4373471

<b>Torino 4</b>	Corso Giulio Cesare 56 Bis	011/ 2487848
<b>Torino 5</b>	Corso Monte Cucco 59	011/ 3850305
<b>Torino 6</b>	Via Bologna 242	011/ 2424063
<b>Torino 7</b>	Corso Sommeiller 25	011/ 593983
<b>Torino 8</b>	Corso Orbassano 193	011/ 352108
<b>Torino 9</b>	Corso Matteotti 47	011/ 5612608
<b>Torino 10</b>	Corso Vittorio Emanuele II 12	011/ 885039
<b>Torino 11</b>	Corso San Maurizio 47	011/ 888156
<b>Torino 12</b>	Piazza Giosue' Carducci 122/c	011/6631636
<b>Torino 13</b>	Corso Traiano 82/a	011/610128
<b>Torino 14</b>	Corso Racconigi 16	011/745726
<b>Torino 15</b>	Corso Stati Uniti 5	011/5612213
<b>Torino 16</b>	Via Andrea Doria 8	011/5611467
<b>Torino 17</b>	Via Nicomede Bianchi 42/e	011/7410975
<b>Torino 18</b>	Piazza Adriano 5/h	011/4330233
<b>Torino 19</b>	Corso Vercelli 168	011/2051735
<b>Torino 20</b>	Corso Alcide De Gasperi 46	011/ 597533
<b>Torino 21</b>	Piazza Carignano 2/4	011/5778411
<b>Torino 22 - Corso Belgio</b>	Corso Belgio 107	011/8980265
<b>Torrazza Piemonte</b>	Via Mazzini 23	011/ 9180028
<b>Tortona</b>	Corso Montebello 19/c	0131/813944
<b>Trino Vercellese</b>	Corso Cavour 34/38	0161/828031
<b>Trofarello</b>	Via Torino 84	011/6490924
<b>Valdengo</b>	Via Quintino Sella 28	015/ 882165
<b>Vallemosso</b>	Via Bartolomeo Sella I	015/702935
<b>Venaria Reale</b>	Viale Buridani 6 Ang.corso Marconi	011/4593789
<b>Vercelli</b>	Piazza Risorgimento 23	0161/255600
<b>Vercelli 1</b>	Via Paggi 29	0161/211585
<b>Vercelli 2</b>	Via Castelnuovo Delle Lanze 2/4	0161/211397
<b>Vergnasco</b>	Via Papa Giovanni Xxiii 50	015/ 2583012
<b>Verrone</b>	Via Zumaglini 15	015/ 2558286
<b>Vigliano Biellese</b>	Via Milano 163	015/ 811954
<b>Viverone</b>	Via Provinciale 32	0161/ 987392
<b>Volpiano</b>	Via Umberto I 11/13	011/ 9951480
<b>Web Sella.it</b>	Viale Matteotti 5	015/35008195

#### REGIONE VALLE D'AOSTA

<b>Aosta</b>	Via Festaz 3	0165/ 235465
<b>Aosta I</b>	Via Monte Grivola 37	0165/553431
<b>Chatillon</b>	Località Soleil 8	0166/ 563086
<b>Pont Saint Martin</b>	Via Circonvallazione 15/a	0125/ 806121
<b>Verres</b>	Via Caduti Della Liberta' 13	0125/ 929079

**REGIONE LOMBARDIA**

<b>Brescia</b>	Via Fratelli Ugoni 20	030/280268
<b>Carugate</b>	Via Alberti 37	02/92151773
<b>Gallarate</b>	Via Magenta 12	0331/777707
<b>Milano Sede</b>	Via Parmigianino 13/15	02/4815348
<b>Milano 1</b>	Via Bergognone 27	02/58107132
<b>Milano 2</b>	Via Vincenzo Monti 33	02/4691540
<b>Milano 3</b>	Via Gonzaga 3	02/72003420
<b>Milano 4</b>	Via Monte Nero 71	02/5517360
<b>Milano 5</b>	Viale Piave 4	02/76017137
<b>Milano 7</b>	Piazzale Loreto 1 Angolo V. A. Doria	02/67020286
<b>Monza</b>	Via Borgazzi 13	039/326337
<b>Pavia</b>	Viale Matteotti 14	0382/304944
<b>Rho</b>	Via Dei Martiri 23	02/9307604
<b>Saronno</b>	Via Manzoni 35 Ang. Via Parini	02/96280192
<b>Sesto San Giovanni</b>	Via Falk 5 – Ingresso Via Dante 171	02/2409386
<b>Vigevano</b>	Via Roma 4	0381/70129
<b>Voghera</b>	Piazza Bovo 27	0383/369085

**REGIONE LIGURIA**

<b>Albenga</b>	Piazza Del Popolo 7/8	0182/544199
<b>Bordighera</b>	Corso Italia 48	0184/260433
<b>Chiavari</b>	Piazza Mazzini 10	0185/303027
<b>Genova</b>	Salita Santa Caterina 4	010/5957514
<b>Genova 1</b>	Via P.pastorino 70	010/7411093
<b>Genova 2</b>	Via Fieschi 21r	010/5956324
<b>Imperia</b>	Piazza Rossini 10	0183/767701
<b>San Remo</b>	Via Escoffier 11	0184/544612

**REGIONE EMILIA ROMAGNA**

<b>Bologna</b>	Via Clavature 9 E/f	051/264705
<b>Bologna 1</b>	Via Rolli 4/a	051/323965
<b>Bologna 2</b>	Via Massarenti 416	051/6014226
<b>Carpi</b>	Viale Carducci 31	059/8070745
<b>Casalecchio Di Reno</b>	Via Bazzanese 51/3	051/6133359
<b>Castelfranco Emilia</b>	Via Circondaria Sud 87/93	059/958149
<b>Cavezzo</b>	Piazza Martiri Della Liberta' 4	0535/58297
<b>Ferrara</b>	Via Baluardi 29	0532/760538
<b>Formigine</b>	Via Mazzini 88	059/574762
<b>Modena</b>	Via Giardini 436	059/340498
<b>Modena 1</b>	Via Emilia Est 121	059/238558
<b>Modena 2</b>	Strada Morane 298	059/444188
<b>Modena 3</b>	Strada Nazionale Per Carpi 126	059/330920
<b>Sassuolo</b>	Via Regina Pacis	0536/800847
<b>Serramazzone</b>	Via Roma 146	0536/957162
<b>Vignola</b>	Via Della Resistenza 170	059/760181



**REGIONE TOSCANA**

<b>Abbadia San Salvatore</b>	Via Mentana 35/37/39	0577/778095
<b>Arezzo</b>	Via Xxv Aprile 14/a	0575/302913
<b>Castel Del Piano</b>	Via Dei Mille 4 A/b	0564/973263
<b>Firenze</b>	Via Cavour 74/r	055/291074
<b>Firenze 1</b>	Viale Redi 59/61	055/3245118
<b>Firenze 2</b>	Viale Dei Mille 7/9	055/5535105
<b>Grosseto</b>	Viale Europa 10	0564/457105
<b>Grosseto 1</b>	Piazza Gioberti	0564/407419
<b>Montecatini Terme</b>	Via Manin Ang. Via Cosimini	0572/72217
<b>Montevarchi</b>	Via Diaz 142/144/146/148	055/9850470
<b>Siena</b>	Via Delle Province Ang. Via Fiorentina	0577/51752

**REGIONE ABRUZZO**

<b>Alba Adriatica</b>	Via Mazzini Ang. Via La Pira	0861/751671
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**REGIONE MARCHE**

<b>Ascoli Piceno</b>	Via Napoli 114/a	0736/45688
<b>Civitanova Marche</b>	Piazza San Domenico Savio 6	0733/784470
<b>Macerata</b>	Via Cluentina 12	0733/288013
<b>Pagliare Del Tronto</b>	Via Salaria 20	0736/890112
<b>San Benedetto Del Tronto</b>	Piazza Enzo Tortora 7	0735/84639

**REGIONE LAZIO**

<b>Latina</b>	Via Carturan 40	0773/660756
<b>Roma Sede</b>	Piazza Poli 38/41	06/69942140
<b>Roma 1</b>	Via Zamboni 22-24-26-28	06/55382059
<b>Roma 2</b>	Via Romeo Rodriguez Pereira 194	06/35496149
<b>Roma 3</b>	Via Angelo Emo 91	06/39732180
<b>Roma 4</b>	Via Di Vigna Stelluti 22/26	06/3297514
<b>Roma 5</b>	Piazza San Giovanni Di Dio 14 A/b 15 16 17	06/5373935
<b>Roma 6</b>	Via Gallia 83	06/7001539
<b>Roma 7</b>	Viale Jonio 334/340	06/8183631
<b>Roma 8</b>	Via Latina Angolo Via Numanzia 23	06/7807036
<b>Roma 9</b>	Piazza Della Stazione Vecchia 5	06/56305106
<b>Roma 10</b>	Via Bertoloni 9/11	06/8073838
<b>Roma 11</b>	Via Tiburtina 447/449	06/4394793
<b>Roma 12</b>	Piazza Sant'emerenziana 13/14/15	06/8605085
<b>Roma 13</b>	Via Dei Gracchi 142/144	06/3214534
<b>Roma 14</b>	Via BaldoVinetti 132	06/5191612

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**REGIONE SARDEGNA**

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<b>Cagliari</b>	Viale Bonaria 27	070/667931
<b>Olbia</b>	Via Aldo Moro 251	0789/598260
<b>Sassari</b>	Via Roma 11/a	079/232383

**BANCA SELLA SUD ARDITI GALATI S.p.A.**

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73100 Lecce, viale G. Marconi 45  
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Web site: [www.sellasud-bag.it](http://www.sellasud-bag.it)

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**REGIONE CAMPANIA**

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<b>Avellino</b>	corso Europa, 8/g	0825 784220
<b>Battipaglia</b>	via Paolo Baratta, 26	0828/305260
<b>Benevento(*)</b>	viale mellusi 125	082/4312043
<b>Cava de' Tirreni</b>	corso Mazzini, 227	089 468550
<b>Giffoni valle Piana</b>	piazza Umberto i, 31/33	089 868309
<b>Grottaminarda</b>	via A. Manzoni, 63	0825/429193
<b>Montecorvino Pugliano</b>	ss. 18 - Bivio Pratole	0828 51031
<b>Napoli(*)</b>	via dei Mille 34-36-38	081/410349
<b>Napoli I Vomero(*)</b>	via Alvino 63	081/3721375
<b>Nocera inferiore(*)</b>	via Barbarulo 110	081/5176612
<b>Nola(*)</b>	piazza Pollio Clemenziano	081/8214709
<b>Pontecagnano</b>	via Picentia	089-381573
<b>Salerno</b>	via G. Cuomo, 9	089 253590
<b>Salerno(*)</b>	viale G. Verdi 1	089/3867848
<b>San marco evangelista (*)</b>	s.S. 265-Km26.200	082/3408999
<b>Sorrento(*)</b>	piazza Angelina Lauro 35	081/8773847

(\*) Branches transferred from Banca Sella

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**REGIONE MOLISE**

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<b>Campobasso</b>	via IV Novembre, 135	0874 60655
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**REGIONE PUGLIA**

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<b>Andrano</b>	via Michelangelo, 42	0836 926094
<b>Andria</b>	viale Venezia Giulia, 3	0883 596111
<b>Bari</b>	via Calefati, 131	080 5234545
<b>Bari 2</b>	via Tommaso Fiore, 106	080/5722890

<b>Barletta</b>	via De Nittis 43	0883 518000
<b>Brindisi</b>	viale A. Moro, 23	0831 516227
<b>Castri' di lecce</b>	via C. Battisti, 13	0832 826309
<b>Castrignano del capo</b>	via Grassi, 7	0833 751008
<b>Fasano</b>	piazza Kennedy, 3	080 4425778
<b>Foggia</b>	piazza Pavoncelli 2	0881/587843
<b>Gallipoli</b>	corso Roma, 123	0833 263785
<b>Lecce 1</b>	viale Marconi, 45	0832 6981
<b>Lecce 2</b>	via Lupiae, 29 ang. Via Fornari, 1	0832 312471
<b>Lecce 3</b>	viale De Pietro, 61	0832 277727
<b>Lecce 4</b>	via San Cesareo, 106	0832/228989
<b>Maglie</b>	via v. Emanuele, 124/b	0836 428008
<b>Manduria</b>	viale Mancini, 21	099 9738744
<b>Martina Franca</b>	via Leone XIII, 2/b	080 4838617
<b>Molfetta</b>	piazza Garibaldi, 7	080 3976420
<b>Nociglia</b>	via Oberdan, 35	0836 936014
<b>Ostuni</b>	via Fogazzaro ,74	0831/336656
<b>Presicce</b>	via Roma, 68	0833 726004
<b>Putignano</b>	via N. Bixio, 10/12	080 4059120
<b>Salve</b>	via Roma, 192	0833 741001
<b>San Michele Salentino</b>	via Vittorio Veneto, 6	0831 966962
<b>Spongano</b>	via Sant'Angelo, 7	0836 945026
<b>Taranto</b>	via Solito, 32	099 7302463
<b>Trani</b>	via A. Moro, 60/62	0883 480531
<b>Tricase</b>	via Leone XIII°, 12	0833 545026

#### REGIONE SICILIA

<b>Agrigento</b>	viale Viareggio, 45	0922-413533
<b>Camastra</b>	corso Vitt. Veneto, 45	0922-950247
<b>Catania</b>	via XX Settembre, 41/a	095-7169353
<b>Catania 2</b>	via Vittorio Veneto 229	095-507916
<b>Licata</b>	rettilino Garibaldi, 76	0922-801640
<b>Monreale</b>	via Umberto i, 14	091-6402593
<b>Naro</b>	via Specchi, 35	0922-956044
<b>Palermo - Boccadifalco</b>	via Boccadifalco, 22	091-6683760
<b>Palermo - Borgonuovo</b>	via Castellana 108/a	091-6733720
<b>Palermo - Da Vinci</b>	via L.Do Da Vinci, 33	091-6827811
<b>Palermo - Dalla Chiesa</b>	via c.A.Dalla Chiesa 3/b	091-7301777
<b>Palermo - De Gasperi</b>	via A. De Gasperi, 26/a	091-525594
<b>Palermo - Falsomiele</b>	via del Cigno, 62	091-446514
<b>Palermo - Lazio</b>	via Lazio, 37	091-6701017
<b>Palermo - Mezzomonreale</b>	corso Calatafimi, 981/c	091-6681624
<b>Palermo - Villareale</b>	via Villareale,2	091-6018219
<b>Ragusa</b>	piazza Virgilio, 13	0932-682239
<b>Roccamena</b>	via Vinci, 6	091-8465544

<b>San Giuseppe Jato</b>	via Umberto I, 208	091-8576833
<b>Siracusa</b>	via San Simeone 16	0931-445062
<b>Trapani</b>	corso Piersanti Matteredella 37/39	0923-541061

#### **BANCA SELLA NORDEST BOVIO CALDERARI S.p.A**

Head office

Trento, via Oss Mazzurana 63 - Palazzo Tabarelli

Tel. 0461 888111 - Fax 0461 888280 - Telex 400560 cabank I

Web site: [www.bbcbank.it](http://www.bbcbank.it)

#### **REGIONE FRIULI VENEZIA GIULIA**

<b>Udine</b>	via della Vittoria 15	0432 508599
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#### **REGIONE TRENTINO ALTO ADIGE**

<b>Bolzano</b>	via Duca d'Aosta, 49	0471 285544
<b>Bolzano 1</b>	via Leonardo Da Vinci, 4	0471 324354
<b>Bolzano 2</b>	via Milano, 63	0471 204999
<b>Bolzano centrum</b>	via Galvani, 3	0471 539408
<b>Borgo Valsugana</b>	largo Dordi, 1	0461 751233
<b>Cles</b>	via Trento, 22	0463 424388
<b>Cogolo di Peio</b>	via Roma, 18	0463 746061
<b>Dimaro</b>	via Campiglio, 138	0463 970104
<b>Lavis</b>	via Matteotti, 26	0461 242300
<b>Merano</b>	via Portici, 228	0473 239070
<b>Ravina</b>	via delle Masere, 37	0461 922022
<b>Rovereto</b>	c.so Rosmini ang. Via Paoli	0464 430030
<b>Trento - Top Center</b>	via Brennero, 306	0461 825800
<b>Trento - Via Perini</b>	via Perini, 18	0461 931914
<b>Trento Sede</b>	via Oss Mazzurana, 63	0461 888111
<b>Vigo di Fassa</b>	strada Neva, 24	0462 764487

#### **REGIONE VENETO**

<b>Agordo</b>	via IV Novembre, 9	0437 62077
<b>Auronzo di Cadore</b>	via Roma, 16	0435 400660
<b>Bassano del Grappa</b>	via Bastion, 49	0424 220881
<b>Belluno</b>	via Vittorio Veneto, 90	0437 930133
<b>Bovolone</b>	via Duomo, 9	045 6901294
<b>Covolo di Pederobba</b>	via Segusini, 25	0423 648244
<b>Feltre</b>	largo p. Castaldi, 7	0439 842211

<b>Feltre - Farra</b>	viale Pedavena, 10	0439 310100
<b>Legnago</b>	corso della Vittoria, 31	0442 600162
<b>Longarone</b>	p.zza Umberto i, 8	0437 573423
<b>Montebelluna</b>	via Montegrappa, 72	0423 615171
<b>Padova</b>	via San Marco, 11/c - net center	049 7808478
<b>Pieve di Cadore</b>	p.zza del Municipio, 11	0435 31647
<b>San Martino Buon Albergo</b>	via XX Settembre, 81	045 8780220
<b>Sappada</b>	Borgata Palù, 10	0435 469740
<b>Sospirolo</b>	loc. Ponte Nas	0437 847032
<b>Sovramonte</b>	loc. Servo	0439 98444
<b>Treviso</b>	via Montegrappa, 4	0422 23636
<b>Treviso centro</b>	via Santa Margherita, 32-34	0422 582189
<b>Trichiana</b>	via Cavassico Inferiore	0437 555333
<b>Verona</b>	corso Porta Nuova, 32/a	045 595189
<b>Verona Borgo Trento</b>	via Cà di Xozzi, 10/b	045 8350653
<b>Vicenza</b>	viale Verona 12	0444 966026
<b>Zevio</b>	via Monsignor g. Calza, 1/a	045 6051090

#### **BANCA PATRIMONI SELLA & C. S.p.A**

Head office  
 10123 Torino, piazza C.L.N. 255  
 Tel. 011 5607111 - Fax 011 5618245  
 Web site: [www.bancapatrimoni.it](http://www.bancapatrimoni.it)

#### **REGIONE PIEMONTE**

<b>Asti</b>	via A. Bruno 9	0141 390411
<b>Biella</b>	piazza Vittorio Veneto 14	015 2525311
<b>Torino</b>	p.za Carlo Emanuele ii 13	011 8153003
<b>Torino</b>	p.za C.L.N. 255	011 5607170

#### **REGIONE LOMBARDIA**

<b>Milano</b>	via Giulini 2	02 80640686
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#### **REGIONE LIGURIA**

<b>Genova</b>	p.za De Ferrari 24 r	010 25476208
<b>Ventimiglia</b>	via Cavour 35/r	018 4236711

**REGIONE EMILIA ROMAGNA**

**Bologna** via Farini 11 051 2917323

**REGIONE VENETO**

**Treviso** via Federici 2 - 31100 Treviso 0422 218911

**REGIONE LAZIO**

**Roma** p.za Cavour 10 - 00193 Roma 06 68100124

**REGIONE CAMPANIA**

**Napoli** via dei Mille, 40 - 80121 Napoli 081 4297822

**SELLA BANK A.G. S.p.A.**

Head office  
Zurigo, Talstrasse, 70  
Tel. 0041 1 2120050 - Fax 0041 1 2124009  
Web site: [www.sella.ch](http://www.sella.ch)

**Ginevra** rue de la Croix d'Or 19 0041 (0) 223178800  
**Lugano** corso Elvezia 9 0041 (0) 919102800  
**Zurigo sede** Taltrasse 70 0041 (0) 432103100

**SELLA BANK LUXEMBOURG S.A.**

Head office  
Boulevard Royal 4 - 2449 Luxembourg  
Tel. 00352 26 860 1 - Fax 00352 26 200 131  
Web site: [www.sella.lu](http://www.sella.lu)

**Lussemburgo** Boulevard Royal 4 00352 26 860 1

## GROUP COMPANIES

### **SELLA SERVIZI BANCARI S.C.p.A.**

Head office  
13900 Biella, via Italia 2  
Tel. 015 35011 - Fax 015 351767  
Web site: [www.sellaservizibancari.it](http://www.sellaservizibancari.it)

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

Head office  
20124 Milano via Vittor Pisani 13  
Tel. 02 6714161 - Fax 02 66980715  
Web site: [www.sellagestioni.it](http://www.sellagestioni.it)

Biella

viale Matteotti 2

015/2525511

### **SELFID S.p.A.**

Head office  
13900 Biella viale Matteotti 7  
Tel. 015 23295 - Fax 015.35.00.568

### **SELGEST S.A.**

Head office  
Luxembourg - Boulevard Royal 4  
Tel. 00352 (26) 860801 - Fax 00352 (26) 737901  
Web site: [www.sella.lu](http://www.sella.lu)

### **BANQUE MARTIN MAUREL SELLA BANQUE PRIVÉE**

Head office  
3 Bd Princesse Charlotte, Villa du Pont - 98003 Monaco  
Tel. +377.97.97.77.67 - Fax +377.93.50.10.68  
E-mail: [mms@martinmaurel.com](mailto:mms@martinmaurel.com)



**Palermo**

**CBA VITA S.p.A.**

Head office  
20124 Milano - via Vittor Pisani 13  
Tel. 02 676120- Fax 02 676120598  
Web site: [www.cbavita.com](http://www.cbavita.com)

**BROSEL S.p.A.**

Head office  
13900 Biella - via XX Settembre 13  
Tel. 015 24351111 - Fax 015 24351189  
E-mail: [info@broseel.it](mailto:info@broseel.it)

via G. Leopardi 78

091/7300039

**SELLA LIFE LTD**

Head office  
Dublino - 4 Clare Street  
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**BIELLA LEASING S.p.A.**

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- Biella**
- Vercelli**
- Torino**
- Milano**
- Treviso**
- Trento**
- Modena**
- Firenze**
- Roma**
- Lecce**

via Monte Grappa 18

015/252881

via Solaroli 9

0161/294094

c.so Re Umberto 129

011/3040242

Galleria Unione 1

02/72004556

viale della Epubblica 220/e

0422/292453

via Oss Mazzurana 63

0461/260253

viale Moreali 3

059/239380

viale Redi 61/a

055/3289734

via Bertoloni 9/11

06/8088843

via Marconi 45

0832/698226

**CONSEL S.p.A.**

Registered office: 13900 Biella via Monte Grappa, 18  
Head office and Administrative Office: Torino - via Bellini, 2  
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Web site: [www.e-consel.it](http://www.e-consel.it)



<b>Biella</b>	c/o Biella Leasing v. Monte Grappa 18	015/252881
<b>Torino 1</b>	via Bellini 2	011/5061111
<b>Torino 2</b>	via Issiglio 111/2	800179001
<b>Genova</b>	via Marconi 8/r	800179001
<b>Milano 1</b>	piazzale Susa 4	800179001
<b>Milano 2</b>	via Raffaello Sanzio 16	800179001
<b>Varese</b>	via dei Carantani 1	800179001
<b>Como</b>	via Briantea 21	800179001
<b>Bergamo</b>	via Borgo Palazzo 9	800179001
<b>Brescia</b>	via Milano 14/d	800179001
<b>Vicenza</b>	viale San Lazzaro 231/233	800179001
<b>Padova</b>	via Falloppio 67	800179001
<b>Verona</b>	via Centro 22a	800179001
<b>Mestre</b>	via C. Colombo 28	800179001
<b>Modena</b>	via Vignolese 555	800179001
<b>Bologna</b>	via V. Veneto 25	800179001
<b>Lucca</b>	via Barbantini 92	800179001
<b>Firenze</b>	via Cavour 170/r	800179001
<b>Pisa</b>	via Gello 17	800179001
<b>Roma 1</b>	via Latina 65	800179001
<b>Roma 2</b>	via Pereira 190/r	800179001
<b>Latina</b>	viale Corbusier snc	800179001
<b>Perugia</b>	via Martiri del Lager 94/b	800179001
<b>Pescara</b>	via Nazionale Adriatica nord 322	800179001
<b>Napoli</b>	piazza Piedigrotta 3-8	800179001
<b>Salerno</b>	via Freccia 62	800179001
<b>Bari</b>	via Cairoli 121/123	800179001
<b>Palermo</b>	via sciuti 87/c	800179001
<b>Catania</b>	viale XX Settembre 58/60	800179001
<b>Trapani</b>	via Virgilio 101	0923/951133
<b>Ragusa</b>	corso Italia 343	800179001
<b>Sassari</b>	corso Regina Margherita 7	800179001
<b>Cagliari</b>	via Dante 34/c	800179001

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

Registered office and Central management

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Tel. +39 015.252651 | Fax +39 015.2433078

Web site: [www.easynolo.it](http://www.easynolo.it)



## Correspondent Banks of Banca Sella Holding

Given below is a list of the correspondent banks of Banca Sella Holding. Please note that Banca Sella Holding provides access to the financial markets (along with other centralised services) for the entire Group, therefore all payments related to financial market activity should be made through Banca Sella Holding (Swift Code SELB IT 22).

CURRENCY	BANK	CITY	SWIFT/BIC
AUD	National Australia Bank Ltd	Melbourne	NATA AU 33
CAD	Canadian Imperial Bank of Commerce	Toronto	CIBC CA TT
CHF	Sella Bank AG	Zurigo	SLBA CH ZZ
CZK	Ceskoslovenska Obchodni Banka as	Praga	CEKO CZ PP
DKK	Danske Bank Aktieselskab	Copenhagen	DABA DK KK
EUR	Diretto via target		SELB IT 22
GBP	HSBC Bank plc	Londra	MIDL GB 22
HKD	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	HSBC HK HH
HUF	MKB Bank Rt	Budapest	MKKB HU HB
JPY	The Bank of Tokyo-Mitsubishi Ltd	Tokyo	BOTK JP JT
NOK	Fokus Bank, part of Danske Bank Group	Trondheim	DABA NO 22
NZD	ANZ National Bank Limited	Wellington	ANZB NZ 22
PLN	Bank Handlowy w Warszawie SA	Varsavia	CITI PL PX
SEK	Danske Bank AS	Stoccolma	DABA SE SX
SGD	The Hongkong and Shanghai Banking Corporation Limited	Singapore	HSBC SG SG
SKK	Unibanka	Bratislava	UNCR SK BX
THB	The Hongkong and Shanghai Banking Corporation Limited	Bangkok	HSBC TH BK
USD	UBS AG	Stamford	UBSW US 33
ZAR	The Standard Bank of South Africa Ltd	Johannesburg	SBZA ZA JJ





# Ordinary Shareholders' meeting - Notice of call

## CONVENING OF ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called to the Ordinary Meeting, to be held at the registered office of Banca Sella Holding S.p.A. - Via Italia 2, Biella - at 9:30am on 27 April 2009 in first call, and, if necessary, on 26 May 2009, at the same place and time, in second call, to discuss and resolve on the following

### Agenda

- 1) Decisions pursuant to Article 2364, point 1), of the Italian Civil Code;
- 2) Decisions pursuant to Article 31, paragraph 3, of the By-laws;
- 3) Decisions pursuant to Article 2364, paragraph 1, points 2) and 3) of the Italian Civil Code.

The deposit of shares for participation in the meeting must be made at the registered office or at Banca Sella S.p.A. at least five days prior to the date set for the meeting.

Biella, 17<sup>th</sup> April 2009

BANCA SELLA HOLDING  
Chief Executive Officer  
and General Manager







## Commemoration of Banca Sella Group General Manager Guido Bigiordi

Dear Shareholders,

before proceeding to analyse the company's performance and accounting data, we must pay our sincere respects to Guido Bigiordi who passed away prematurely on 5 February 2009 at the age of 59.

On 1 August 1974 Guido joined Banca Sella Biella at the age of 25, entering the credit sector, where he soon became manager and was appointed Executive on 1 April 1981. He then continued to rise through the ranks to the very top, holding successively in Banca Sella the positions of Deputy General Manager, from 1 January 1991, Joint General Manager from 1 March 1995 and General Manager from 1 June 1996 to 31 January 2002. He was then appointed Joint General Manager of Banca Sella Holding S.p.A. and became a member of the Banca Sella Group General Management.

Guido was a man of great professional ability, practicality and pragmatism, whose humble spirit and unquestionable people skills made him a pleasure to work with. His obvious kind-heartedness was backed by his intelligence and determination, as well as his deep sense of involvement in the strategic objectives of the Group, which has reached its current size thanks in part to his contribution. In fact, from the nineties onwards Guido played a fundamental role in the acquisition of new banks and in the integration of numerous enterprises, which later became part of the Group.

Conscious of his health problems, Guido learned to manage his situation with realism but without losing hope, giving his all to the Banca Sella Group until the end by devoting his time to the acquisition of the interest in Banca Monte Parma, and sending out a strong and profound message of love for his work and loyalty to the company. His death is a profound loss on both a human and professional level, which is engraved in the history of the Group and of those who knew and had the privilege of working with him.









## Report on operations

Please note that the present Report and Financial Statements in displaying figures adopts the italian system of commas instead of dots: the refore for example on thousand is displayed as 1.000, while three point four percent is displayed as 3,4%.



# — Main figures and indicators

## SUMMARY DATA (euro millions)

Item	31/12/2008	31/12/2007	Absolute variation	Variation %
<b>BALANCE SHEET</b>				
Total assets	6.470,3	5.686,2	784,1	13,8%
Cash loans	1.652,3	1.518,6	133,7	8,8%
Guarantees given	25,0	35,0	(9,9)	-28,3%
Financial assets	591,0	523,6	67,4	12,9%
Equity investments	721,1	666,3	54,8	8,2%
Tangible and intangible assets	93,6	85,2	8,4	9,9%
Direct deposits	1.751,3	1.510,7	240,6	15,9%
Indirect deposits <sup>(1)</sup>	14.241,4	15.864,3	(1.622,9)	-10,2%
Total deposits	15.992,7	17.375,0	(1.382,3)	-8,0%
Regulatory capital	622,1	635,3	(13,2)	-2,1%
<b>INCOME STATEMENT <sup>(2)</sup></b>				
Net interest income	44,5	29,8	14,7	49,2%
Net income from services	46,3	48,4	(2,0)	-4,2%
Net banking income	90,8	78,2	12,6	16,1%
Result costs <sup>(3)</sup>	75,2	69,7	5,4	7,8%
Operating profit	15,6	8,4	7,2	85,3%
Net value adjustments for impairment losses	(0,4)	(0,4)	(0,0)	8,3%
Income tax	9,5	3,2	6,3	196,9%
Profit for the year (net)	1,7	65,7	(64,0)	-97,4%

<sup>(1)</sup> The aggregate does not include the item 'cash and cash equivalents', relating to asset management, which is included in the item 'direct deposits'.

<sup>(2)</sup> As per items presented in the reclassified consolidated Income Statement.

<sup>(3)</sup> Given by the sum of the following items: "Administrative expenses" item 150, "Writedowns of property, plant and equipment" item 170, "Writedowns of intangible assets" item 180, "Other operating expenses and income" item 190.

## STAFF AND BRANCHES

	31/12/2008	31/12/2007
Employees	1.161	1.159
Branches <sup>(1)</sup>	1	2

<sup>(1)</sup> The reduction on the number of branches compared with last year is due to the closure of the Miami Branch. For more information on the subject the reader is referred to the contents of the report on operations.

## ALTERNATIVE PERFORMANCE INDICATORS

Item	31/12/2008	31/12/2007
<b>PROFITABILITY RATIOS (%)</b>		
R.O.E. (return on equity) <sup>(1)</sup>	0,4%	17,9%
R.O.A. (return on assets) <sup>(2)</sup>	0,0%	1,2%
Net interest income <sup>(3)</sup> / Net banking income <sup>(3)</sup>	49,0%	38,1%
Net income from services <sup>(3)</sup> / Net banking income <sup>(3)</sup>	51,0%	61,9%
Cost to income <sup>(4)</sup>	80,2%	86,6%
<b>PRODUCTIVITY RATIOS (in euro thousands)</b>		
Net banking income <sup>(3)</sup> / Average No. of employees	78,2	69,0
Gross operating profit <sup>(3)</sup> / Average No. of employees	13,4	7,4
Cash loans / No. of employees at year end	1.423,2	1.310,3
Direct deposits / No. of employees at year end	1.508,4	1.303,4
Total deposits / No. of employees at year end	13.774,9	14.991,4
<b>BALANCE-SHEET RATIOS (%)</b>		
Cash loans / Direct deposits	94,3%	100,5%
Cash loans / Total assets	25,5%	26,7%
Direct deposits / Total assets	27,1%	26,6%
<b>CREDIT RISK RATIOS (%)</b>		
Impaired assets / Cash loans	0,0%	0,0%
Net value adjustments to loans / Cash loans	0,0%	0,0%
<b>SOLVENCY RATIOS (%)</b>		
Tier 1 capital ratio	29,00%	13,55%
Total Capital Ratio	44,11%	21,47%

<sup>(1)</sup> Ratio between "Profit for the period" and the sum of items 160 "Reserves", 170 "Share premiums", 180 "Share capital", 190 "Own shares" of the Balance Sheet Liabilities:

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

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

<sup>(4)</sup> Ratio between operating costs net of IRAP and net banking income.

## Rating

In March 2009 the usual annual meeting with Moody's was held, in which the Group's performance during 2008 was analyzed. The results of the meeting are not yet available. The ratings shown in the table refer therefore to the latest Credit Opinion, published on 1<sup>st</sup> October 2008, which confirmed the ratings awarded previously.

RATING		
<b>Long Term Global local currency deposit rating</b>	<b>A2</b>	Unchanged
<b>Short Term</b>	<b>P-1</b>	Unchanged
<b>Bank Financial Strength Rating</b>	<b>C-</b>	Unchanged
<b>Outlook</b>	<b>Stable</b>	Unchanged



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



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

# Macroeconomic scenario

## GLOBAL SCENARIO

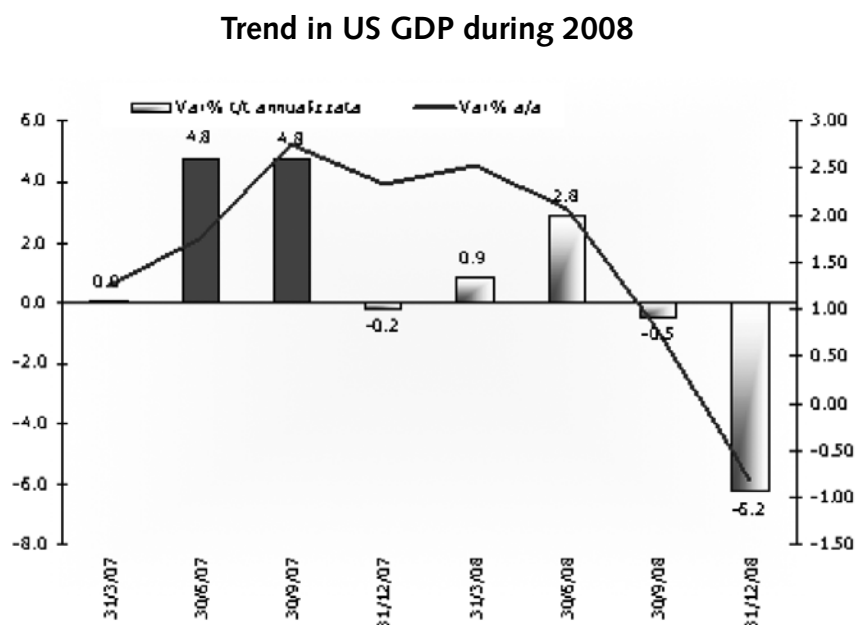
The world economic situation in 2008 was characterized by a worsening of the financial crisis which began in 2007 and by the manifestation of negative signals on growth; the first factor led to the adoption of stimulus plans in support of the global financial system by the main Central Banks and by major Governments worldwide, while the second made necessary significant measures of expansive economic policy.

The US economy showed a reduction in consumption and a deterioration in the employment market, accompanied by persistent weakness of the real estate market and by less dynamic investments and exports. The European area also showed signs of increasing weakness of the macroeconomic situation, while the Japanese economy, after a positive start to the year, was penalized by a slowdown in exports and by the lack of a recovery in domestic demand. The growth trend in the emerging countries slowed gradually as a result of the international financial crisis and the cooling of global demand.

On the price front, 2008 was characterized by a first stage of acceleration and by the subsequent slowing of inflation, owing to the trend in the prices of raw materials.

Analyzing in detail the macroeconomies at the global level, it emerges that:

- **the economy of the USA**, where the Democratic candidate Barack Obama was elected to the Presidency, ended 2008 with growth of 1,1%, a figure which was lower than the average for the years since the second world war (3%), heralding a period of recession. The chart below shows the trend in US GDP during 2008.



Fonte: Bloomberg. Dati: Bureau of Economic Analysis

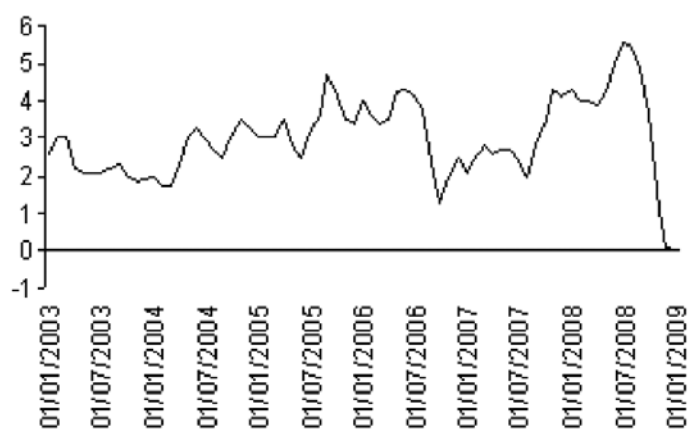
Private consumption, boosted in April and May 2008 by the effects of the expansive fiscal policy, later showed signs of a marked slowdown. This happened as a result both of the negative wealth effect associated with the downward trend in real estate prices and stock exchange valuations, and

of the deterioration of the employment market. The construction industry, in particular as regards the residential segment, continued to have a negative impact on GDP growth. There was a gradual reduction in corporate investment.

The slowdown in global demand and the reinforcement of the dollar which began in July 2008 affected net exports, the contribution of which to growth fell during the year. This was the context for the economic stimulus plan set out in its essential outlines at the end of the year by the newly-elected President Barack Obama and approved by Congress in February 2009: a fiscal package of a total of 789 billion dollars, 35% of which tax allowances and 65% an increase in public spending, above all in the segment of public investments.

The consumer price index, after suffering the effect of the increase in raw material prices in the first half of the year, later benefitted from the easing of these pressures, with a considerable drop in the inflation rate. The Federal Reserve adopted an extremely expansive orientation in monetary policy, reducing the official rate from the level of 4,25% at the end of 2007 to a reference range of 0/0,25%. The US central bank also enacted quantitative easing, using, that is to say, unconventional monetary policy management instruments in order to inject liquidity into the system.

### Consumer price index in US (y/y variation)

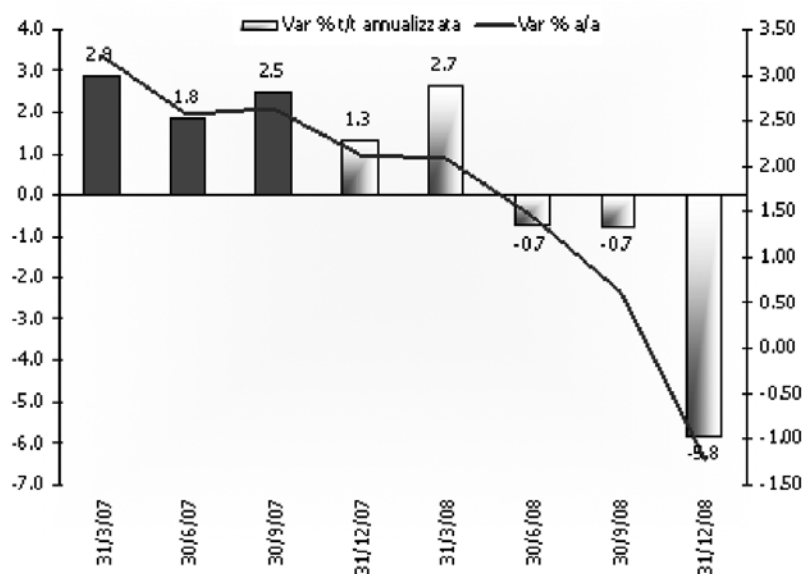


Fonte: Bloomberg. Dati: Bureau of Labor Statistics

During the year the US government made efforts to re-establish confidence in the financial system of the Country through a series of initiatives: these included the nationalization of the two state agencies that operate in the mortgage loan market (Fannie Mae and Freddie Mac) and, after the collapse of the historical merchant bank Lehman Brothers, which led to it filing for the so-called Chapter Eleven procedure (similar to arrangement with creditors in Italian legislation), establishment of the TARP (Troubled Asset Recovery Program), a fund initially destined for the purchase of problem assets and subsequently used above all for operations to recapitalize a number of banks.

- **the euro zone** experienced a significant slowdown in 2008, with a reduction in exports and investments and a sharp drop in confidence among companies and families. The chart below shows the trend in euro area GDP during 2008.

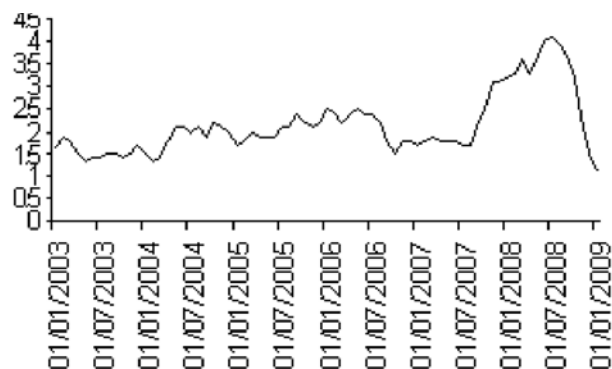
### Trend in euro area GDP during 2008



Fonte: Bloomberg. Dati: Eurostat

The trend in the consumer price index of the last few years in the euro area is, instead, shown in the chart below.

### Consumer price index in euro area (y/y% Var)

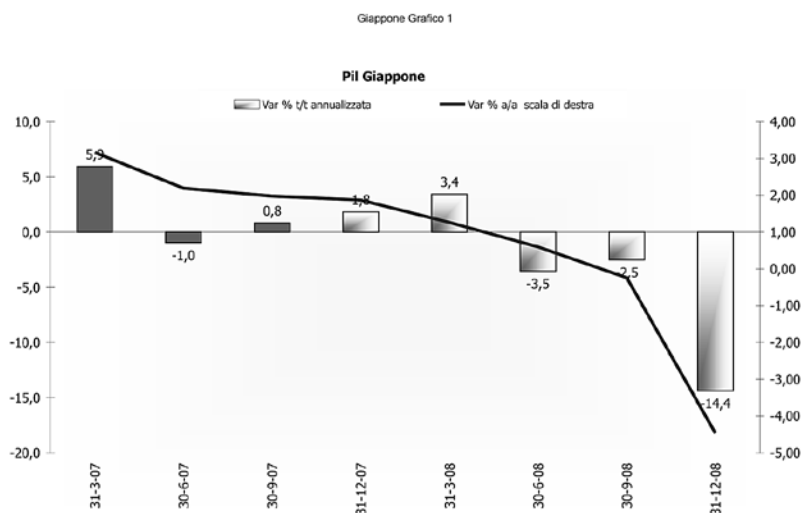


Fonte: Bloomberg. Dati: Eurostat

The fiscal measures in support of growth were more limited than in the USA. After reaching a much higher level than the European Central Bank target in the middle of the year, the inflation rate fell considerably, enabling the monetary policy authority to adopt an expansionary orientation, although more cautiously compared with those adopted by the Federal Reserve. At the end of the year the official rate was lowered to a level of 2,5%, from 4% at the end of 2007 and 4,25% in July 2008. At the same time, the Central Bank enacted measures to support the financial system to facilitate the recovery of liquidity in the markets. Governments also took action, adapting the common criteria of actions identified to the various national situations, and thus giving rise to many different forms of action: from ways of guaranteeing deposits to the purchase of problem assets to operations for the recapitalization of important credit institutions.

- **the Japanese economy**, after a positive start to the year, showed signs of significant weakening: the slowdown in the export sector, which up to the beginning of 2008 had been the main driver of Japanese growth, was added to the persistent weakness of domestic demand, penalized by a deterioration in the country's balance of payments. Inflation increased continually in the first half of the year, exceeding the Central Bank's threshold of tolerance, before starting on a downward trend thanks to the fall in raw material prices. The intensification of risks to growth led the Bank of Japan to reduce the official rate by 20 basis points during the year, bringing it down in October to 0,3%. The Central Institution also introduced measures to boost liquidity in the financial system and credit to business. The chart below shows the trend in Japanese GDP during 2008.

### Trend in Japanese GDP during 2008



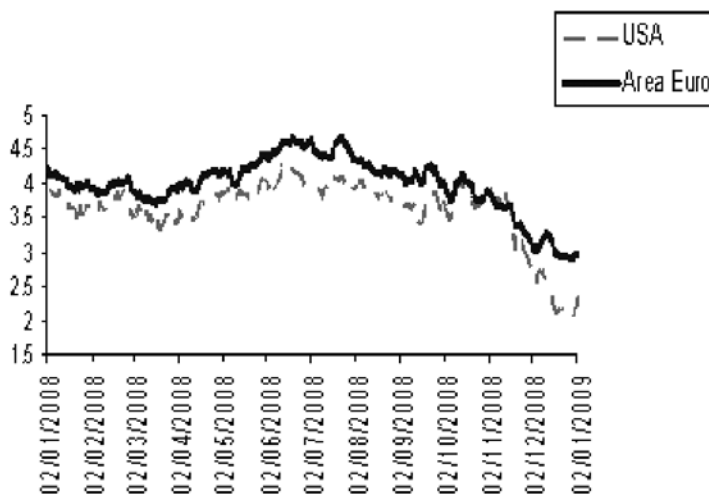
- **China and India** continued to record high growth rates but the slowing trend which began in the second half of 2007 also continued. Inflationary pressures began cooling in both countries, this giving their respective central banks opportunities to reduce the official rate, abandoning the restrictive orientation which had characterized the conduction of monetary policy in both China and India until the summer. In China, in particular, the growth trend was affected by the lower dynamism of exports and by the correction which is affecting the domestic property sector. The Chinese government announced a fiscal stimulus programme, with the aim of guaranteeing the continuation of stable and rapid growth, which should entail spending of about 4 trillion yuan (586 billion dollars) in the next two years.



## THE FINANCIAL MARKETS

Long-term market interest rates in the USA showed a sharply downward trend towards the end of the year, in keeping with the extremely expansive orientation of monetary policy, with a deterioration of growth prospects and declining inflation. The average interest rate over ten years for 2008 was 3,64%, down from an average of 4,62% in 2007; the lowest figure for this financial variable (close to 2%) was reached in December. The ten-year interest rate of the euro area followed the same trend as in the USA, but without the same acceleration in the fall at the end of the year: the average figure for 2008 was 4%, down from an average for 2007 of 4,23%; in this case too, the lowest figure for this financial variable (close to 2,9%) was reached in December.

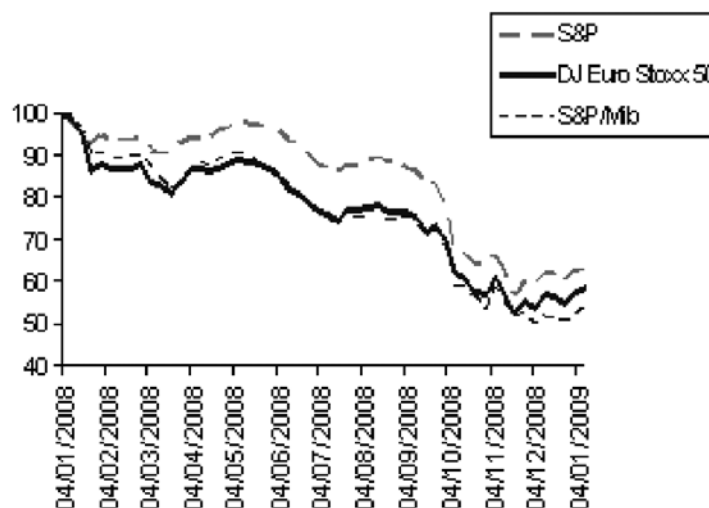
**Long-term market:  
Ten-year interest rate**



Fonte: Bloomberg.

During 2008 the equity markets experienced sharp falls (MSCI WORLD \$ -43,4% from 31 December 2007 to 31 December 2008) in the wake of a worsening of the financial crisis which already in the previous year had begun to hit the real estate sector and the US banking industry. After a first half of the year in which stock exchanges were affected by nervousness linked to ongoing inflationary stresses in the context of a macroeconomic slowdown, the crisis of confidence in the banking industry resulting from the emergence of enormous losses in the financial sector (the most evident of which was certainly that of the US merchant bank Lehman Brothers) caused a rapid worsening of conditions for access to credit and therefore a significant negative impact on economic growth. In this scenario the equity markets reflected a significant deterioration of prospects for the growth of corporate profits, which were jeopardized by fears of a long and acute period of economic recession.

### Equity markets: indexes (2 January 2008 level = 100)



Fonte: Bloomberg.

## THE ITALIAN BANKING SYSTEM

After a few years of “double-figure” growth, in 2008 lending by Italian banks recorded a significant slowdown: loans to residents, which totalled 2.316 billion at the end of 2008<sup>(1)</sup>, grew at an annual rate of 7,2%, compared with 19,7% at December 2007. Short-term loans, which up to the first quarter showed a growing trend, fell in line with the slowdown in growth that characterized the other types.

As far as credit quality is concerned, there was an increase in non-performing loan flows starting in the third quarter of 2008. The figures indicate that, although in ratio to total lending non-performing loans are still low, an impairment of credit was already in progress before the worsening of the financial crisis in the second half of 2008.

An analysis of demand for credit shows that the deterioration of the economic scenario in the last three months of the year limited corporate investment plans.

Loans to companies grew at an annual rate of 7,8% compared with 12,9% at the end of 2007, with a significant slowdown in short-term demand and later in medium/long-term demand. The sectors which in 2008 saw negative growth in lending are mainly: textile products, leather and footwear, clothing, paper and printing products and publishing, office machines and precision instruments, communication services, means of transport. Lending to the sectors of energy products, minerals and metals and maritime and aviation services continued to grow.

The slowdown in lending to families was also significant: while in 2007 loans increased on an

<sup>(1)</sup> From February 2009 the Bank of Italy revised the contents of the statistical publications under the terms of the Harmonized Statistics of the European System of Central Banks (ESCB). Much information on banking aggregates was eliminated; the data refer mainly to financial and monetary institutions (FMI) which include, besides banks, the Bank of Italy, monetary mutual funds, electronic money institutions and since September 2006 Cassa Depositi e Prestiti SpA.

annual basis by 8,4%, in 2008 they grew by only 2,0%. The trend is partly attributable to the securitization of loans by banks, a transaction carried out in order to obtain allocable securities to guarantee refinancing operations in the Eurosystem. The growth in the stock of loans to residents during period would be about two percent higher if the effect of these securitizations were to be taken into account.

Total funding (including deposits, repurchase agreements and bonds of residents and non-residents) of Italian banks grew significantly in 2008 rising to 1.858 billion, an increase of 12% compared with 2007. The component that grew most was bonds, the upward trend of which went from 1,7% to 18,4%, while the volume of deposits increased by 6,3% on an annual basis from 2,8% at the end of 2007. The monetary policy measures offset the lack of liquidity in the interbank loan market, which saw its role in the financial system continuing to shrink. The European Central Bank increased the number of auctions and their duration; the classes of instruments eligible to guarantee refinancing were expanded and the interest rates on main refinancing operations were reduced from 4,25% to 2,50% with three cuts from 8 October to 10 December.

The effects of the financial crisis caused by subprime mortgages gradually spread from the US financial system to the global financial system. The extraordinary methods adopted at first by the central banks and later by the national supervisory and political authorities directly supported the banks' balance sheets. The review of the international regulatory framework proposes the construction of a supervisory architecture at the system level, new capital ratios which take into consideration the economic cycle, and greater transparency in the markets.

Italian banks, which are characterized by a low level of financial leverage and a traditional business, were only slightly affected by the crisis, and were also helped by a particularly prudent domestic regulatory framework compared with the international norm. The Italian government took action with a decree authorizing the subscription by the Treasury of bonds issued by Italian banks, in order to increase opportunities for financing the economy thanks to an increase in the capital of banks. In exchange for these loans from the State the banks have to sustain lending to families and businesses, provide for the suspension of payment of loan instalments for at least 12 months for workers receiving redundancy pay or unemployment benefit, propose agreements to advance to businesses the resources needed for redundancy pay, and adopt a code of ethics.

## **LEGISLATIVE ASPECTS**

The main legislative measures relating to the banking industry introduced in financial year 2008 are summarized below:

- on 9 January 2008 the order of the Bank of Italy of 21 December 2007 was published in the Official Journal: "Regulations for the organization and operation of the Financial Information Unit (FIU), under the terms of Article 6, paragraph 2, of Legislative Decree 231 of 21 November 2007". The new Rome-based structure therefore became operational, at the headquarters and offices made available to the Bank of Italy and which replaced the Italian Exchange Office on 1st January 2008;

- on 30 April 2008 the provisions of Art. 49 of Lgs. Dec. 231/2007 on cash transfers and bearer securities came into force. This norm was later modified by D.L. 112 of 25 June 2008 containing “Urgent measures for economic development, simplification, competition, financial stabilization and equalization of taxes” - (O.J. no. 147 of 25 June 2008) converted by Art. 1, paragraph 1, Law 133 of 6 August 2008;
- on 15 May 2008 Legislative Decree 81 of 6 March 2008 containing the Consolidated Act of Safety in the Workplace came into force (published in Official Journal no. 101 of 30 April 2008, - Ordinary Supplement no. 108), implementing the powers conferred on the Government by Law 123 of 3 August 2007, on the subject of health and safety in the workplace;
- on 27 May 2008 Law Decree 93 of 27 May 2008: “Urgent measures to safeguard the purchasing power of families”, was introduced; this was later converted into a law, with modifications, by Art. 1, paragraph 1, Law 126 of 24 July 2008 – which provided, among other things, for the renegotiation of variable-rate mortgage loans contracted for the purchase, construction and restoration of first homes;
- 25 June 2008 saw the introduction of D.L. 112 of 25 June 2008 containing “Urgent measures for economic development, simplification, competition, financial stabilization and equalization of taxes” - (O.J. no. 147 of 25 June 2008) converted into a law by Art. 1, paragraph 1, Law 133 of 6 August 2008, and introducing a number of legislative changes including the Combined Justice Fund (which brings together the revenues deriving from assets confiscated during criminal and administrative proceedings, and the imposition of fines pursuant to Lgs. Dec. 231/2001);
- Decree Law 155 of 9 October 2008, containing “Urgent measures to guarantee the stability of the banking system and continuity in the provision of credit to businesses and consumers, in the current situation of crisis on the international financial markets” converted into a law, with modifications, by Art. 1, paragraph 1, Law 190 of 4 December 2008, stated that the Ministry of Economy and Finance is authorized, also in derogation of the rules on government accounting, to subscribe or guarantee capital increases resolved by Italian banks which are in a situation of capital inadequacy ascertained by the Bank of Italy.

## ■ Issues of strategic importance and stage of progress of the three-year strategic plan

During the period the structural evolution of the Group continued as envisaged in the Strategic Plan 2008-2010, which is based on the Strategic Guidelines of growth, efficiency and excellence.

This evolution was characterized by reinforcement of the risk management systems and of the effectiveness of audits, as well as by the consolidation of a number of processes and organizational arrangements. In particular, the Bank's solid capital situation, together with a more than adequate level of liquidity (which has always been considered a strongpoint of prudent corporate management), and cautious governance of risks, proved to be more important than ever in the difficult external scenario which characterized the year.

As far as the organizational model is concerned, in order to improve the services offered by the entire Group to its customers, and to ensure more effective control and coordination, in the year just ended the various functions already centralized in the Parent Company in previous years were reinforced.

The Parent Company, also, began the process of reviewing the Group governance.

The following corporate operations occurred during the year:

- closure of the foreign agency in Miami, a decision which entails the performance of all international private banking transactions, including those with the American market, by Group banks present in Switzerland and Luxembourg and by the Foreign Residents Service in Biella. Customers previously managed by Miami (before the closing date of the branch all customers were contacted to offer support in transferring their assets) are therefore now managed by the Group's European structures;
- purchase of an equity interest in Banca Monte Parma;
- a free capital increase, carried out under the terms of Art. 2442 of the Civil Code with the aim of simplifying the capital structure, from 80 million euro to 100,5 million euro.

The above operations are described below in the present Report on Operations. For more information, therefore, the reader is referred to the sections on "Results for the year".

For further information, see the section on "Issues of strategic importance" in the Report on Consolidated Operations.

## Results for the year

<b>RECLASSIFIED INCOME STATEMENT</b> (in euro thousands)			
Item	31/12/2008	31/12/2007	% change over 2007
10 Interest and similar income	249.714,0	228.207,6	9,4%
20 Interest and similar expenses	(252.941,3)	(228.614,9)	10,6%
70 Dividends and other income	47.684,1	30.205,4	57,9%
<b>NET INTEREST INCOME AND DIVIDENDS</b>	<b>44.456,8</b>	<b>29.798,1</b>	<b>49,2%</b>
40 Fee income	90.749,8	94.077,9	-3,5%
50 Fee expenses	(54.185,6)	(55.593,4)	-2,5%
80 Net gains/(losses) on trading activities	10.061,0	9.901,2	1,6%
90 Net gains/(losses) on hedging activities	(309,8)	(42,9)	622,2%
<b>Net income from services</b>	<b>46.315,4</b>	<b>48.342,8</b>	<b>-4,2%</b>
<b>NET BANKING INCOME</b>	<b>90.772,2</b>	<b>78.140,9</b>	<b>16,2%</b>
150 Administrative expenses:			
a) Personnel expenses	(65.369,1)	(66.251,7)	-1,3%
IRAP on net personnel and attached personnel expenses <sup>(1)</sup>	(2.372,3)	(2.066,0)	14,8%
b) Other administrative expenses	(51.891,5)	(49.160,9)	5,6%
Recovery of stamp duty and other taxes <sup>(2)</sup>	189,2	184,3	2,7%
170 Value adjustments on plant, property and equipment	(8.566,2)	(8.439,1)	1,5%
180 Value adjustments on intangible assets	(9.161,2)	(7.432,2)	23,3%
190 Other operating expenses/income (after deducting "Recovery of stamp duty and other taxes")	62.011,4	63.438,2	-2,2%
<b>Operating costs</b>	<b>(75.159,7)</b>	<b>(69.727,5)</b>	<b>7,8%</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>15.612,5</b>	<b>8.413,4</b>	<b>85,6%</b>
160 Net provisions for risks and charges	1.953,2	(1.362,8)	-243,3%
130 Net value adjustments for impairment losses on:			
- loans and receivables	(385,2)	(358,0)	7,6%
- financial assets available for sale	(23.745,5)	(603,2)	3.836,5%
- other financial transactions	52,4	179,1	-70,8%
100 Gains/(losses) on sale or repurchase of:			
- financial assets available for sale	(8,4)	55.933,4	-100,0%
- financial liabilities	23,1	12,4	86,8%
210 Gains/(losses) on equity investments	(1.266,2)	292,2	-533,4%
230 Impairment of goodwill	-	-	-
240 Gain (loss) on disposal of investments	24,6	16,3	51,0%
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX</b>	<b>(7.739,5)</b>	<b>62.522,8</b>	<b>-112,4%</b>
260 Income taxes for the period on continuing operations (after deducting "Irap on net personnel and attached personnel expenses")	9.473,7	3.190,5	196,9%
<b>PROFIT FROM CONTINUING OPERATIONS AFTER TAX</b>	<b>1.734,1</b>	<b>65.713,3</b>	<b>-97,4%</b>
280 Profits/(losses) on asset disposal groups held for sale after tax	-	-	-
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>1.734,1</b>	<b>65.713,3</b>	<b>-97,4%</b>

<sup>(1)</sup> Separated from the item "Income taxes for the period on continuing operations".

<sup>(2)</sup> Separated from the item "Other operating expenses/income".

## Profitability

The profit at 31 December 2008, which came out at 1,7 million euro, was down sharply compared with the previous year, in which it amounted to 65,7 million euro.

Both figures were, however, greatly affected by exceptional events:

- In determining the profit for 2008 of crucial importance was the loss of value of the equity interest by the Bank in London Stock Exchange Group Plc, for which it was decided to recognize an impairment loss on the basis of the share price and the Euro/Sterling exchange rate at 31 December 2008. This decision had a negative impact of 23,7 million euro on the item "Net adjustments for impairment of financial assets available for sale". In the absence of this impairment and of the associated tax component, the year would have ended with a net profit of 24,9 million euro;
- in 2007, instead, the excellent result (up 731% compared with 2006) was mostly attributable to the capital gain of 52,9 million euro realized on the occasion of the "Swap offer for 100% of the capital of Borsa Italiana" with London Stock Exchange Group shares made in July 2007<sup>(1)</sup>, included in the item "Gains/(losses) on the sale of financial assets available for sale".

The level of R.O.E. at the end of 2008 was 0,4%, while in the previous year it had been 17,9%. Comparison between the two figures is of little significance for the reasons explained above.

The comments below refer to the Income Statement items reclassified as shown in the table in the preceding page.

### NET INTEREST INCOME

Net interest income amounted to 44,5 million euro, up by 49,2% compared with the previous year, in which it totalled 29,8 million euro. The main reason for this growth is associated with the increase in dividends, up from 30,2 million euro in 2007 to 47,7 million euro in 2008.

### NET INCOME FROM SERVICES

Net income from services amounted to a total of 46,3 million euro, down sharply by 4,2% from the previous year, in which it was 48,3 million euro. This result was affected, in particular, by a reduction in revenues of trading and custodian bank sectors.

NET INCOME FROM SERVICES: MAIN COMPONENTS	31/12/2008	31/12/2007	% change
Payment services	29,8	29,9	-0,4%
Trading for third parties and order collection	7,0	10,0	-30,0%
Custodian Bank	1,9	2,7	-28,4%
Trading and hedging activities	9,8	9,9	-1,1%
Other	-2,2	-4,2	-47,3%
<b>Total</b>	<b>46,3</b>	<b>48,3</b>	<b>-4,2%</b>

<sup>(1)</sup> For more information on this transaction see the 2007 financial statements

## **NET BANKING INCOME**

Net income from money management, together with net income from services, led to total income of 90,8 million euro, an increase of 16,2% compared with the figure at 31st December 2007, which was 78,1 million euro.

## **OPERATING COSTS**

Operating costs amounted to 75,2 million euro, net of the positive contribution of 62 million euro of the item "Other operating expenses/income". This aggregate grew (+7,8%) compared with financial year 2007, in which operating costs amounted to 69,7 million euro.

The other operating cost components consist of:

- personnel expenses which, inclusive of the associated IRAP (regional business tax), amounted to 67,7 million euro, down by 0,8% from the figure recorded in the previous year;
- other administrative expenses, which, net of the item "Recovery of stamp duties and other taxes" totalled 51,7 million euro, an increase of 5,6% over 31 December 2007;
- impairment losses on tangible and intangible fixed assets, which amounted to 17,7 million euro, compared with 15,9 million euro recorded in 2007.

## **INVESTMENTS**

During 2008 investments of about 26,3 million euro were made, compared with 22,5 in 2007, which mainly involved the sectors of electronic payment systems, remote banking and information technology, with particular reference to the updating of procedures associated with the MiFID project.

## **GROSS OPERATING PROFIT**

As a result of the trends examined above, gross operating profit showed an improvement of 85,6% compared with 8,4 million euro recorded in 2007, coming out at 15,6 million euro.

## **PROVISIONS, ADJUSTMENTS AND GAINS FROM THE SALE OF ASSETS AVAILABLE FOR SALE**

Net provisions for risks and liabilities amounted to +2 million euro. This result was mainly due to discounting to the present of the provision set aside for disputes involving Sella Bank Luxembourg, the due dates for the liabilities of which were postponed to 3/5 years owing to an objective extension of the expected judicial processes, developments in which are described in the section "Equity investments and relations with Group companies", paragraph "Commitments to Sella Bank Luxembourg" of the present report on operations.

Net impairment losses on loans amounted to 0,4 million euro, up slightly (+7,6%) when compared with financial year 2007, testifying to the low credit risk assumed by the company.

The item "Adjustments for impairment of financial assets available for sale", amounting to 23,7 million increased sharply compared with the previous year. The trend is almost entirely attributable



to the extraordinary event relating to the writedown of the interest in London Stock Exchange Group Plc referred to above.

At 31 December 2008 the item was down in comparison with the previous year, in which, as mentioned above, the sale of equity securities had produced a gain of 55,9 million euro, attributable above all to the swap operation of Borsa Italiana shares with London Stock Exchange Group shares (which entailed the emergence of a capital gain of 52,9 million euro) and to the sale of some of the shares held in Mastercard Inc (which entailed a gain of 1,9 million euro).

## INCOMETAXES

Income taxes (net of the IRAP component relating to personnel costs) showed a positive trend, owing to the fact that a significant proportion of the company's income consists of dividends received, revenues which are almost totally untaxable.

It is worth noting that as a result of the introduction of Art. 82 of D.L. 112 of 25/6/2008 (converted into Law 133 of 6/8/2008), the so-called "Robin Hood tax", the amount of non-deductible interest expense, 3% of all interest expense, caused higher taxes of about 1,4 million euro.

Banca Sella Holding performs the national fiscal consolidation which involves almost all the Italian companies it controls.

A more detailed analysis of the significance and the impact of application of deferred taxation is contained in the Notes to the Accounts.

## Financial assets

At 31 December 2008 the bank held a securities portfolio of 1.240 million euro which, in accordance with the International Accounting Standards, was divided into the following categories:

<b>SECURITIES PORTFOLIO</b> <i>(euro millions)</i>	<b>31/12/2008</b>	<b>31/12/2007</b>
Held for trading	383,5	366,7
Available for sale	12,4	0,4
Held to maturity	63,4	70,4
Due from banks	782,2	754,6
<b>Total</b>	<b>1.240,10</b>	<b>1.191,70</b>

## HELD-FOR-TRADING SECURITIES PORTFOLIO

During the year the total of the held-for-trading category remained substantially unchanged, compared with the figure for 2007, going up from 366,7 million euro to 383,5 million euro.

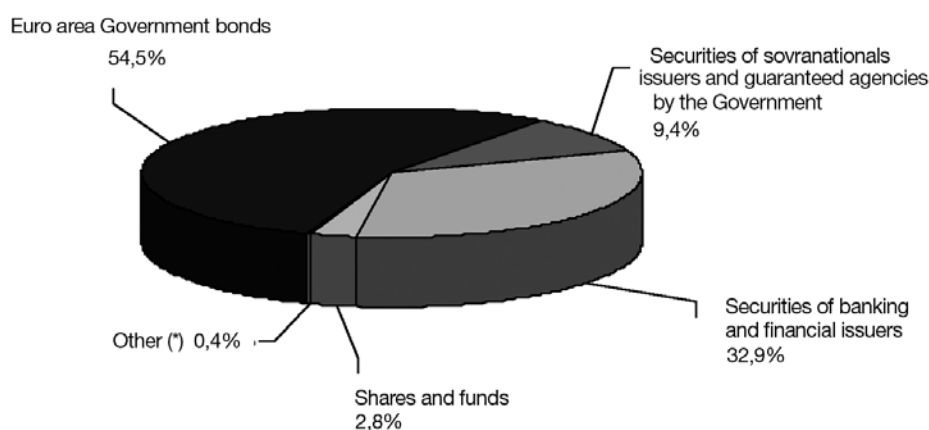
Testifying to the policy of prudence which guides the management, the VaR at 31 December 2008, calculated with the historical simulation method, with a time horizon of 3 months and confidence interval of 99%, was about 2,7 million euro (the average VaR for the year was about 2,7 million euro).

The strategy of diversification of investments was maintained, paying particular attention to the quality of bonds of banking, financial and corporate issuers in the portfolio. There are neither Asset Backed Securities nor structured securities contained in subprime mortgages or Alt-A or other assets

which can be considered in any way “toxic” and nor were such securities held during the year. Moreover, there are no subordinated bonds of companies outside the Banca Sella Group.

The chart below shows the main investment categories at the end of the year.

### Securities portfolio held for trading: main investment categories



\* "Other" includes securities of corporate issuers for 0,3% and other governments bonds for 0,1%

The Bank continued its absolutely prudential policy as regards the country risk and creditworthiness of issuers. Furthermore, with the exception of a bond of an emerging country with a speculative grade rating of a countervalue of about 0.1 million euro, no other assets issued by emerging countries or by companies resident in such countries were held at 31 December 2008 and in the whole year.

The average rating of the portfolio, using the Moody's scale, was Aa3, while according to the S&P scale it was A+.

### AVAILABLE-FOR-SALE SECURITIES PORTFOLIO

The segment of available-for-sale securities included an equity investment in Banca Monte Parma, for an amount of 12 million euro, made during the year but sold, however, after the end of the year, on 16 February 2009.

### HELD-TO-MATURITY SECURITIES PORTFOLIO

The segment of held-to-maturity securities includes instruments held for long-term investment purposes and complies with the size parameters laid down in a framework resolution by the Board of Directors.

At 31 December 2008 the securities included in this category amounted to 63 million euro and consisted of BTPs with maturities between 2009 and 2015.

## **SECURITIES PORTFOLIO IN AMOUNTS DUE FROM BANKS**

This segment includes ordinary and subordinated bonds issued by banks of the Banca Sella Group for a total of 721 million euro. These securities, issued by Group banks for the purpose of achieving an appropriate matching of maturities between assets and liabilities at the individual level, will presumably be held to maturity.

In accordance with the provisions of IAS 39 (for more details see Part A – “A.2 Main accounting items” securities worth 57,2 million euro, of which bonds worth 43,8 million and Asset Backed Securities worth 13,4 million, were transferred to the category Receivables. Also as a result of this reclassification, at the end of the year this category contained bonds worth 44 million euro and Asset Backed Securities of 17 million euro (in both cases, issued above all by European credit institutions). It should be noted that 96% of the bonds and 100% of the Asset Backed Securities (of which 80% have an AAA rating) have an investment grade rating.

At 31 December 2008 the securities included in this category amounted to 782 million euro.

## **WRITEDOWN OF THE FAIRFIELD SIGMA FUND**

As regards the 2 million euro (classified among financial assets held for trading) invested in the Fairfield Sigma Fund of the Fairfield Greenwich Group, which was exposed to the fraud perpetrated by Bernard Madoff, and valued at 2,25 million euro (on the basis of the last NAV available), it should be noted that this investment was written down by 70% on closing the accounts at 31 December 2008.

The percentage writedown was considered congruous, as in recent cases (see for example the collapse in 2005 of the Bayou Group hedge fund) the percentage recovered by investors was between 20% and 40%.

## **Minority interests**

Available-for-sale securities include minority equity interests, which at the end of the year were subjected to impairment tests, according to criteria described in Part A of the Notes to the Statements. The following writedowns are worthy of mention:

- London Stock Exchange Group Plc (measurement method: market price): given the significance of the loss of value with respect to the carrying cost and its extension over time, the interest was written down with effects in the income statement at the closing market price on 31 December 2008; the writedown was 23.721.905 euro;
- Intesa Sanpaolo S.p.A. (measurement method: market price): although the price of the security had fallen, it was decided that there was not objective evidence yet of a structural reduction in value, and therefore the resulting writedown of 1.235.225 euro was booked to a negative shareholders' equity reserve.

Instead, securities subject to revaluations according to the criteria described in Part A of the Notes to the Statements, were:

- Centrale dei Bilanci S.r.l. (measurement method: recent market transactions): following the sale by the majority shareholders of 91,81% of the share capital to Clessidra SGR S.p.A. and Bain Capital Ltd, Banca Sella Holding revalued its equity interest recognizing in shareholders' equity a positive reserve of 4.698.787 euro;
- Mastercard – Class B shares (measurement method: comparable transactions): as the Class B shares have been subject several times to “Conversion and Sale Plans” promoted by the company, in which the Class B shares were converted into listed Class A shares, at a rate of 1:1, the equity interest was revalued at the market price of Class A shares, appropriately discounted to take account of the lock-in clause of Class B shares; a positive reserve of 1.063.446 euro was booked to shareholders' equity.

In October 2008 the assignment of Visa – Class C shares, distributed by Visa Europe following the Visa Inc IPO was also recognized among minority interests. Using the comparable transactions method, the Class C shares were valued in a ratio of 1:1 with the Class A shares, discounting them to take account of the lock-in clause which prevents trading until 2013. This resulted in a recognition of 2.318.860 euro; at the end of the year an insignificant loss of value, of 44.278 euro, was recognized; this was due exclusively to the exchange rate effect.

## Liquidity

Financial year 2008 demonstrated that the introduction into the market of increasingly complex and sometimes untransparent financial instruments (above all securities linked to American subprime mortgages) made it difficult at the general and market level to manage the risks associated with them, with difficulties for the banks in the collection and management of liquidity at the moment when the international system found itself facing an unforeseeable need for liquidity.

The situation worsened considerably with the crisis of the Lehman Group last September: for the first time, operators realized that the default of a large international group was possible and thus worries about the strength of counterparties became acute, the issue of equity instruments onto the market became extremely difficult and finally the growing crisis of confidence was accompanied by the aforementioned reduction in the interbank circulation of liquidity.

Credit institutions began to accumulate or deposit large volumes of liquidity with central banks, also so as to be able to withstand any sudden future needs. All this prevented the correct operation of the interbank market: interest rates and spreads with respect to government securities increased.

The central banks responded by increasing the volume and number of refinancing operations, extending maturities and expanding the range of securities accepted as collateral in these transactions.

Right from the start the role of liquidity was fundamental and to ensure the continuity of normal banking business in times of stress and in the Group the management of liquidity has always been considered a strongpoint of prudent business management: developing strategies, processes and operational methodologies for adequate short term and structural management.

The process of management and control of liquidity which involves the ALM Committee, the Risk

Management Service and the Treasury of Banca Sella Holding (as described in Part E of the Notes to the Statements, Section 1.3 – Liquidity Risk) made it possible in the last few months of the year to maintain a more than adequate level of liquidity in the face of the unfolding market crisis.

## Information on exposure to “high risk” financial products

### **SPE (SPECIAL PURPOSE ENTITIES)**

At 31 December 2008, Banca Sella Holding does not have exposure to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by subprime mortgages, which became a generalized crisis of the global financial system.

### **EXPOSURE TO SUBPRIME AND ALT-A SECURITIES**

At 31 December 2008 Banca Sella Holding is not exposed to structured CDO-type products or other financial instruments perceived by the market as highly risky as they are associated with the subprime mortgage and Alt-A crisis.

### **ABS (CMBS, RMBS)**

There are no exposures in ABSs linked to subprime mortgages, and the ABSs present in Banca Sella Holding's own portfolio are of the following kinds:

- ABSs deriving from securitizations carried out by Banca Sella S.p.A. on performing residential mortgage loans.
- Senior (A) and mezzanine (B) tranche securities of the 2005 Mars2600 securitization for a countervalue of 4,52 million euro and 3,41 million euro respectively purchased during 2008.
  
- ABSs from third-party securitizations
- ABSs issued by Italian companies (Società di Cartolarizzazione Italiana Crediti ARL and Società Cartolarizzazione Crediti INPS) have been held in the Banca Sella Holding portfolio since 2004 and during the first half of 2008 a new tranche was purchased, again of senior securities of Società Cartolarizzazione Crediti INPS. The total countervalue is 12,39 million euro (almost unchanged from 31 December 2007) representing about 1% of the total portfolio (floating+fixed) of Banca Sella Holding.

<i>(amounts in euro thousands)</i>				
Description of security	Isin	Currency	Nominal Value	Book value
SCIC A2 TV EUR CART	IT0003731426	EURO	7.500,00	2.874,33
SOC CART INPS TV 09	IT0003749360	EURO	7.500,00	7.653,56
SOC CART INPS TV EUR	IT0003953376	EURO	1.771,00	1.797,62
<b>Total</b>				<b>12.325,50</b>

- ABSs issued in securitizations of residential and non-residential loans and leasing credits carried out by European Banks (Spain, the Netherlands, Germany, Great Britain and Italy), all with AAA ratings. The total held at 31 December 2008 amounted to a countervalue of 8.81 million euro, thus representing a residual part of the whole portfolio, about 0.7% .

At 31 December 2007 these issues were not present in the portfolio.

<i>(amounts in euro thousands)</i>				
Description of security	Isin	Currency	Nominal Value	Book value
TRICO 1A TV 20 LR	IT0003847743	EURO	500	258,55
ABF 2004 B TV 19 LR	IT0003755656	EURO	2.000,00	1.902,34
PASTOR TV EUR 21 LR	ES0338454004	EURO	898,11	851,07
BUMF 6A2 TV 40 LR	XS0299446103	EURO	1.500,00	1.194,38
CAJA MADRID TV 50 LR	ES0359093012	EURO	2.000,00	1.884,06
E-MAC TV EUR 36 LR	XS0188806870	EURO	500	254,59
TDAC 8A TV 49 LR	ES0377966009	EURO	838,07	763,02
BHAUS 1A2 TV 52 LR	DE0005712319	EURO	1.000,00	175,15
EPIC TV EUR 19	XS0309760451	EURO	2.000,00	1.532,67
<b>Total</b>				<b>8.815,84</b>

- Units of ABSs present in SICAV segments or units of Hedge Funds
- The Banca Sella Holding portfolio contains units of Group SICAVs that invest in ABSs (the investment decisions taken in the segment favoured instruments with medium-high ratings with careful selection of the underlying and excluding investments linked to US sub-prime mortgages): this was a marginal investment, of about 4,4 million euro, which represents only 0,35% of the countervalue of the portfolio.

The Hedge Funds present in the portfolio (Mellon Sanctuary II and Fairfield Sigma) – whose countervalue, down further with respect to 31 December 2007 and 30 June 2008, represents only 0,12% of the portfolio – are not exposed to ABSs linked to sub-prime mortgage loans.

## **CDS (CREDIT DEFAULT SWAPS)**

At 31 December 2008 Banca Sella Holding had current hedging transactions involving credit default swap (CDS) contracts, signed with leading European banks, for only 2,5 million euro, enacted against securities in the portfolio of the issuer Merrill Lynch.

Credit derivative transactions, which are in any case limited to hedging assets and to occasional

and contingent situations, are guaranteed in Banca Sella Holding by the presence of an adequate organizational structure (in which various “players”, such as the Finance Department, the Derivatives Back Office Unit, Accounting, Risk Management and Controls intervene according to their respective responsibilities), capable of verifying and assessing the conformity of contracts exchanged with the counterparty, the features of the hedging, the absence of any misalignments between the hedging acquired and the underlying risk, and of managing the resolution of any anomalies detected.

## **LEVERAGED FINANCE**

There are no on- or off-balance-sheet exposures to leveraged finance.

## **EXPOSURE TO MADOFF AND LEHMAN BROTHERS**

Banca Sella Holding has no exposure in financial instruments involved in the Madoff case, with the sole and absolutely marginal exception of the Fairfield Sigma Fund, as described above.

Banca Sella Holding’s direct exposure to the Lehman Brothers Group is also very limited, and consists exclusively of guarantee margins for derivative transactions for a total value of 0,09 million euro.

## **Equity interest in Banca Monte Parma**

On 29 October 2008 the purchase was completed of an equity interest in Banca Monte Parma on the part of Banca Sella Holding, for a total of 280.000 ordinary shares, representing 10% of the share capital of the Parma-based bank.

In the acquisition of the total of 49,27% of the share capital of Banca Monte Parma sold by Banca Monte dei Paschi di Siena, the following companies also took part:

- CBA Vita (a Banca Sella Group company): 84.000 ordinary shares, representing 3% of the share capital of Banca Monte Parma;
- HDI Assicurazioni: 84.000 ordinary shares, representing 3% of the share capital;
- Fondazione di Piacenza e Vigevano: 420.000 ordinary shares, representing 15% of the share capital;
- Fondazione Monte Parma: 511.440 ordinary shares, representing about 18,27% of the share capital;

On 18 November 2008, Pietro Sella, with the position of Deputy Chairman, Guido Bigiordi and Massimo Osservati were appointed to the Board of Directors of the Parma-based bank to replace the representatives of the Monte dei Paschi di Siena Group who had resigned; Pietro Sella was also appointed to the Executive Committee.

Subsequently Banca Sella Holding signed with Fondazione di Piacenza e Vigevano a preliminary contract with the purpose of agreeing the sale, at the same terms envisaged for the purchase, of 84.000 Banca Monte Parma shares (3% of the share capital of the bank) which, as noted above, had been recognized as Financial assets available for sale. The sale was completed after the end of the financial year, on 16 February 2009.

## Capital increase

In order to simplify the Bank's capital structure a free capital increase was enacted, under the terms of Art. 2442 of the Civil Code, from 80 million euro to 100,5 million euro, through the issue of 41.000.000 new shares of a par value of 0.50 euro each, booking to share capital the valuation reserves for a total of 20.247.758,56 euro (Revaluation reserve pursuant to Law 342/00 for 8.894.623,66 euro; Revaluation reserve from adoption of IAS/IFRS pursuant to Lgs. Dec. 38/05 Art. 7 paragraph 6 for 8.317.312,91 euro; restricted extraordinary reserve under the terms of Law 266/05 Art. 1 paragraph 469 for 3.035.821,99 euro) and using part of the extraordinary reserve for 252.241,44 euro.



## Commercial policies

Again in 2008, as also during the previous year, external communication was oriented above all to commercial development.

In particular the initiatives were directed towards a target of private retail and remote banking customers, with the aims of development and cross selling. To make the communication itself more effective, and thus obtain better results, the launches of a number of products were accompanied by competitions, prizegivings and promotions.

Analyzing the external communication activity, it should be noted that again in 2008 the remote banking sector, two years after the launch of Websella, was characterised by policies which aimed to acquire market shares among the target of customers who want to operate online only. During the year a series of commercial initiatives aimed at online customers were launched, including the "Introduce a friend" initiative (for more information on this, see the section Remote channels - Internet e mobile banking of the present report on operations).

As regards instead the "non-life insurance" sector, most of the year it was focused on the launch of the Third-Party Car policy of InChiaro Assicurazioni (an insurance company set up during the previous year, by CBA Vita, a Banca Sella Group company, with HDI Assicurazioni) for which, with a strong concentration on the historical areas of Banca Sella Group, a specific campaign was developed. Particular attention was paid to the concepts of transparency, clarity and simplicity inherent also in the name of the company "InChiaro". The months of March and April in fact were characterized by a massive advertising campaign in the provinces of Biella, Vercelli and Turin for the launch of the Auto InChiaro product, with billboards, direct mailings, SMSs and e-mails.

During the year, moreover, sponsoring continued of the locale basketball team (Pallacanestro Biella), which plays in the A1 league and two competitions were launched for the development of electronic payment systems for the encouragement of the use of credit cards: "Win Tickets for UEFA 2008" and "Fly to Paris".

The activity of centralized sales (in particular, sales of revolving cards through the telephone channel and car policies) continued in 2008 to support the Group banks in their commercial development. Direct marketing work contributed to commercial development with 7.700 current accounts opened at Group banks, about 10.000 payment cards and 2.500 other products and services (POS terminals, e-commerce, mobile, home banking, and OLT services, investment products, etc.).

### **TRANSPARENCY OF TRANSACTIONS AND BANKING SERVICES**

The Banca Sella Group believes firmly that transparency is an important ethical value when dealing with Clients; not a simple legal obligation, but a key element in the management of customer relations, characterized by correctness and honesty.

Observance of the principles of transparency is part of the principles and foundation stones of "being a Bank" according to our Group.

The Banca Sella Holding control services were involved, together with the managers of the relevant businesses, in the adoption by all the Group companies of a process designed to verify and approve the creation and presentation of new products and services and changes in economic and contractual terms.

During 2008 Banca Sella Holding, as the parent company, further refined the contracts regulating customer relations and the informative and advertising material relating to the products and services

provided, so as to be always in line with the provisions of current regulations in terms of simplicity and clarity. For the Group's Italian banks, the main improvements concerned:

- procedural actions with the aim of making customer communications clearer and more complete, such as, the revision of regular current account and saving deposit statements;
- the simplification and standardization of the contractual structure for restricted saving deposit products;
- revision of the "typical risks" section of the information sheets of the main banking products, inserting a specific indication on the allocation of moneys from dormant accounts;
- inclusion of an indication of the maximum times for closure of accounts within contracts and current account and saving deposit information sheets.

During the year, with the contribution of the compliance unit, sample checks also continued on transparency to ascertain that the work done was always compliant with the legal provisions.

Again in 2008, finally, the subject of transparency in relations with customers was an integral part of the training of newly-recruited personnel, with the aim of communicating the main aspects of the legislation, and ensuring that they acquired specific skills for its practical application.

## **SECURITY OF INFORMATION AND PROTECTION OF PRIVACY**

In accordance with Rule 26 of the Technical Rules (Annex B) of the Personal Data Protection Code (Lgs. Dec. 196 of 30 June 2003), Banca Sella Holding has prepared and keeps up-to-date the «Programmatic Document on the Security of Information».

The purpose of this document, which was updated in March 2009, is to establish the organizational, physical and logical security measures to be adopted to ensure compliance with the obligations on the subject of security laid down in Lgs. Dec. 196/2003 on the protection of personal data and its later amendments and additions.

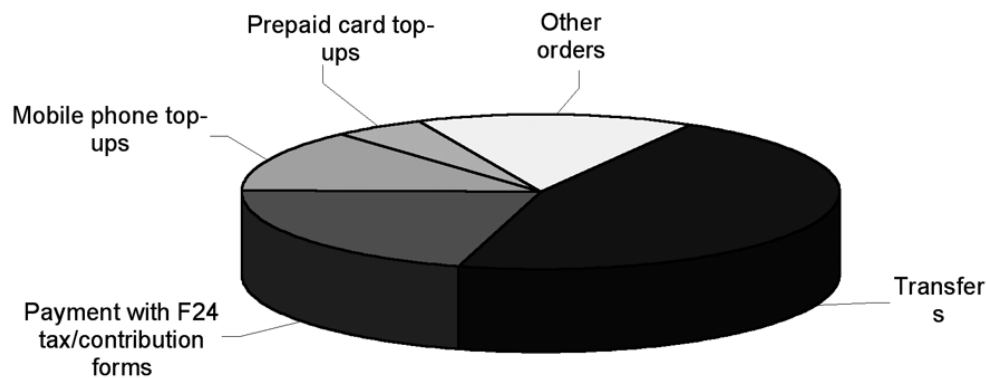
## **Remote banking channels**

### **INTERNET AND MOBILE BANKING**

In 2008 the Internet Banking business grew at a healthy rate, in terms of both the number of customers, and of the number of online orders imparted by them.

In particular, during the year, the volume of orders made was more than 2,9 million transactions (an increase over the previous year of 23%) of which about 46% were transfers, 21% payments of contributions with F24 forms, 13% mobile phone top-ups and 5% prepaid card top-ups.

### Internet banking: breakdown of orders made during the period



The monthly average number of performing customers, that is those who carried out at least one order transaction, grew by 18%, going up from around 48.800 in 2007 to around 57.500 in 2008; the same growth in percentage terms was recorded for operating customers (that is those who carried out at least one operation a month, either an order or even only for information). Operations for information, instead, increased by 25% (18,5 million compared with 14,8 in 2007).

The stock of customers with an active Internet code grew by 13%, going up from 169.000 to about 193.000.

In 2008 the volume of informative SMSs sent to customers of the Group banks grew by 28%, to more than 4,8 million SMSs (of these more than 70% from Memo Shop, the service which enables customers to receive notification of transactions performed with their credit cards directly on their mobile phones ). The number of customers registered for at least one SMS service grew by 22% compared to 2007, reaching 126.000.

Among the new services launched in 2008 in the Internet and Mobile Banking segments we can note:

- payment of postal money orders, with which customers can pay blank, precompiled and ICI (council tax) orders online, without having to go to the Post Office. The service, which was launched at the end of May, recorded about 17.000 transactions and enabled the Bank to expand the online order services available to customers;
- new current account SMS services, including those regarding the balance (such as notice in the case of a negative balance, or notice on reaching or exceeding a limit set by the customer) and those notifying of operations on the account via Internet, mobile phone or telephone;
- expansion of the Infocard range with other credit card SMS services, which go from automatic notification on reaching/exceeding the remaining credit set, to alerts on reaching/exceeding the spending limit set by the customer;
- the new website specially designed for mobile banking. The new Mweb is not just an evolution of the previous one, but also enables customers to use the services more quickly, thanks to a new

more simple and intuitive graphical interface, which ensures the best user experience on latest-generation mobile devices with the use of touchscreen technology;

- the launch of the first native application in Italy devoted to the I-Phone and authorized by Apple itself. With the I-Phone application customers can operate on their current accounts: they can view the balance and a list of movements, move cash with intra-bank and inter-bank transfers, view the list of movements and the total amount of their credit cards. It is also possible, both for customers and non-customers, to view in real time a number of stock market indices and find out about the main initiatives and news of Sella.it. To use the application customers need only to download it directly from the Apple Store and install it on their I-Phones;
- Sella Box Carte, with which customers can view directly online, accessing the Sella Box section, the communications sent by the Bank in relation not only to their current accounts, but also to their payment cards.

During the year the range of Websella.it services was also expanded, this is the portal devoted to customers who use only the Internet channel to manage their personal bank accounts and who interact with a dedicated virtual branch. This happened through:

- expansion of the basic service, thanks to registering immediately for the SellaBox Service;
- the launch of the Repurchase Agreement product PCT Websella.it in October;
- the launch of a new initiative "Introduce a friend" which rewards the loyalty of all customers awarding those who introduce a new customer and to the friend introduced a gift voucher of 50 euro each to spend at shops of the Trony chain;
- the launch of the Websella Contact Tracking service, through which customers can view in real time the stage of progress of their current account opening procedure.

Thanks also to advertising investments targeting the Internet and ad hoc promotions, in 2008 about 6.000 new accounts were opened.

## **CORPORATE BANKING**

The Corporate Banking service enables businesses to operate remotely on their current accounts. During 2008 the service oriented its activity mainly in two directions: the expansion of operations carried out by customers already acquired and the search for new customers (businesses) not yet registered for this product. During the year, the volumes of orders transmitted through this service grew on average by 20% compared with the previous year.

## **TELEPHONE BANKING**

In 2008 the number of calls managed by the telephone services of Banca Sella Holding declined by about 7% with respect to the previous year, also as a result of the improvements made during the year with specific initiatives with the aim of rationalizing the number of phone calls.

As regards the Telephone Banking service, the decrease in incoming phone calls per operator was 14% compared with 2007, while the incidence of order calls rose by 78%, from 74% in the previous year. The critical situation on the financial markets determined, on the one hand, a drop in orders

involving the trading of equity instruments (-24%), and on the other an increase of 37% in orders on bond markets, which generated a growth of 99% in revenues from the trading of Italian and foreign bond instruments (in fact, owing to the high volatility of the equity markets, customers preferred trading on bond markets, which are generally considered less risky).

In 2008 a number of “Customer Care” projects were implemented, with the aim of creating greater efficiency and improving the quality of services to customers. Among these it is worth noting:

- the success of the delocalization of some of the assistance services to Selir, a Group company in Romania: this project, which began in 2007, entailed in 2008 delocalization of the Card Holder Assistance Service (in June) and completion of the externalization of the Internet Banking Assistance Service;
- the launch of the forum “Spazio Aperto Sella.it” (Sella.it Open Space), which has the aim of making available to customers a bilateral communication channel with the Bank and a place in which to create a Community;
- the launch, in November, of the “Chat” service in relation to Sella.it and Websella.it, with the aim of offering a rapid and focalized assistance service (it is activated, in fact, from the section of the site where customers perceive the need for help).

The volumes of phone calls to the Customer Care services fell by 7% with respect to the previous year; the volumes of contacts by e-mail also declined, falling by 28% compared with the end of 2007.

In 2008 “Borsino Sella.it” generated fees of about 0,6 million euro, of which 89% from retail customers and 11% from institutional customers (the Sella Gestioni company). In detail, as regards the division of fees generated by retail customers, the negative figures for equity and domestic derivative transactions were offset by numerous operations on the foreign derivatives market. Operations by institutional customers, instead, were in line with expectations.

During 2008 the Centralized Help Desk Service, the assistance service for internal customers (Group employees), carried out more than 140.000 assistance operations, about 2% more than in the previous year. The increase was determined by the opening of 9 new bank branches of the Group and by important legislative changes at the Banking level (MiFID), as well as by the implementation of new procedures for branches. With a view to the development of the Excellence Project, and following the principles of the “ITIL Best Practices”, the service created the Help Desk Console, which, with an average of 1.600 contacts a month, made it possible to limit the volumes of calls and to improve the levels of service with respect to 2007.

# Operating performance in the main business areas

## Banking

### LOAN PORTFOLIO QUALITY

#### Non-performing loans<sup>(1)</sup>

At the end of the year net non-performing loans amounted to 88.000 euro and the ratio between net non-performing loans/cash loans came out at 0,01%. In the period in question the flow of new entries to the non-performing loan category was 473.000 euro. Amounts collected on non-performing positions amounted to about 30.000 euro.

The number of non-performing positions was 955, of which 99,3% amounted to less than 50.000 euro and 90,2% were below the threshold of 5.000 euro.

No portfolio writedowns were made.

#### Watchlist loans

Net cash watchlist loans (loans to subjects who are expected to come out of their temporary difficulty in a congruous period of time) including the capitalization of interest, amounted at the end of the period to 5.000 euro.

The volume of new entries in the year, in relation only to revoked credits, was 570.000 euro.

No portfolio writedowns were made.

### MUTUAL FUNDS AND SICAVS

During the year the sector, in which Banca Sella Holding performs the work of direction and coordination for the other Group companies, suffered a sharp fall from the point of view both of the stock and of profitability. The latter fell constantly during the year in both channels (administered and managed) and indistinctly as regards both our own and third-party mutual funds/SICAV segments.

The main cause of this trend was the recomposition of portfolios associated with the choice of more defensive asset classes, in the light of strong turbulence which rocked the financial markets in 2008.

The sector was profoundly affected by the entry into force of the community regulations intended to create an integrated financial market at the European level, (the so-called MiFID Directive, 2004/39/EC), transposed on 1st November 2007 into Italian law.

The main changes introduced by these regulations concerned:

- management of incentives awarded by the product companies to placers and their maintenance, if justified by an enhancement of the quality of the service to final customers;
- introduction in the managed channel, GPF, of institutional classes to replace retail classes with the objective of reducing the hidden costs of products and making them more transparent. The replacement process proceeds as far as is compatible with the timing and methods defined by the product companies in relation to the restructuring of their product range;
- overall revision of all the agreements for placing and for use in existing assets managements, signed by the Group banks and companies with Group and third-party product companies.

<sup>(1)</sup> The analysis of the quality of the loan portfolio needs to take into account of the specific nature the business of Banca Sella Holding, which plays the role of Parent Company and "service provider" in relation to the other Banca Sella Group companies, but does not carry on a "traditional" banking business through a network of branches.

## **INVESTMENT SERVICES**

During the year work continued on updating to ensure compliance with the new legislative framework outlined by the Community MiFID Directive and transposed in the new Regulations for Brokers adopted by Consob on 29 October 2007.

In particular, Banca Sella Holding, as the parent company, coordinated the work relating to the process of contractual revision and to the widespread and systematic adoption of the “Basic Advice” model, launching also a “pilot” stage for the provision of a “Private Advice” service.

To improve the processes and increase the quality of the services rendered to customers in the area of investments, a new Group Coordination service called Area Raccolta (Funding Department) was set up, while second-level auditing duties were assigned to the Investment Quality service.

The procedure adopted for customer profiling and adequacy assessment was revised; this is carried out by the Portfolio Management service.

The following activities also continued during the year:

- training of employees of the Group’s Italian banks, with particular reference to the subject of performance of the Advice Service;
- support for the network in the work of contractual updating, in particular as regards ways of subscribing to investment services;
- notification to the customers of the Group’s Italian banks, and on their behalf, of situations in which, from an analysis of the economic and financial performance of companies issuing securities, there emerges an increase in the degree of risk inherent in the possession of such securities;
- maintenance and completion of the “Risk Thermometer”, with consequent daily monitoring of the correctness of the data it contains.

In 2009 the Investment Quality service is expected to achieve:

- a significant reinforcement of the second-level control duties, which will take place through the implementation of control on the main issues relating to the provision of investment services, such as subscription to the same and adequacy of the portfolios held by customers;
- further fine-tuning of the “Risk Thermometer”, as the tool adopted to measure the degree of risk of financial instruments;
- refinement of the methods of execution of the adequacy check relating to investment operations ordered in the context of Investment Advice services.

## **CUSTODIAN BANK AND CORRESPONDENT BANK**

The economic results of the area were affected by the general crisis of the segment of managed savings. During 2008 there was a sharp drop in income received from the Custodian Bank service of the Sella Gestioni funds, which amounted to 1,9 million euro, down from 0,8 million in the previous year, owing entirely to the reduction of 702 million euro in the assets of these funds.

In 2008 services as Designated Paying Agent for foreign UCITS also declined. Net banking income was 0,7 million, down by 37% compared with 2007.

## Broking

### BROKING AND MARKET TRADING

The Bank's trading activity on the markets, on its own behalf and on behalf of third parties (including On Line Trading), recorded the following market shares in 2008 (in the table below they are compared with those for 2007):

TRADING ACTIVITIES	2008	2007	% change
MTA	1,62%	2,51%	-35,45%
(trading after hours)	5,10%	5,73%	-10,99%
SeDeX	0,45%	0,21%	114,29%
MOT	17,45%	16,83%	3,68%
IDEM – S&P/MIB Future	7,70%	7,14%	7,84%
IDEM – MINIFuture	26,12%	26,42%	-1,13%
IDEM – S&P/MIB Option	14,52%	14,14%	2,68%

(Fonte: dati Assosim)

With respect to the previous year, the market shares recorded in 2008 fell in the MTA segment and grew in the SeDeX and MOT segments, while on the IDEM circuit operations on S&P/MIB Futures and S&P/MIB Options increased and operations on MINIFutures declined slightly.

### SECURITIES TRADING FOR THIRD PARTIES

#### Traditional trading

The worsening of the global economic and financial situation, a consequence primarily of the crisis caused by American subprime mortgages, corporate defaults (e.g. Lehman Brothers), state intervention in support of private companies, negative signals as regards growth, together with the effects of transposition of the MiFID in Italy, are the difficult setting in which traditional trading activity was carried on in 2008.

The result of these scenarios was the reduction of pure trading revenues, down 12% from the previous year. Analyzing this figure, it is clear, however, there is a great difference between the managed savings and administered savings segments: on the one hand, in fact, there was a sharp fall in income from managed savings (-40%), above all as a result of the context of great uncertainty (the first consequence of which was the reallocation of customer's portfolios to low-risk products and instruments) and of the launch of new products free of transmission fees (the new Equilibrio range: new management lines, which are remunerated only with management fees, and with no transmission fees). On the other hand, instead, the administered segment brought in results more or less in line with the forecasts (-1%). Within the latter trend it should again be noted that, in the face of difficulties on the equity markets, which fell sharply, the contribution of transactions on the bond markets was instead positive, in particular on highly solvent securities (AAA rating), government bonds and short-term and very short-term securities. In fact during 2008 investment in BOTs was very lively, although



in the last few months of the year there was a drop caused by declining returns, in line with the cuts in interest rates by the European Central Bank.

There was a downward trend, although a very slight one, in direct revenues deriving from the activity of institutional investors, also associated with the trends already examined of reduction in equity segments and growth in bond segments.

Looking to the future we expect that traditional trading will again have to grapple with:

- the MiFID, which will continue to produce its effects on order reception and transmission services, with a possible increase in the costs of compliance and of costs associated with access to new potential trading venues;
- the increase in competition;
- the increase in market volatility;

Given the external scenario and the economic setting, as well as for the reasons examined above, the period of potential reduction of net trading margins compared with the results obtained in the last few years is likely to last for some time.

## Online trading

In financial year 2008 the development of the Online Trading business, which is provided by Banca Sella Holding, as the Parent Company, to the other Group banks, was conditioned by the uncertain performance of the leading global financial markets due to the crisis described above.

Despite the unfavourable scenario, however, the work of developing new projects continued, in particular with the issue to customers of the new SellaXtrading online trading platform and with training activities. The latter was found to be particularly useful for offering customers information and operational tools with which to approach the uncertain market trends in the last few months of the year.

A significant event, both from a strategic point of view, and from the point of view of technological impact, was the migration of the MTA market to the Tradelect system completed in November, as a result of the merger between Borsa Italiana and London Stock Exchange. The consequent work on information technology and organization turned out to be particularly intense and to some extent limited developments on new trading features planned for the year.

As far as transactions are concerned, there was a decline of 14% compared with the previous year in total volumes, understood as orders/contracts executed. The component most affected by the uncertain economic scenario was business on the equity markets, down by 26% compared with 2007, while the decline of the derivatives segment turned out to be much more modest, with a drop of only 3%.

From an operational point of view it needs to be remembered that the trend in volumes was also affected by the ban on short selling introduced by the supervisory authority and in force from September onwards, at first only on securities in the financial sector and later extended to all quoted securities.

Following the high volatility recorded in the last few months of the year, the supervision and daily real-time checks on the exposure of customers were reinforced further, in order to intervene in good time in situations of potential loss with rapid and effective actions.

The stock of trader accounts was also affected by the difficult period on the markets, and by a still-incomplete range of online trading products (in particular, the absence of online trading on the bond market made it impossible to take advantage of all the opportunities). There was therefore a drop of 4,7%, determined mainly by the fact that many customers decided to stop trading, looking for alternative ways to manage their money.

A direct consequence of the decline in volumes was the falling trend of fees, down by 20%, but with average fees in line with the budget on the equity component, and down slightly on the Italian derivatives component.

Market shares fell on the Italian markets (in particular on Italian shares, FIB and miniFIB), while they rose on IDEM options, showing, however, a growing trend in the last few months of the year on Italian equities and the Eurex market.

The main projects implemented during the year were:

- continuation of developments of features of the GBS OLT platform and start of customer migration (about 40% of all customers have migrated);
- activities associated with the operation involving Banca Sella Sud Arditi Galati, a Group entity operating in the south of Italy, created in June from the merger by incorporation of Banca di Palermo (to which earlier in the same day the 8 Banca Sella branches in Campania had been conferred) into Banca Arditi Galati, which at the same time changed its name to the above;
- updates of the online trading software consequent to implementation of the MiFID (with particular reference to the subject of advice);
- transfer to the Tradelect IT system (following the merger between London Stock Exchange and Borsa Italiana);
- the IT developments due to transfer to the Bank's new "securities information" system (SMIT).

As mentioned above, training remained a fundamental element of the provision of online trading services to customers: 81 training days were provided to customers (compared with 53 in the previous year) with the introduction of a trading psychology course which was greatly appreciated by the customers. A total of 1.050 people took part (up from 898 the previous year) in 10 Italian cities.

As in previous years the OLT Department took part in the main events in the sector such as the "Italian Trading Forum" in Rimini and "TOL Expo" in Milan. Despite the evident difficulties of the financial markets, attendance at both events was very high, showing that customer training activities is essential for the development of this business. For this purpose, and in order to make the most of new technologies, multimedia training instruments were introduced on the sella.it website, with the aim of providing training on the new SellaXtrading trading platform, which enable customers to watch the correct use of trading applications in audio and video presentations.

## **TRADING IN FINANCIAL INSTRUMENTS ON OWN BEHALF AND TREASURY BUSINESS**

During financial year 2008 the activity of trading on our own behalf provided a growing contribution to the income statement. The Bank kept its status as Primary Dealer on the Electronic Government Securities Market (MTS), with a market share of about 3,1% (2,0% in 2007) although with redu-

ced profits compared with the previous year. A positive contribution to the profit for the period came from transactions, as a dealer, on the secondary market of Greek Government Securities (HDAT) and on MTS Deutschland.

Transactions on our own behalf on the electronic bond market (MOT) recorded increasing volumes during the year, with a market share of 30,01% (28,51% in 2007<sup>(1)</sup>), achieving excellent profits.

Total turnover in 2008 on the electronic share market (MTA) of own-account trading alone were down with respect to the previous year, with a market share of 1,46% (4,08% in 2007<sup>(2)</sup>), and the profits of the equity desk also fell compared with 2007.

Trading of derivative products focused mainly on instruments quoted on the regulated markets IDEM (Italian Derivatives Market) and Eurex. In general, trading in quoted derivative instruments on regulated markets recorded growth with respect to financial year 2007 (the market share of own-account trading in relation to Futures on the S&P/MIB Index went up from 6,31% in 2007 to 9,10% in 2008; the share for MiniFutures on the S&P/MIB Index went up from 29,12% in 2007 to 33,37% in 2008; the share for Options on the S&P/MIB Index remained unchanged at 11,33%<sup>(3)</sup>).

As far as the IDEM market is concerned, the Equity Derivatives desk kept its role as Primary Market Maker on options on the S&P/MIB Stock Exchange Index and on MiniFutures on the same Stock Exchange Index, achieving excellent profits.

Trading on the spot and forward foreign exchange market shows a predominance of trading on the spot market with volumes traded of about 6 billion euro; the sharp contraction compared with the previous year was due both to a reorganization of trading operations on this market and to the reduction of volumes at the general level in the OTC segment.

With reference to the treasury, the Bank's business on the interbank deposits market decreased considerably, owing to the contraction of volumes on this market following the collapse of confidence caused by the American subprime mortgage crisis (total volumes with counterparties outside the Group, on the e-MID and OTC markets, of 58,3 billion euro). Operations on the repurchase agreement market instead fell only slightly, as there emerged a marked preference of the market for collateralized forms of investment/financing (total volumes on the MTS PCT repos market of 253,3 billion euro).

The liquidity position of the Bank and the Group during 2008 has always recorded significantly positive and growing balances. The liquidity position management policy, in fact, has always been based on criteria of extreme prudence, above all at times of strong turbulence on the financial markets such as that seen during the whole of 2008.

During the year the Integrated Group Treasury, besides enabling efficient liquidity management, as mentioned above, coordinated the control and governance of interest rate and exchange rate risk at the consolidated level.

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<sup>(1)</sup> Fonte dati: Assosim

<sup>(2)</sup> Fonte dati: Assosim

<sup>(3)</sup> Fonte dati: Assosim

## **PAYMENT SYSTEMS**

As regards the P.O.S. (Point Of Sale) service, the offer of innovative products (among which: the “electronic cinema voucher”, “fidelity” cards e and “gift” cards) contributed to the growth of the number of devices installed and their turnover. The above services are offered by Easy Nolo, a Group company specialized in the development of technologically innovative solutions.

During the year the migration of terminals to the new microchip technology (at the moment more than 65% of terminals installed on our customer’s premises have been updated to the new technology) including in order to reduce frauds deriving from tampering with cards that work with magnetic bands.

The debit and credit card business grew in terms of both the number of cards issued and the turnover generated, +7,75% compared with the previous year. The commercial activity directed to growth in the segment of products designed for businesses (business and corporate cards) and for individuals (in particular for instalment-type and rechargeable prepaid cards) continued during the year through the various distribution channels, .

During the year satisfactory results were also achieved in the field of credit card fraud prevention, reducing the total amount of fraud committed by about 40%.

In the e-commerce sector, thanks to the success of the advanced Gestpay Server to Server platform, which is particularly popular with customers for its simple use and full features, results in line with the targets were achieved in terms of turnover and income.

As regards ATMs, during the year work began on technological updating of microchip card management equipment and more than 90% of our automatic teller machines are now already capable of accepting cards with the new technology.

## Operational structure

### Risk management and internal audit system

During 2008 Banca Sella Holding, as the Parent Company, performed the function of management and coordination for the control of exposure to the risks assumed by the Group companies in carrying on their ordinary and extraordinary business, delegating the operational aspects to the Risk Management and Controls Service. This service has the task of measuring, assessing and monitoring management of the total exposure of the entire Group to Basel 2 First Pillar risks (operational, market and credit risks) and to Basel 2 Second Pillar risks having constant access to the accounting and operating information and data of all subsidiaries, and monitoring the risk-return combination in the different businesses.

#### OPERATIONAL RISK

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This type includes, among others, losses deriving from fraud, human error, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes. Operational risk includes legal risk, but does not include strategic and reputational risks.

Operating risk therefore relates both to all possible shortcomings in the current operations of the Group companies that cannot be directly linked to credit and market risks, and to external factors which might damage the companies themselves.

With a view to the identification and mitigation of operational risks, during 2008 the Parent Company's Risk Management and Controls Service continued the work of mapping and approving new business processes and, where appropriate, modifying and updating existing processes, assigning to each a Process-Inherent Operational Risk Rating (which assesses the risk factors on the process without taking account of the mitigating effect of existing controls) and a Process-Residual Operational Risk Rating (obtained by assessing the mitigating effect of controls on inherent risks). The risk ratings are measured on a discrete scale with values from 1 (minimum risk) to 5 (maximum risk). Particular attention is paid to correspondence between the operational map and the reality of the underlying process.

In brief, the main objectives pursued in the mapping and approval of processes include:

- formalization of the responsibilities of the organizational structures and professional figures in the context of the business processes analyzed;
- detection of the risks associated with the processes, with consequent assessment of the effectiveness of the organizational model and of the audit system overseeing them;
- verification of the efficiency and effectiveness of the single processes;
- immediate planning of corrective actions, giving priority to situations of greater exposure to risk not effectively mitigated.

A natural extension of the work of mapping and approving processes is Risk Self Assessment, an activity undertaken during 2008, which consists of analysing the mapping of processes in greater depth through a quantification in terms of both the economic impact, and the frequency of occurrence of possible risk events, and thus of losses, identified in business processes. This work – coordinated by the Risk Management and Controls Service – actively involved all the departments/services of

the Parent Company and the Group companies, which provided an estimate of the average frequency of occurrence of the average economic impact of potential events associated with the processes for which they are responsible, assessing in particular low-frequency high-impact events.

The objective of constantly improving the effectiveness and efficiency of the internal audit system, spreading the culture of operational risk and ensuring adequate information flows, is reflected in constant and continual improvement in the use of the “Audit Cycle”: an organized process of detecting and dealing with anomalies, supported by a specific software tool, which regulates their correct attribution to the processes generating them and the attribution of follow up responsibilities, and which also traces and governs the elimination of these anomalies and of their causes.

Further implementations and improvements were carried out on the so-called “alarm bells”, that is the anomaly warning indicators generated by automatic transaction processes and observation of the conduct of subjects internal and/or external to the company in order to identify anomalies and/or fraud.

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organization, in accordance with the legislation which states that timely information must be provided on the subject of operational risks. Therefore, in order to ensure proactive management of operational risk, the Risk Management and Controls Service produces regular summary and detailed statements which show for each Group company the degree of risk assumed in relation to:

- detrimental events and operating losses reported in the Controls Cycle database (highlighting the more serious anomalies);
- the outcome of line Controls;
- the trend in service levels;
- the Internal Operational Risk Rating<sup>(1)</sup> (I.O.R.R.) on the basis of an analysis of the KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).

## **MARKET RISK**

As regards market risk the Risk Management and Controls Service continued to refine the processes required to measure and monitor exposure to the different kinds of market risk (price risk, interest rate risk, exchange rate risk), in relation to the business carried on by the Parent Company’s Finance and Trading Departments and to the entire Group’s own portfolios.

## **LIQUIDITY RISK**

Control of liquidity risk was reinforced, through daily monitoring of specific internal indicators, needed to highlight the Group’s ability to cope with its commitments to ordinary customers and banks, in the event of situations of liquidity stress.

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<sup>(1)</sup> *The Internal Operational Risk Rating is a management tool for measurement and reporting which, in the form of a summary indicator ordered in discrete classes of growing risk from 1 to 5, enables representation of the exposure to operational risk of a Group service, department or company. It thus facilitates the evolution of organizational frameworks, making it possible to orient investments for mitigation of operational risks within the Group, and to complete the information available, in the context of strategic planning.*

The Risk Management and Controls Service continued its work of auditing risks assumed in pursuance of the business of asset management of the individual and collective portfolios of the Group Companies and of measuring the risk/return of the insurance products distributed.

## **CREDIT RISK**

The Risk Management and Controls Service helped to govern the Banca Sella Group's credit risk, seeking to ensure increasingly accurate measurement of this risk and aligning itself with the national and international best practices. To this end it developed and improved the methods of measurement and management of credit risk, transforming current standards (Basel 2) into operational practice.

The activities and audits carried out included:

- implementation of the Credit Repository project, creating a single certified environment in support of the work of the Risk Management and Controls Service, in relation to both to data of a regulatory nature (calculation of the capital requirement to cover credit risk under the terms of Basel 2) and to operational data (for Executive Reporting);
- quantitative analysis of the level of risk of the loan portfolio;
- development of a performance scoring model for private customers and for small businesses, a tool which enables measurement of the probability of default associated with private customers and small and medium enterprises. Performance scoring is a summary assessment of the creditworthiness (probability of default) of a counterparty, based on personal/corporate details, data from the Central Credit Register and information on conduct regarding the customer's relationship with the Banca Sella Group. The final rating is expressed in nine alphanumeric classes, from SP1 (best rating) to SP9 (worst rating).
- the new customer segmentation; the purpose of this work was to divide all customers in the Banca Sella Group's "credit world" into homogeneous risk classes, on the basis of personal/corporate data and size parameters recognized at the regulatory level by the Bank of Italy. In the process of granting and monitoring credit, customer segmentation is the first step in identifying the correct process of assessment of applications and of creditworthiness appropriate to each applicant in the light of their risk characteristics. The performance of operational segmentation in line with legislative requirements is therefore the indispensable prerequisite to ensuring compliance of the entire lending process with current laws;
- verification of the admissibility of credit risk mitigation techniques.

## **ICAAP**

During 2008 work also began on the ICAAP (Internal Capital Assessment Process), on the basis of which the Group was engaged in carrying out an independent assessment of its current and prospective capital adequacy, in relation to risks which have been and are being assumed and to corporate strategies. The ICAAP Process Owner<sup>(1)</sup> is the Risk Management and Controls Service, which, owing to

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<sup>(1)</sup> The process owner is the organizational unit responsible for the process as a whole (organization, instruments, rules and resources).

its complexity and transverse nature, worked and will work involving various units and professional figures in the Group (Strategic Planning, Financial Statements and Reporting, Financial Analysis , Internal Audit).

The entire process is fully governed by the Corporate Bodies of the Parent Company, which, in accordance with the Supervisory Regulations, “oversee the implementation and updating of the ICAAP, in order to ensure that it continues to respond to the operational characteristics and context in which the Group works”.

The ICAAP is implemented at the consolidated level, is based on appropriate corporate risk management systems, and presupposes adequate mechanisms of corporate governance, an organizational structure with well-defined lines of responsibility and effective internal audit systems.

The first simplified ICAAP Report (in relation to the following risks: operational, market, credit, single name concentration, interest rate on the banking book, liquidity) was sent to the Bank of Italy at the end of October 2008. Starting in April 2009 the complete ICAAP Report will be sent every year. The Risk Management and Controls Service will therefore be actively engaged in measuring and assessing the First Pillar risks (operational, market, credit) and all the Second Pillar risks identified (concentration, interest rate on the banking book, liquidity, reputational, strategic, residual, from securitization, insurance and real estate) and in the consequent assessment of “current and prospective” capital adequacy.

## **SERVICE LEVEL MONITORING**

The Group Risk Management and Controls Department is responsible for monitoring the service levels of all the Group’s operational structures. For this reason it shares and approves with the Banca Sella Holding Companies and Departments the indicators to be processed, and the calculation methods and tolerance thresholds. It also prepares a comment on the trend in the final figures which is presented in a special report to the Alignment Committee and Board of Directors of the Group.

The “Service Level Dashboard”, available to all users, is a shared tool representing these levels, which enables the indicators to be combined according to a viewpoint for end users and for the Banca Sella Group staff structure. The dashboards also provide an overview of the impact on the service levels of the critical anomalies which occurred in a certain department/company.

The service level monitoring process is closely connected to the anomaly and follow-up management processes. In fact, for every anomalous event entered into the Group “Anomaly Reporting” platform (system anomalies, customer claims, operating losses, etc.), an analysis of the impact on the service levels is requested.

In 2008 changes were made to the dashboards which refined their information content, and are now tools usable by all users, as they are published monthly on the company Intranet.

At 31 December 2008 the Group Dashboard recorded a total annual average service level of 99,685%, an improvement of 0,428% compared with the result for 2007 (99,260%).



## Information technology

During the year the Information Technology work carried out by Banca Sella Holding as the Parent Company continued the development of applications, with constant attention to increasing the skills of the personnel, the availability of resources for analysis and planning, and the flexibility of the information technology system architecture.

The various activities include the following:

- creation of the procedures and activities made necessary by the operation involving Banca Sella Sud Arditi Galati, a Group entity operating in the south of Italy;
- implementation of the instruments and features required to comply with the MiFID;
- updating of the Data Center, through technological renewal of the central processor and disc storage infrastructures. This was done in order to keep these infrastructures technologically adequate and make them capable of coping with the growth in volumes, also enabling, among other things, the reduction of energy consumption;
- introduction of solutions based on the Linux operating system for the production component relating to the application server;
- introduction of open source software on production solutions (such as Apache on the web servers);
- technological migration of the electronic mail system and of the client infrastructure system with migration to the use of Active Directory;
- extension of automatic controls in the IT procedures and extension of these controls to the use of operating masks;
- implementation and updating of procedures to keep up with changes in the Target2 platform and the SEPA service;
- creation and installation of the first “advanced ATMs” to enable performance of the same cash and cheque paying-in operations;
- ongoing migration of IT system procedures to the new “open” technology based on the three-level architecture that constitutes implementation of the concept of a “system of reusable services” generating operational efficiency, an activity that will continue until the project is completed in 2009;
- expansion of infrastructures devoted to optimizing controls and audits on production systems;
- continuing collaboration with the University of Trento to train foreign, and in particular Indian staff, with study of a master’s degree financed by the Bank through scholarships in Italy;
- continuation of the work of optimizing procedures, aimed at improving processes. This was done alongside the use of the analysis, architecture and code quality audits envisaged in the Development Process to improve governance of the Group software portfolio;
- introduction of “virtualisation” techniques in the central systems for better use of the processing power.

## Research and development

As regards research and development, the Bank paid constant attention to innovation activities in the field of new products and new channels, and to technological advances. During the year it was a member of working parties of the Italian Banking Association, including the ABILAB Committee (which is concerned with “technological research in a precompetitive setting in the banking world”, specifically in the group on IT security and business continuity). For more information on the subject the reader is referred to the contents of the report on consolidated operations.

## Improvement of productivity

In order to encourage the improvement of the Group’s productivity, in 2008 the “Banking Services Department” of Banca Sella Holding continued the work of coordinating projects with the aim of reducing the weight and cost of administrative and/or low-added-value activities, above all ones which have not been computerized or are not very efficient.

This goal was pursued, during the year, through work on revising a number of processes and delocalizing a number of activities to the foreign service centre. This was done, on the one hand to achieve more flexibility in the pursuance of greater efficiency, and on the other with the aim of seizing the opportunities provided by the distribution of work on a global scale, considering also that this is widely used by our main competitors. The delocalizations involved processes of the Parent Company and of the Group banks.

As a result of this work 35 resources engaged in administrative tasks were recovered at the Group level during the year, and it was possible to allocate the resources freed both to new business and/or customer care activities, and to reinforce the audit teams and activities.

In this work the Banking Services Department was assisted by the new Organization and Change Management Service, which was set up in May 2008, and whose objectives include the recovery of productivity through the use of “lean” total quality methods. As a result of the use of this method, during the year a full training programme was developed with the Milan Polytechnic, involving 20 Group employees, who attended 14 classroom sessions and activating 5 specific work projects.

As regards, instead, improvement of the efficiency of the distribution network, the organization and implementation of projects continued in the area of the “Branch Networks Department”, with the aim of improving the specialization of tasks, reorganizing the layout of branches, and improving and simplifying work processes.

## Human resources

### MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

At 31 December 2008 the Bank had a total of 1.161 employees, a net increase of 2 compared with the previous year, in which there were 1.159. Of the employees on the staff at 31 December 2008, 34 were absent on sabbatical and maternity leave.

The changes in the staff structure were due to:

- expansion of a number of head office structures which needed additional staff with consolidated

professionalism and skills, people who immediately increased the level of competence of the services and helped to train the internal personnel;

- expansion of the structures engaged in control work.

Recruitments during the year brought in 140 new staff (of which 6 transferred from other Group companies) divided as follows: 3 professionalizing apprenticeship contracts, 36 placement contracts, 62 temporary contracts and 39 permanent contracts. 138 employees left the company (of which 9 transferred to other Group companies and 1 retirement).

At the end of the year the average age of employees was 36 years and 5 months and the average length of service was 10 years and 1 month: both figures increased slightly with respect to the previous year.

At the end of the year the Bank's personnel costs amounted to about 65,4 million euro, an increase 1,3% over 2007. All personnel have part of their remuneration linked to the achievement of preset targets and above all to completion within the deadlines of the projects assigned and compliance with service levels.

## **TRAINING**

As far as staff training is concerned, 26.900 person-hours were provided in the year 2008, a 21% increase over the previous year. Classroom training, 21.378.5 person-hours, increased by 45%, while online training provided through the Group's e-learning platform decreased (-26%). A total of 1.050 employees were involved in training courses during the year, of which 999 in the company at 31 December 2008. The average number of training hours per employees was about 23 (+ 20% compared with the previous year). The training areas most covered were:

- organization and project management;
- development of personal skills;
- legislative changes, with particular reference to safety in the workplace.

# Business outlook

## THE SCENARIO

The intensification of the crisis required important actions to be taken by national and international economic policy authorities in support of the financial system and of the real economy. The group of 20 major industrialized countries (G-20), meeting in London on 2 April 2009, approved in practice the fiscal and monetary policy decisions taken by the individual countries, expressing hope for an acceleration in the progress of their implementation. The G20 also gave a more important role to international financial institutions in supporting the emerging economies. Another significant element was the definition of guidelines for the redefinition of the international financial system.

The effectiveness of these measures, which depends on the recovery of confidence among economic players, could facilitate a recovery in global growth, although a very slight one, towards the end of 2009. The entire year will however be characterized by a particularly weak trend in growth.

As regards the individual components of aggregate demand, it is likely that the trend in private consumption in the developed countries will be adversely affected by the deterioration of the labour market, by a decline in wealth and by the adoption of more selective criteria in the provision of loans. Business investment will also be discouraged by the weak and still uncertain macroeconomic scenario. In the residential property market the period of weakness will continue both in the USA and in the Eurozone countries. The worldwide decline in growth will also penalize exports in all countries.

Emerging countries will be adversely affected by the evolution of the global economic situation; the slowdown in exports, lower growth in raw material prices, the reduction of foreign capital flows and restrictions on the provision of credit are likely to cause a significant drop in the growth rates of emerging economies compared with the levels seen over the last few years.

Inflation should continue on its downward trend during 2009, benefiting from a favourable basic effect associated with raw material prices and with the recessive economic cycle. The adoption of extremely expansive economic policies may, however, cause an acceleration of the consumer price trend in later years.

With reference to the trend in interest rates in the US and in the Eurozone, short-term rates will be influenced by the expansive monetary policies of the Federal Reserve and the European Central Bank. In 2009 long-term interest rates – after an initial period of weakness, given the recessive scenario and the low inflation – will probably begin to rise in both the USA and the Eurozone, in the wake of a timid recovery of the economy and pressures on public accounts.

On the basis of the above remarks, the Italian banking and financial system is likely to develop as follows:

- lower growth prospects for earnings in view of the ongoing crisis on the financial markets;
- worsening of credit risk owing to the recessive economic cycle;
- different competitive pressure and change in the competitive context due to the shift of the focus from lending to funding, quality of assets and capital assets;
- possible disparity in competitive conditions induced by extraordinary intervention in support of the financial system and regulatory changes;
- possible extra costs of compliance deriving from the revision of European regulations;
- close attention to the control of administrative costs;

- strong interest in the evolution of the Italian industrial and social fabric: increasing attention to the financial strength of borrowers, be they families or businesses;
- affirmation of technological innovation as an essential factor on both the operational and the commercial front;
- lower operational risks as a result of consolidation of structures, and of the entry into full operation of the units responsible for monitoring risks.

## **BUSINESS CONTINUITY – STRATEGY AND PROFITABILITY OF THE BANK**

The directors state that they have examined with care and attention the assumptions of business continuity. The report on operations describes the results for the year: the performance, activities, capital management processes and financial position of the Bank testify to the policy of extreme prudence maintained throughout during the year. Liquidity, which even in the last few months of the year, in the face of an unfolding market crisis, was kept at a more than adequate level, and the risk management processes and objectives, with particular focus on more risky financial instruments, are commented on in detail both in the report on operations itself, and in Part E of the notes to the statements.

In the future too, the Bank, and indeed the entire Banca Sella Group intends to be recognized for:

- quality, understood as simplicity, rapidity, ability to meet needs;
- trust, in terms of correctness and reliability;
- a personal relationship, that is attention to and “love” for each customer;
- innovation;

being a group with clear positioning, which stands out for the application of values, for the growth and sense of belonging of its people and for organizational simplicity.

In order to achieve this goal also in the future, in the light of the general picture painted in the previous section, the Group will continue to focus its strategies on the following three directions:

- balanced growth, from the economic and financial point of view, of relations with customers, of their satisfaction and of innovation;
- operational excellence through the revision and simplification of business processes (a step in this direction was the creation of a consortium, as explained in the section “Events subsequent to the balance sheet date”) and a series of projects that will also involve human resources;
- strength and governance of risk, features which have always characterized the Banca Sella Group.

For more information on these three points, see the “Business outlook” section in the Report on Consolidated Operations.

The future development of the Bank will therefore depend on pursuance of the goals outlined above. The uncertainties associated with the future macroeconomic scenario will have inevitable repercussions on the Italian banking and financial system, and consequently will also affect the development and performance of Banca Sella Holding. From the situation of crisis, however, it is believed that opportunities may also emerge for banks which, thanks to deep roots in the community, are close to the social and industrial fabric and to the needs of their customers, such as the banks controlled by Banca Sella Holding.

Taking into account the possible changes, and after examining financial indicators (with particular attention paid to liquidity indicators and capital ratios), operational indicators and other significant indicators, the estimates and projections enable the directors to conclude that there is no uncertainty regarding the assumption of business continuity.

## ■ Events subsequent to the closing of the financial year

### **CREATION OF A CONSORTIUM**

At the end of 2008 a project was launched for the creation of a new Banca Sella Group consortium, devoted to the provision of services to group companies.

The new company will have Banca Sella Holding as the majority shareholder, while the other Group companies which currently benefit from outsourced services and which do not deduct VAT at more than 10%, will in turn subscribe a proportion of the share capital. The consortium will provide to its member companies most of the services currently provided by Banca Sella Holding and will therefore be the core of the Group's operational activities, and the place in which the industrial know-how is concentrated. Banca Sella Holding, instead, besides the business activities which require a banking licence, will continue to perform the work of management, coordination and control of the Banca Sella Group.

The mission of the consortium will therefore be to provide the driving force of the quality, excellence and success of the Banca Sella Group. It is being set up to seize a number of important opportunities identified by a study of the current organizational framework:

- simplification of the processes of governance;
- improvement of management of outsourcing thanks to the best possible focusing, with the aim of determining a reduction in costs and an increase in efficiency;
- more involvement of current "customers" of services currently rendered in outsourcing by the Parent Company, which, after becoming shareholders of the consortium, will play a greater part in determining the directions and performance of the corporate business;
- better management of relations with its customers and, with a view to the future, the option of providing auxiliary activities and/or services to third parties outside the Group.

As the major part of this project, starting from 1st April 2009 the Parent Company will confer most of its company divisions on the consortium, so that, at the date of effectiveness of the conferment, the employment relationships of Banca Sella Holding will be transferred automatically to the new company. All the economic and regulatory conditions and the national employment contracts currently applied will continue to be applied to all the employees involved in the reorganization.

Discussions are still in progress on the possibility of transferring to the consortium also company divisions of the Selir Group, Easy Nolo and Sella Synergy India.

### **EQUITY INTEREST IN BANCA MONTE PARMA**

On 16 February 2009 the sale was completed, at the same terms envisaged for the purchase, of 84.000 Banca Monte Parma shares (3% of the share capital of the bank) which had been recognized as Financial assets available for sale.

### **MERGER BETWEEN BANCA SELLA HOLDING AND FINANZIARIA 2007**

On 1st April 2009 the merger between Banca Sella Holding and Finanziaria 2007 will take legal effect. As described in the section "Changes in the Group structure and in equity investments", in financial year 2008 the Parent Company had carried out a series of purchase transactions through which it acquired 100% of the shares of Finanziaria 2007.

As a result of the merger, Banca Sella Holding becomes a shareholder of Banca Sella Nordest Bovio Calderari with a controlling stake of 56,756%.

### **EQUITY INTEREST IN CENTRALE DEI BILANCI**

On 12 March 2009 Banca Sella Holding received an irrevocable offer of purchase for the equity investment held in the company Centrale dei Bilanci S.r.l., representing 1% of the share capital. The price envisaged in the offer is set at 5.165.000 euro (there are, however, clauses stating that interest is to be paid to the Offeror in the event of acceptance of the offer, if the sale to the said Offeror is not executed immediately).



## ■ Own and parent company's shares

During the period, the Bank did not hold, nor does it currently hold, any own share, nor any shares of parent companies.

## Equity investments and relations with group companies

The structure of the Banca Sella Group at 31 December 2008, together with an indication of the main equity relationships, is shown in the Group chart provided at the beginning of this annual report. At the end of the year the countervalue of the Bank's equity investments, which had increased by 69,4 million euro compared with 2007, amounted to 772 million euro, of which 693,7 million euro in companies belonging to the Group. The most significant changes occurring in the Bank's equity investment portfolio up to 31 December 2008 were:

### **Increases**

- the purchase of 40.290 shares in Banca Patrimoni Sella & C. S.p.A., representing 0,152% of the share capital of the company, with a consequent increase of the interest from 68,190% to 68,342%;
- the purchase of 112.000 shares in Sella Gestioni SGR S.p.A., representing 0,588% of the share capital of the company, with a consequent increase of the interest from 74,785% to 75,373%;
- the purchase of 40.000 shares in Intesa San Paolo S.p.A., representing 0,0003% of the share capital of the company, with a consequent increase of the interest from 0,0031% to 0,0034%;
- the purchase of 280.000 shares in Banca Monte Parma S.p.A., representing 10,000% of the share capital of the company;
- the purchase of 1.000.000 shares in HI-MTF SIM S.p.A., representing 20,000% of the share capital of the company;
- the purchase of 36.000 shares in Agata S.p.A., representing 16,36% of the share capital of the company;
- the assignment of 71.004 shares in VISA Inc. (USA) - Class C, representing 0,0084% of the share capital of the company;

### **Equity operations**

- following completion of the subscription of the capital increase in Pallacanestro Biella S.p.A., the value of the equity interest declined from 3,361% to 3,139%;
- following the ongoing subscription of the capital increase in Città Studi S.p.A., the value of the equity interest declined from 0,386% to 0,367%;

### **Other operations**

- following the merger by incorporation of Banca di Palermo S.p.A. into Banca Arditi Galati S.p.A., which changed its company name to Banca Sella Sud Arditi Galati S.p.A., the equity interest in the Bank increased from 51,250% to 60,129%;
- following the merger by incorporation of CIM Italia S.p.A. into Key Client Cards & Solutions S.p.A., the Bank became a shareholder of the latter with a stake of 0,493%;
- following the demerger of BC Finanziaria S.p.A. and the change of name of the demerged company to Finanziaria 2007 S.p.A., the Bank remained a shareholder of the latter with a stake of 83,374%. Subsequently the Bank purchased 11.409.085 shares of Finanziaria 2007 S.p.A., becoming the single shareholder.

It is important to note also the closure of the liquidation of Selsoft Direct Marketing S.p.A. and Sella Austria Financial Services AG.

### **Commitments to Sella Bank Luxembourg**

The operational risks to which Sella Bank Luxembourg is exposed can be attributed to the operations which were concluded in November 2003. These were described in the annual reports of previous years.

For reasons of clarity and consistency, we are presenting once again the division of risks following the same scheme that appears in the report on the 2007 financial statements, distinguishing therefore between:

- a) risks attributable to the role of Sella Bank Luxembourg as the custodian bank and administrative agent of the SICAVs Amis Funds (Amis) and Top Ten Multifonds (TTM);
- b) risks relating to disputes that arose with reference to the relations of Sella Bank Luxembourg with a number of funds incorporated under the laws of the BVI (British Virgin Islands) and with their management and/or sub-management companies or with subjects related to the former or the latter.

As regards dispute (a), on 21 March 2008 Sella Bank Luxembourg signed a settlement with the judicial liquidators of the SICAVs Amis and TTM. The settlement was approved by the Court of Luxembourg in a judgement handed down on 3 July 2008, now final owing to the absence of appeals. Consequently, the settlement was executed by Sella Bank Luxembourg with payment, on 8 August 2008, of 21.827.277,78 euro (deriving from the principal amount envisaged of 21.500.000,00 euro plus interest at the legal rate) part of which was paid by Banca Sella Holding on the basis of the letter of financial support signed previously. As a result of this settlement, the lawsuits filed by the Liquidators in December 2006 – consisting of two writs asking for Sella Bank Luxembourg to be ordered to pay, as compensation for damages, a total amount of 70.176.545,68 euro plus interest at the legal rate and legal costs – were halted, and the Liquidators renounced their respective requests for the amounts claimed, in deeds of waiver sent in a letter dated 12 September 2008.

Besides a complex mechanism of guarantees given by the Liquidators to Sella Bank Luxembourg for the eventuality of subsequent suits filed by third parties, the settlement signed on 21 March 2008 states that, in the context of the judicial liquidation procedure, the Liquidators will pay off investors in the Vario Invest product distributed by Amis AG and with respect to which Sella Bank Luxembourg had performed, up to 4 March 2004, the task of collecting moneys originating from investments with assumption of responsibility as regards their mixing with the assets of the SICAV. The Liquidators thus undertook, against the payment made by Sella Bank Luxembourg of the further sum of 4.000.000,00 euro, to collate by 2 July 2011 the waivers of at least 85% of the Vario Invest investors of all claims against Sella Bank Luxembourg. In the absence of waivers by the Vario Invest investors, the risk to Sella Bank Luxembourg of being exposed to such claims was estimated, in agreement with the Liquidators themselves, as 6.800.000,00 euro.

The only legal proceedings pending in Austria brought against Sella Bank Luxembourg by Austrian investors (Daxboeck and the others) in Amis AG products came to an end with a judgement of the Court of Appeal of Vienna of 1st August 2008, which, like the court of first instance, found against Austrian jurisdiction, and in favour of the unappealability, including from the point of view of international jurisdiction, of the decision to approve the settlement handed down by the Court of Luxembourg. The judgement has now become final with the plaintiffs ordered to pay the legal costs.

With reference to the risks in (b), without forgetting the claims lodged in previous years, none of which has been settled, on 27 March 2008, Sella Bank Luxembourg received a writ for a total of 54.722,84 euro and 9.708.553,00 US dollars the risk of which had already been assessed in the 2007 financial statements. This is a lawsuit which revives a claim received in January 2007. Sella Bank Luxembourg joined the case immediately pointing out the mistakes and irregularities committed by the plaintiffs in the quantification of the various claims and reserving the right to produce further arguments in its defence.

Again in 2008, Sella Bank Luxembourg received two other writs for a total of 48.382.807,72 US dollars. In both lawsuits, arising from the same matter, Sella Bank Luxembourg joined the case formally reserving the right to present a defence, on the basis of the rules of legal proceedings in Luxembourg.

In reaction to all the proceedings outlined above, as also to those initiated in previous years by the fund management companies, Sella Bank Luxembourg did not restrict itself to a defence on merely contractual and legal grounds by demonstrating that the banks had executed correctly the contracts signed with the management companies. Instead, in the belief that it had no substantial liabilities because it was at the centre of a complex network of relationships between the fund management companies and the funds themselves it decided to lodge - and did so in 7 May 2008 - a criminal action, which is still pending before the legal authorities of Luxembourg, asking them to investigate the tangled business relationships and transactions between the funds, the management company and their respective economic beneficiaries. Consequently, in the various pending legal actions, a petition was lodged for suspension of the suit on the basis of the priority of the criminal case. This petition was opposed by the other parties, but the court has not yet issued its judgement.

Finally, with a writ served on 11 March 2009, Sella Bank Luxembourg was summoned for the return of 6.929.516,81 US dollars and 3.737,30 euro as the assets of a BVI fund still deposited with Sella Bank Luxembourg plus compensatory interest. As regards this writ too, Sella Bank Luxembourg will present a "civil law" defence based on demonstrating the right of a contractual origin to withhold these amounts and, along other lines, will invoke the wider argument of the criminal inquiry which also involves the fund in question.

Overall, although following execution of the settlement with the judicial liquidations of the SICAVs Amis Fund and Top Ten Multifonds (see above, letter a) the operational risk of Sella Bank Luxembourg has changed as regards the amounts of the claims brought against it, until the criminal authorities of Luxembourg decide on whether to proceed against the alleged crimes and in the various civil cases pending on the claimed priority of the criminal case (in relation to the disputes under letter b), we can see no reason to change the estimate of the risk presented in the 2007 financial statements.

## Relations with group companies

The following table shows the relations between Banca Sella Holding and the Group companies from the financial and economic points of view:

**Relations of Banca Sella Holding with other Group companies: income statement data** (euro thousands)

Counterparty	Interest and similar income	Interest and similar expense	Net gains/ (losses) on trading activities	Fee income	Fee expense	Personnel expenses	Other administrative expenses	Other operating expenses	Other operating expenses
Biella Leasing S.p.A.	40.788		6.638			207	4		646
Banca Patrimoni Sella & C. S.p.A.	-36	-6.439	479	621	-598	380	-81	-18	4.218
Brosel S.p.A.									49
Banca Sella S.p.A.	56.478	-112.661	42.064	11.147	-8.789	239	42	-93	44.649
Banca Sella Sud Arditi Galati S.p.A.	1.737	-2.933	14.865	1.047	-1.267	-632	-60	-23	6.071
Banca Sella Nordest Bovio Calderari S.p.A.	6.417	-231	771	456	-640	-298	-24	-1	3.435
C.B.A. Vita S.p.A.		-145				-355	-193	-199	393
Consel S.p.A.	28.806		10.395			76	1		617
Easynolo S.p.A.					-192	542	-6.506		321
Finanziaria 2007 S.p.A.									7
Immobiliare Sella S.p.A.									48
Immobiliare Lanificio Maurizio Sella S.p.A.						1.176	-800		177
Sella Corporate Finance S.p.A.						469	-606		38
Sella Capital Management SGR S.p.A.									21
Secursel S.r.l.									7
Sella Bank AG	3	-611			-1				40
Sella Bank Luxembourg S.A.	565	-12.487		27		7	1		166
Selfid S.p.A.						215	7		21
Selgest S.A.				275					5
Sella Holding N.V.	435								
Sella Synergy India Ltd.									64
Selir S.r.l.							-1.390		79
Sella Gestioni SGR S.p.A.		-122		3		94	-126		558
Sella Life Ltd.						10			79
<b>Overall total</b>	<b>135.193</b>	<b>-135.629</b>	<b>75.212</b>	<b>13.576</b>	<b>-11.487</b>	<b>2.130</b>	<b>-9.731</b>	<b>-334</b>	<b>61.709</b>

**Relations of Banca Sella Holding with other Group companies: balance sheet data** (euro thousands)

Counterparty	Financial assets held for trading	Due from banks	Due from customers	Other assets	Due to banks	Financial liabilities held for trading	Other liabilities
Biella Leasing S.p.A.	6.807		828.129	58		153	188
Banca Patrimoni Sella & C. S.p.A.	613	13		552	263.710	135	496
Brosel S.p.A.				1			15
Banca Sella S.p.A.	49.584	308.573		3.376	3.151.804	16.605	18.351
Banca Sella Sud Arditì Galati S.p.A.	15.994	2.267		433	161.036	1.144	2.730
Banca Sella Nordest Bovio Calderari S.p.A.	984	42.497		136	1.824	436	1.366
C.B.A. Vita S.p.A.			2	36		481	144
Consel S.p.A.	9.844		672.687	15		263	
Easynolo S.p.A.				166			91
Immobiliare Sella S.p.A.							20
Immobiliare Lanificio Maurizio Sella S.p.A.			1	652			75
Sella Corporate Finance S.p.A.				235			23
Sella Capital Management SGR S.p.A.				4			5
Secursel S.r.l.							3
Sella Bank AG	762	27		94	24.731	259	20
Sella Bank Luxembourg S.A.	5.372	11.098		2	295.019	2.900	64
Selfid S.p.A.				53			7
Selgest S.A.				48			
Sella Holding N.V.			8.251				
Sella Synergy India Ltd.							18
Selir S.r.l.							137
Sella Gestioni SGR S.p.A.			5	205			224
Sella Life Ltd.							20
<b>Overall total</b>	<b>89.960</b>	<b>364.475</b>	<b>1.509.075</b>	<b>6.066</b>	<b>3.898.124</b>	<b>22.376</b>	<b>23.997</b>

## ■ Proposed allocation of profit

Dear Shareholders,

the Balance Sheet and Income Statement at 31 December 2008, presented in euro units in accordance with current legislation, with the usual prudential criteria, after all the necessary depreciation, amortization and provisions show a net profit for the year of euro 1.734.131,24 which we propose to allocate as follows:

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Profit for the year	euro	1.734.131,24
- to the "Statutory reserve"	euro	693.652,50
remaining	euro	1.040.478,74
for Shareholders:		
- dividend of 0,005 euro for each of the 201.000.000 shares	euro	1.005.000,00
and the remainder to the "Extraordinary reserve"	euro	35.478,74

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Biella, 27 March 2009

The Chairman of the Board of Directors  
(Maurizio Sella)







# Report of the Board of Statutory Auditors

On the financial statements for the year to 31 December 2008



# Report of the Board of Statutory Auditors

Dear Shareholders,

during 2008, the board of statutory auditors carried out its tasks of supervision and auditing of the performance of the company's business, with specific reference to aspects concerning the application of the various regulations governing the complex subjects of corporate and banking law.

In particular, during the twelve meetings held:

- we took part in seventeen meetings of the Board of Directors held, obtaining from the directors, approximately every month, information on the work performer and on the transactions of greatest economic and financial significance, making sure that those approved and carried out were compliant with the law and with the articles of association, not manifestly imprudent, not hazardous, not in contrast with general meeting resolutions or in potential conflict of interest and – wherever appropriate – making sure that the subjects involved provided the information prescribed;
- we attended three general meetings and nine meetings of the audit committee;
- we have kept ourselves informed of and supervised, insofar as our duty required, both the adequacy of the organizational structure of the company – following regularly the further improvements introduced – and the observance of principles of correct administration, by observing directly, collecting information and documents from the managers of the relevant units and holding meetings with the external auditors and the internal auditing unit, also for the purposes of reciprocal exchange of data and information;
- we examined in depth the internal control system and the administrative and accounting system – ascertaining their continuing adequacy – and the continuing ability of the latter to give a true and fair picture of the business;
- we ascertained that the capital eligible for regulatory purposes was more than the ratios provided for, with a Tier 1 capital ratio of 29,00% and a total capital ratio of 44,11%, much more than the minimum laid down of 6%;
- we met with members of the boards of statutory auditors of the other Group companies, in order to exchange information and opinions, with reference to Art. 2403 bis of the Civil Code, not forgetting that Banca Sella Holding, as the Parent Company, directs and coordinates these companies, under the terms of Art. 2497 of the Civil Code.

During the work we performed no significant facts emerged, such as to require reporting to the Supervisory and Auditing Authorities or mentioning in our report, and we did not receive any claims under Art. 2408 of the Civil Code, nor were we informed that any had been received.

\* \* \*

We also examined – as far as the presentation and the structure are concerned, as the external auditors are responsible for auditing of the accounts – the draft of individual financial statements for financial year 2008, approved by the directors in their meeting on 27 March 2009, which shows a net profit of euro 1.734.131, sharply down on the figure for the previous year, owing to the effect, as they observed, of the certain events which are specified therein and considered of an exceptional nature.

The report on operations and the explanatory notes provide the information required by law, and other appropriate information in relation to the characteristics of the company and the business

sector, in commenting on the company's operations in the financial year and explaining adequately the events that generated the cash flows and their impact on the company's liquidity and solvency, and outlining the foreseeable trend in 2009, in the light of the known and rationally predictable developments.

Also in reference to the requirements of IFRS 7 and of the Joint Bank of Italy - Consob - Isvap Document no. 2 of 6 February 2009, the directors point out the risks to which the company is exposed at the balance sheet date, deriving from the use of financial instruments, providing information which enables an assessment of the nature, magnitude and significance of the same with reference to the capital, financial situation and economic result.

They also illustrate the relations between group companies and with related parties, stressing that they were all enacted in accordance with their respective specializations, in compliance with the provisions of current laws and on the basis of assessments of mutual economic advantage.

We have observed in general the correct establishment of the prerequisites for the preparation of such contracts and the methods of provision of the main services rendered.

We reaffirm our consent to the recognition of the multi-annual costs among the assets on the balance sheet, and agree with the reasons and the amortization schedules presented by the directors.

Deloitte & Touche – precisely because their task is to audit the accounts pursuant to Art. 2409 bis of the Civil Code – have informed us that, on the basis of the outcome of the work done up to now, they will issue their own positive opinion on the 2008 financial statements, without objections or exceptions.

On the basis of our work as described above in relation to the presentation and structure of the financial statements and the positive assessment of the independent auditing company, we are of the opinion that they can be approved, together with the proposal for allocation of the profit for the year.

\* \* \*

Our mandate expires at the general meeting; we thank you for the trust expressed in us at the time of our appointment and invite you to appoint a new board.

8 April 2009

**The Board of Statutory Auditors**

Alessandro Rayneri

Paolo Piccatti

Alberto Rizzo





## Financial statements at 31 December 2008



## Balance sheet

ASSETS (euro)	31 December 2008	31 December 2007	Differences %
10. Cash and available liquidity	-	70.099	-100,00%
20. Financial assets held for trading	494.909.815	412.865.191	19,87%
40. Financial assets available for sale	32.984.736	40.298.928	-18,15%
50. Financial assets held to maturity	63.106.775	70.439.632	-10,41%
60. Due from banks	3.321.064.282	2.738.902.003	21,26%
70. Due from customers	1.652.319.490	1.518.602.163	8,81%
80. Hedging derivatives	1.769.318	2.155.951	-17,93%
100. Equity investments	721.087.431	666.296.138	8,22%
110. Tangible asset	61.930.337	60.921.992	1,66%
120. Intangible assets	31.703.721	24.242.437	30,78%
of which:			
- goodwill	-	-	-
130 Tax assets	21.824.130	21.852.600	-0,13%
a) current	13.309.597	14.994.233	-11,24%
b) deferred	8.514.533	6.858.367	24,15%
150 Other assets	67.572.780	129.524.874	-47,83%
<b>Total assets</b>	<b>6.470.272.814</b>	<b>5.686.172.008</b>	<b>13,79%</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	31 dicembre 2008	31 dicembre 2007	Differences %
10. Due to banks	3.961.906.910	3.404.096.643	16,39%
20. Due to customers	128.730.776	188.148.217	-31,58%
30. Securities in issue	1.622.590.362	1.322.548.207	22,69%
40. Financial liabilities held for trading	121.735.483	49.025.879	148,31%
60. Hedging derivatives	-	8.132.948	-100,00%
80. Tax liabilities	1.889.103	2.300.506	-17,88%
a) current	580.153	2.290.107	-74,67%
b) deferred	1.308.950	10.399	12487,69%
100. Other liabilities	145.244.597	196.499.501	-26,08%
110. Employee severance indemnities	12.740.449	12.440.552	2,41%
120. Provisions for risks and charges:	25.188.869	47.741.722	-47,24%
a) retirement and similar obligations	-	-	-
b) other provisions	25.188.869	47.741.722	-47,24%
130. Valuation reserves	4.508.358	21.965.996	-79,48%
160. Reserves	294.090.262	238.145.043	23,49%
170. Share premiums	49.413.513	49.413.513	-
180. Share capital	100.500.000	80.000.000	25,63%
200. Profit for the year	1.734.131	65.713.282	-97,36%
<b>Total liabilities</b>	<b>6.470.272.814</b>	<b>5.686.172.008</b>	<b>13,79%</b>

## Income statement

ITEMS (euro)	Financial year 2008	Financial year 2007
10. Interest receivable and similar income	249.713.961	228.207.630
20. Interest and payable similar expenses	(252.941.271)	(228.614.849)
<b>30. Net interest income</b>	<b>(3.227.310)</b>	<b>(407.219)</b>
40. Fee income	90.749.827	94.077.880
50. Fee expenses	(54.185.630)	(55.593.430)
<b>60. Net fees</b>	<b>36.564.196</b>	<b>38.484.451</b>
70. Dividends and similar income	47.684.110	30.205.349
80. Net gains/(losses) on trading activities	10.061.041	9.901.233
90. Net gains/(losses) on hedging activities	(309.836)	(42.900)
100. Gains/(losses) on sale or repurchase of:	14.644	55.945.790
a) loans & receivables	-	-
b) financial assets available for sale	(8.443)	55.933.432
c) financial assets held to maturity	-	-
d) financial liabilities	23.087	12.358
110. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	-	-
<b>120. Net banking income</b>	<b>90.786.844</b>	<b>134.086.705</b>
130. Net value adjustments for impairment on:	(24.078.318)	(782.061)
a) loans & receivables	(385.178)	(357.978)
b) financial assets available for sale	(23.745.491)	(603.215)
c) financial assets held to maturity	-	-
d) other financial transactions	52.351	179.132
<b>140. Net gains/(losses) on financial operations</b>	<b>66.708.526</b>	<b>133.304.644</b>
150. Administrative expenses	(117.260.561)	(115.412.672)
a) personnel expenses	(65.369.096)	(66.251.733)
b) other administrative expenses	(51.891.465)	(49.160.938)
160. Net provisions for risks and charges	1.953.220	(1.362.768)
170. Net value adjustments tangible assets	(8.566.218)	(8.439.116)
180. Net value adjustments on intangible assets	(9.161.233)	(7.432.145)
190. Other operating expenses/income	62.200.603	63.622.456
<b>200. Operating costs</b>	<b>(70.834.188)</b>	<b>(69.024.245)</b>
210. Gains/(Losses) on equity investments	(1.266.195)	292.153
220. Net gains/(losses) on measurement at fair value of tangible and intangible assets	-	-
230. Impairment of goodwill	-	-
240. Gains/(Losses) on sale of investments	24.578	16.280
<b>250. Profit/(Loss) from continuing operations before taxes</b>	<b>(5.367.279)</b>	<b>64.588.833</b>
260. Income taxes for the period on continuing operations	7.101.411	1.124.449
<b>270. Profit/(Loss) from continuing operations after taxes</b>	<b>1.734.131</b>	<b>65.713.282</b>
280. Profit/(loss) on asset disposal groups held for sale after taxes	-	-
<b>290. Profit/(Loss) for the year</b>	<b>1.734.131</b>	<b>65.713.282</b>

# Cash flow statement

## Direct method

<b>A. OPERATING ACTIVITIES</b> (euro)	<b>31 December 2008</b>	<b>31 December 2007</b>
<b>1. Operations</b>	<b>(1.318.217)</b>	<b>(9.436.552)</b>
interest income collected (+)	249.713.961	228.207.630
interest expenses paid (+)	(253.108.414)	(228.614.849)
dividends and similar income	12.441.996	4.593.668
net fees (+/-)	36.564.196	38.484.450
personnel expenses	(64.340.504)	(67.628.377)
other costs (-)	(51.891.465)	(49.225.981)
other revenues (+)	62.200.603	63.622.458
duties and taxes (-)	7.101.411	1.124.449
<b>2. Cash provided (used) by financial assets</b>	<b>(744.878.902)</b>	<b>(444.598.459)</b>
financial assets held for trading	(71.983.583)	66.627.547
financial assets available for sale	(16.305.213)	70.297.372
due from customers	(134.102.505)	(230.390.782)
due from banks	(582.162.279)	(374.866.109)
other assets	59.674.678	23.733.513
<b>3. Cash provided (used) by financial liabilities</b>	<b>792.094.896</b>	<b>494.434.470</b>
due to banks	557.810.267	472.474.615
due to customers	(59.417.441)	(37.577.007)
outstanding securities	300.065.242	41.325.246
financial liabilities held for trading	72.709.604	4.849.058
other liabilities	(79.072.778)	13.362.558
<b>Net cash provided (used) by operating activities</b>	<b>45.897.777</b>	<b>40.399.459</b>
<b>B. INVESTING ACTIVITIES</b> (euro)	<b>31 December 2008</b>	<b>31 December 2007</b>
<b>1. Cash provided by:</b>	<b>62.546.110</b>	<b>91.773.756</b>
sales of equity investments	19.640.778	65.859.505
dividends collected on equity investments	35.242.113	25.611.681
sales/redemptions of financial assets held to maturity	7.500.000	-
sales of tangible assets	42.569	38.712
sales of intangible assets	120.650	263.859
sales of subsidiaries and company divisions	-	-
<b>2. Cash used by:</b>	<b>(102.033.986)</b>	<b>(127.507.648)</b>
purchases of equity investments	(75.698.265)	(95.270.356)
purchases of financial assets held to maturity	-	(9.693.050)
purchases of tangible assets	(9.592.554)	(8.037.098)
purchases of intangible assets	(16.743.167)	(14.507.145)
purchases of subsidiaries and company divisions	-	-
<b>Net cash provided (used) by investing activities</b>	<b>(39.487.876)</b>	<b>(35.733.892)</b>
<b>C. FUNDING ACTIVITIES</b> (euro thousands)	<b>31 December 2008</b>	<b>31 December 2007</b>
issue/purchase of own shares	-	-
issue/purchase of equity instruments	-	-
distribution of dividends and other purposes	(6.480.000)	(4.600.000)
<b>Net cash provided (used) by funding activities</b>	<b>(6.480.000)</b>	<b>(4.600.000)</b>
<b>NET CASH PROVIDED (USED) IN THE PERIOD</b>	<b>(70.099)</b>	<b>65.567</b>
<b>RECONCILIATION</b> (euro thousands)	<b>31 December 2008</b>	<b>31 December 2007</b>
<b>Cash and cash equivalents at start of year</b>	<b>70.099</b>	<b>4.532</b>
Total net cash provided (used) in the period	(70.099)	65.567
<b>Cash and cash equivalents at end of year</b>	<b>-</b>	<b>70.099</b>



# Statement of changes in shareholders' equity 2007

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 07 (euro)

	Balance at 31/12/06	Changes to opening balance	Balance at 01/01/07	allocation of profit of previous year	
				reserves	dividends and other uses
Share capital:					
a) ordinary shares	80.000.000	-	80.000.000	-	-
b) other shares	-	-	-	-	-
Share premiums	49.413.513	-	49.413.513	-	-
Reserves:					
a) profit reserves	250.006.663	-	250.006.663	3.307.634	-
b) others	(21.364.171)	-	(21.364.171)	-	-
Valuation reserves:					
a) available for sale	37.907.689	-	37.907.689	-	-
b) cash flow hedging	-	-	-	-	-
c) special revaluation laws	17.658.559	-	17.658.559	-	-
Equity instruments	-	-	-	-	-
Own shares	-	-	-	-	-
Profit/(Loss) for the year	7.907.634	-	7.907.634	(3.307.634)	(4.600.000)
Shareholders' equity	421.529.888	-	421.529.888	-	(4.600.000)

	changes in the period							shareholders' equity at 31/12/2007
	changes in reserves	issue of new shares	purchase of own shares	distribution of extraordinary dividends	change in equity instruments	derivatives on own shares	Stock options	
Share capital:								
a) ordinary shares	-	-	-	-	-	-	-	- 80.000.000
b) other shares	-	-	-	-	-	-	-	-
Share premiums	-	-	-	-	-	-	-	- 49.413.513
Reserves:								
a) profit reserves	6.193.526	-	-	-	-	-	-	- 259.507.823
b) others	1.391	-	-	-	-	-	-	-(21.362.779)
Valuation reserves:								
a) available for sale	(33.153.629)	-	-	-	-	-	-	- 4.754.059
b) cash flow hedging	-	-	-	-	-	-	-	-
c) special revaluation laws	(446.623)	-	-	-	-	-	-	- 17.211.937
Equity instruments	-	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	-	-	-	- 65.713.282	65.713.282
Shareholders' equity	-	-	-	-	-	-	- 65.713.282	455.237.834

# Statement of changes in shareholders' equity at 31 December 2008

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2008 (euro)

	Balance at 31/12/07	Changes to opening balance	Balance at 01/01/08	allocation of profit of previous year	
				reserves	dividends and other uses
Share capital:					
a) ordinary shares	80.000.000	-	80.000.000	-	-
b) other shares	-	-	-	-	-
Share premiums	49.413.513	-	49.413.513	-	-
Reserves:					
a) profit reserves	259.507.823	-	259.507.823	59.233.282	-
b) others	(21.362.779)	-	(21.362.779)	-	-
Valuation reserves:					
a) available for sale	4.754.059	-	4.754.059	-	-
b) cash flow hedging	-	-	-	-	-
c) special revaluation laws	17.211.937	-	17.211.937	-	-
Equity instruments	-	-	-	-	-
Own shares	-	-	-	-	-
Profit/(Loss) for the year	65.713.282	-	65.713.282	(59.233.282)	(6.480.000)
Shareholders' equity	455.237.834	-	455.237.834	-	(6.480.000)

### Changes in the period

	changes in reserves	Operations on shareholders' equity					Stock options	profit for the year to 31/12/2008	shareholders' equity at 31/12/2008
		issue of new shares	purchase of own shares	distribution of extraordinary dividends	change in equity instruments	derivatives on own shares			
Share capital:									
a) ordinary shares	-20.500.000	-	-	-	-	-	-	100.500.000	
b) other shares	-	-	-	-	-	-	-	-	
Share premiums	-	-	-	-	-	-	-	49.413.513	
Reserves:									
a) profit reserves	(24.506.843)	-	-	-	-	-	-	294.234.262	
b) others	21.218.779	-	-	-	-	-	-	(144.000)	
Valuation reserves:									
a) available for sale	(245.701)	-	-	-	-	-	-	4.508.358	
b) cash flow hedging	-	-	-	-	-	-	-	-	
c) special revaluation laws	(17.211.937)	-	-	-	-	-	-	-	
Equity instruments	-	-	-	-	-	-	-	-	
Own shares	-	-	-	-	-	-	-	-	
Profit/(Loss) for the year	-	-	-	-	-	-	1.734.131	1.734.131	
Shareholders' equity	-	-	-	-	-	-	1.734.131	450.246.264	



## Notes to the financial statements







## Part A – Accounting policies







A 1 - General section



## ■ Section 1 - Declaration of conformity to international accounting standards

The present financial statements were prepared in accordance with the international accounting standards (IAS/IFRS – including the interpretative documents SIC and IFRIC) issued by the International Accounting Standards Board (IASB) and approved by the European Union up to 31 December 2008, as laid down in Community Regulation 1606 of 19 July 2002. As regards the tables and the explanatory notes, the financial statements were prepared applying all the rules set out by the Bank of Italy, exercising its powers pursuant to Art. 9 of Lgs. Dec. 38/2005, in its Order of 22 December 2005 with which it issued Circular No. 262/05.

In order to facilitate interpretation of the international accounting standards reference was also made to the documents prepared by the OIC and the ABI.

The financial statements, therefore, are clearly set out and give a true and fair picture of the economic and financial situation of Banca Sella Holding.



## Section 2 - General drafting principles

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the present Notes to the Financial Statements, and are accompanied by the Directors' Report on Operations, in total continuity with respect to 31 December 2007. The notes to the statements are expressed in thousands of euro.

The financial statements have been drawn up clearly and give a true and fair picture of the assets and liabilities, financial position and earnings in the year.

They are prepared in compliance with the general standards provided for in IAS 1 and in accordance with the general assumptions envisaged in the Systematic Framework.

If the information required by the international accounting standards and by the rules laid down in Bank of Italy Circular 262 of 22 December 2005 is not sufficient to give a true and fair picture, additional information for this purpose is provided in the Notes to the Financial Statements.

If, in exceptional cases, the application of a rule envisaged in the international accounting standards is incompatible with a true and fair picture of the assets and liabilities, financial position and earnings, this rule is not applied. The reasons for any exception and its impact on the presentation of the assets and liabilities, financial position and earnings are explained in the Notes to the Financial Statements

In drawing up these financial statements consideration was taken of Bank of Italy/Consob/Isvap document no. 2 dated 6 February 2009 which, while not introducing additional obligations to those envisaged by international accounting standards, stresses the need to ensure adequate information is included in the financial statements. The document recommends the prompt and thorough application of the accounting standards, in particular as regards business continuity, financial risks, checks in reducing the value of assets and uncertainties when using estimates..

### **INFORMATION ON OTHER RECLASSIFICATIONS**

Changes occurring during the year and affecting presentation of the data in the present financial statements were as follows:

- following the issue of Circular 900 of 2 January 2009 by the Bank of Italy, which made changes to Circular 262 of 22 December 2005, for financial year 2008 the fees of the Board of Statutory Auditors were included under "Personnel expenses", and no longer under "Other administrative expenses";
- as a result of the changes made by the IASB (International Accounting Standards Board) to IAS 39 and IFRS 7, the Bank took the option to reclassify part of its securities portfolio recognized in the "held for trading" category to the "loans & receivables" category.
- starting in financial year 2008, for greater uniformity with the consolidated financial statements, Banca Sella Sud Holding also decided to no longer take advantage of the option to offset tax assets and liabilities. To enable better comparability it was decided to apply the new criterion also to taxation for financial year 2007.

## ■ Section 3 - Events subsequent to the balance sheet date

There are no subsequent events to be reported.

## Section 4 - Other aspects

### **INFORMATION ON THE REVISION OF METHODS AND PARAMETERS FOR DETAILED VALUATION OF IMPAIRED LOANS.**

Following the process of revision of the methods, as described in the Report on Operations of the present financial statements, we updated the valuation parameters associated with the following classes of non-performing or watchlist loans:

- preferential loans (backed by real guarantees);
- unsecured loans to property-owning private individuals/companies (main debtor and/or guarantors);
- unsecured loans to non-property-owning private individuals/companies;
- other loans divided into amount categories.

The updates and new valuation parameters are backed by historical and statistical series, both the bank's own and representative of the national situation, and maintained constant over time.

In the same way the discounting to the present of disputed and non-performing loans was updated on the basis of the expected recovery times of loans backed by mortgage guarantees.

The valuation times are:

- valuation at the moment of default with transfer to the watchlist;
- valuation at the moment of classification of the loans as non-performing;
- valuation carried out during the stages of credit recovery management which by way of example can be summarised as acquisition of new real/personal guarantees, formalization and verification of observance of repayment schedules, adverse events, state of attachment and settlements proceedings etc..

### **REFINEMENT OF PROCEDURES TO DETECT CHANGES IN THE FAIR VALUE OF HEDGED FIXED-RATE LOANS AND RECEIVABLES.**

During financial year 2008, in relation to the measurement of changes in the fair value of hedged fixed-rate loans and of the associated amortising IRSs, in the light of the particularly volatile trends in interest rates seen over the last year, a number of refinements were made to the methods used to calculate the fair value of hedged instruments.

These refinements involved:

- identification of the proportion of interest hedged, an item equal to the fixed rate of the hedging IRS;
- determination of the fair value of the hedged loans carried out by discounting to the present at the market interest rate the flows determined on the basis of an amortization schedule consisting of "principal payments", equal to those of the hedged contracts, plus "hedged interest payments", determined on the basis of the fixed rate of the IRS contracted.

The refinements made it possible to detect changes in fair value more precisely and consistent with the financial structure of the stock of loans and associated hedging instruments. Applying these refinements to the aggregates present at 31 December 2007 no changes were noted with respect to the figures shown in the balance sheet and income statement at that date.

## **NATIONAL TAX CONSOLIDATION**

Banca Sella Holding performs the national tax consolidation which involves almost all the Italian banks it controls.



## A.2 - Main accounting items



## ■ Main accounting items

The accounting standards adopted in preparing the financial statements to 31 December 2008 are described below. These accounting standards were the same as those of the previous financial year, with the exception of the changes introduced by the IASB on 13 October 2008 and transposed into EC Regulation 1004/2008 on 15 October 2008.

### INFORMATION ON RECLASSIFICATION OF FINANCIAL ASSETS (IAS 39)

On 13 October 2008 the International Accounting Standards Board (IASB) adopted changes to the international accounting standard IAS 39 and to IFRS 7. These changes authorize the reclassification of certain financial instruments from the “held for trading” category in rare circumstances. The financial crisis which characterized part of 2008 and which continues in 2009, is considered one of these rare circumstances which may justify the use of this possibility on the part of the Bank. As a consequence the Bank therefore availed itself of this option, reclassifying part of its own securities portfolio recognized in the “held for trading” category to the “loans and receivables” category.

<b>Financial assets reclassified from the category financial assets held for trading</b>							
<b>Company</b>	<b>Type of reclassified financial asset</b>	<b>Portfolio of destination</b>	<b>Nominal value</b>	<b>Book value at 31/12/2008</b>	<b>Fair value at 31/12/2008</b>	<b>Effects on income statement (before tax effect)</b>	<b>Effects shareholders' equity reserves (before tax effect)</b>
Banca Sella Holding S.p.A.	Debt securities	Loans & Receivables	60,9	57,2	55,5	1,7	-
<b>Total reclassifications</b>			<b>60,9</b>	<b>57,2</b>	<b>55,5</b>	<b>1,7</b>	<b>-</b>

If the Bank had not taken the option to reclassify the aforementioned financial assets, larger capital losses would have been booked to the income statement and no trading discounts would have been recognized. Therefore the total economic impact of the reclassification amounted to 1,7 million euro.

The majority of the reclassified securities is at variable rate, Euribor indexed.

## 1 – Financial assets held for trading

Only debt and equity securities and the positive value of derivative contracts held for trading purposes are classified in this category. Derivative contracts include those embedded in hybrid financial instruments which are accounted for separately because:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid instruments they belong to are not measured at fair value with the associated changes

recognized in the Income Statement.

Initial recognition of financial assets takes place on the settlement date for debt and equity securities and at the signing date for derivative contracts.

At the moment of initial recognition financial assets held for trading are recognized at cost, understood as the fair value of the instrument. Any derivatives embedded in hybrid contracts not closely related to them and with characteristics that meet the definition of a derivative are separated from the host contract and measured at fair value, while the host contract is accounted for under the appropriate accounting standard.

After initial recognition, financial assets held for trading are carried at fair value.

In determining the fair value of financial instruments quoted on an active market, bid prices are used. When no active market exists, fair value is established by using estimation techniques and valuation models which take into account all the risk factors related to the instruments and which are based on data available on the market such as: methods based on the valuation of quoted instruments with the same characteristics, discounted cash flow analysis, option pricing models, values recorded in recent comparable transactions.

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

These financial assets are derecognized when the contractual rights to the financial flows deriving from them expire, or when the financial assets are sold transferring substantially all of the risks/benefits associated with them.

If a financial asset is not held for sale or for repurchase in the short term, this financial asset may be reclassified out of the category of fair value through profit and loss only if the following conditions are met:

- in rare circumstances;
- if the Bank has the intention and the ability to hold the financial asset in the foreseeable future or to maturity.

## 2 – Financial assets available for sale

This category includes non-derivative financial assets not otherwise classified as loans and receivables, assets held for trading or assets held to maturity.

In particular, the item includes equities not held for trading and not classifiable as in affiliates, or controlled or jointly-controlled companies.

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

At the moment of initial recognition these assets are accounted for at cost, understood as the fair value of the instrument, inclusive of transaction costs or revenues directly attributable to the instrument itself. If recognition occurs following reclassification from Assets held to maturity or Assets held for trading, the recognition value is the fair value at the moment of transfer.

After initial recognition, assets available for sale continue to be measured at fair value, with re-

cognition in the Income Statement of the value corresponding to the amortized cost, while gains or losses deriving from a change in fair value are recognized in a specific shareholders' equity reserve until the financial asset is derecognized or a lasting impairment is recognized. At the moment of disposal, the gains or losses accumulated are recycled to the Income Statement.

To determine a reliable fair value, if no quotations on active markets are available, recent transactions are taken into account and backed up by transactions occurring after the balance sheet date which confirm such fair values.

With reference to equities not classifiable as in affiliates, or in controlled or jointly-controlled companies, in the case of equity instruments which do not have a market price quoted on an active market and if no recent transactions are observable, as it is impossible to determine fair value in a reliable manner, they are carried at cost and written down in the case of lasting impairment.

In order to identify evidence of impairment the qualitative and quantitative information indicated in IAS 39, paragraph 59 is taken into consideration with the addition of the indications contained in IAS 39, paragraph 61, with particular reference to significant or prolonged impairment losses.

The existence of objective evidence of lasting impairment is checked at every annual or interim balance sheet date. If the reasons for the impairment cease following an event that occurs after recognition, writebacks are recognized in the Income Statement in the case of debt securities, and in Shareholders' Equity in the case of equity securities. The amount of the writeback may not in any case exceed the amortized cost that the instrument would have had in the absence of the previous writedowns.

Financial assets are derecognized when the contractual rights to the financial flows deriving from them expire, or when the financial assets are sold transferring substantially all of the risks/ benefits associated with them.

A financial asset classified as available for sale which, if it had not been designated as such, would have met the definition of a loan or receivable, may be reclassified out of the "available for sale" category and into the "loans and receivables" category if there is the intention and the ability to hold it for the foreseeable future or to maturity.

### 3 – Financial assets held to maturity

The present category comprises debt securities with fixed or determinable payments and fixed maturities, when there is the intention and ability to hold them to maturity. If, following a change of intention or of ability it is no longer considered appropriate to continue classifying an investment as held to maturity, it is reclassified among assets available for sale.

Initial recognition of such financial assets takes place on the settlement date. At the moment of initial recognition financial assets classified in this category are recognized at cost, including any directly attributable costs and revenues. If recognition in this category occurs owing to reclassification from Assets available for sale, the fair value of the asset at the reclassification date is taken as the new amortized cost of the said asset.

After initial recognition, financial assets held to maturity are measured at the amortized cost, using the effective interest rate method. Any gains or losses due to changes in the fair value of assets held to maturity are recognized in the Income Statement at the moment in which the assets are de-



recognized. At every annual or interim balance sheet date, a check is carried out on the existence of objective evidence of impairment losses. If such evidence is found the amount of the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognized in the Income Statement. If the reasons for the impairment cease following an event that occurs after recognition of the loss, writebacks are recognized in the Income Statement.

These financial assets are derecognized when the contractual rights to the financial flows deriving from them expire, or when the financial assets are sold transferring substantially all of the risks/benefits associated with them.

## 4 – Loans and receivables

Loans and receivables include loans to customers and banks, both disbursed directly and purchased from third parties, which envisage fixed or at least determinable payments, which are not quoted on an active market and which have not been classified at the start as available-for-sale financial assets. The loans and receivables item also includes commercial loans, repurchase agreements and securities purchased in subscription or private placement, with determined or determinable payments, not quoted on active markets.

Initial recognition of a loan or receivable occurs at the disbursement date or, in the case of a debt security, at the settlement date, on the basis of the fair value of the financial instrument. The latter is normally equivalent to the amount disbursed, or to the subscription price, inclusive of costs/revenues directly attributable to the single receivable and which can be determined right from the start of the transaction, even if they are liquidated at a later time. Costs which, while having the above characteristics, are refunded by the debtor counterparty, or are classifiable as normal administrative overheads, are excluded. For any lending transactions concluded at different terms from those of the market the fair value is determined using special valuation techniques; the difference with respect to the amount disbursed or to the subscription price is booked directly to the Income Statement. Repurchase and reverse repurchase agreements with an obligation to repurchase or resell forward are recognized as funding or lending operations. In particular, spot sale and forward repurchase operations are recognized as payables for the spot amount received, spot purchase and forward resale operations are recognized as receivables for the spot amount paid.

After initial recognition, receivables are measured at their amortized cost, which is equivalent to their value on initial recognition reduced/increased by repayments of principal, writedowns/writebacks and amortization – calculated with the effective interest rate method – of the difference between the amount disbursed and the amount repayable at maturity, attributable typically to the costs/revenues booked directly to the single receivable. The effective interest rate is found by calculating the rate that makes the present value of future flows of the receivable, for principal and interest, equal to the amount disbursed inclusive of the costs/revenues associated with the receivable. This accounting method, using a financial formula, makes it possible to distribute the economic effect of the costs/revenues along the expected residual life of the receivable. The amortized cost method is not used for receivables whose short life makes it likely that the effect of application of the discounting formula will be negligible. These receivables are valued at their historical cost and the costs/re-

venues attributable to them are recognized in the Income Statement. The same valuation technique is adopted for receivables with no defined maturity or valid until revoked.

At every annual or interim balance sheet date all loans and receivables are examined to identify those that, following events that occurred after their recognition, show objective evidence of a possible impairment loss. Included in this group are loans classified as non-performing, watchlist or rescheduled in accordance with the current Bank of Italy rules, in line with the International Accounting Standards.

These impaired loans are subject to an analytical valuation process and the amount of adjustment of each loan is the difference between the carrying value at the moment of the valuation (amortized cost) and the present value of the expected future cash flows, calculated by applying the original effective interest rate. The expected cash flows take into account expected recovery times, the presumable realization value of any guarantees, and costs likely to be incurred for recovery of the loan exposure. The cash flows of receivables which are expected to be recovered in a short time are not discounted. The original effective interest rate of each loan remains unchanged over time even if the position has been rescheduled entailing a change in the contractual interest rate and even if the position, in practice, no longer earns contractual interest.

The writedown is recognized in the Income Statement. The original value of the receivables is reinstated in subsequent years to the extent that the reasons which determined the writedown no longer apply, provided that this assessment can objectively be associated with an event that occurred after the writedown was made. The writeback is recognized in the Income Statement and it may not in any case exceed the amortized cost that the instrument would have had in the absence of the previous writedowns.

Loans for which no specific objective evidence of loss has been found, which are normally performing loans, undergo collective valuation. Under the terms of the International Accounting Standards (IAS/IFRS), the definition of the generic reserve for performing loans should follow a model based on incurred losses. The term incurred loss means a loss for which the fact that it has already happened is clearly identifiable, although it has not yet become manifest (loss “incurred” but not “recognized”). On the basis of its business and its own historical experience in the management and monitoring of exposure to credit risk, the Banca Sella Group has identified as the method of determination of incurred loss an approach based on the concept of expected loss. The term expected loss means the loss that a bank expects to suffer on average in a certain time frame.

The collective valuation of performing loans is carried out dividing customers into homogeneous segments in terms of credit risk. The associated loss percentages are estimated taking into account the Probability of Default (PD) and level of Loss Given Default (LGD). The probability of default and the proportion recoverable in the event of default are calculated, for each bank in the Group, using the same method on the basis of their customer portfolios. In particular the PD variable is determined on the basis of the internal rating model for the business segment and on the basis of the historical data of transition to default for the other customer segments.

As regards LGD, the Banca Sella Group adopts a regulatory LGD of 45% as laid down in the IRB Foundation method for the calculation of the capital absorption to cover credit risk (Bank of Italy Circular 263/2006). The method described above enables an estimate of the so-called “latent loss” for each category of receivable. Value adjustments determined collectively are recognized in the Income Statement. At every annual or interim balance sheet date any additional writedowns or writebacks

are recalculated in a differential manner with reference to the entire portfolio of performing loans.

Loans sold are derecognized from the assets on the balance sheet only if the sale has entailed the substantial transfer of all the risks and benefits associated with them. On the contrary, if the risks and benefits of the loans sold have been kept, they continue to be recognized as assets on the balance sheet, even if legal ownership of the loan has effectively been transferred. If it is impossible to ascertain the substantial transfer of the risks and benefits, the loans are derecognized if no type of control has been kept over them. On the contrary, if even partial control over them continues the loans are kept on the balance sheet to the extent that the remaining involvement, measured in terms of exposure to changes in the value of the loans sold and to changes in their cash flows. Finally, loans sold are derecognized when the contractual rights to receive the associated cash flows are kept, with the assumption at the same time of an obligation to pay these flows, and only these, to third parties.

Following the process of revision of the methods, as described in the Report on Operations of the present financial statements, we updated the valuation parameters associated with the following classes of non-performing or watchlist loans:

- preferential loans (backed by real guarantees);
- Unsecured loans to property-owning private individuals/companies (main debtor and/or guarantors);
- unsecured loans to non-property-owning private individuals/companies;
- other Loans divided into amount bands.

The updates and new valuation parameters are backed by historical and statistical series, both the bank's own and representative of the national situation, and maintained constant over time.

In the same way the discounting to the present of disputed and non-performing loans was updated on the basis of the expected recovery times of loans backed by mortgage guarantees.

The valuation times are:

- valuation at the moment of default with transfer to the watchlist;
- valuation at the moment of classification of the loans as non-performing;
- valuation carried out during the stages of credit recovery management which by way of example can be summarised as acquisition of new real/personal guarantees, formalization and verification of observance of repayment schedules, adverse events, state of attachment and settlements proceedings etc..

## 5 – Hedging transactions

Assets and liabilities include hedging derivatives which at the balance sheet date present positive and negative fair value respectively.

Transactions to hedge risks are designed to offset potential losses on a specific financial instrument or on a group of financial instruments, attributable to a specific risk, with the profits recognizable on a different financial instrument or group of financial instruments if that particular risk should actually occur.

IAS 39 describes the following types of hedges:

- fair value hedge: hedging exposure to changes in the fair value of an accounting item attributable to a particular risk;
- cash flow hedge: hedging the exposure to fluctuations in future cash flows attributable to particular risks associated with accounting items;
- foreign currency investment hedge: hedging the risks of an investment in a foreign operation expressed in a foreign currency.

In the specific case, the Banca Sella Group has put in place only fair value hedges.

At the level of the Consolidated Financial Statements, only instruments that involve a counterparty outside the Group can be designated as hedging instruments. All results attributed to internal transactions enacted between different Group entities are eliminated.

A derivative instrument is designated as a hedge if there is formal documentation of the relation between the hedged instrument and the hedging instrument and if the hedge is effective at the moment in which the hedging begins and, prospectively, throughout its entire life. The effectiveness of the hedging depends on the extent to which the fair value changes of the hedged instrument or of its expected cash flows are offset by those of the hedging instrument. The effectiveness is therefore measured by comparing the above changes, taking into account the goal pursued by the company at the moment in which the hedge is put in place.

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

- prospective tests, which justify the application of hedge accounting, as they show the expected effectiveness;
- retrospective tests, which show the degree of effectiveness of the hedge achieved in the period to which they refer. In other words, they measure the gap between the actual results and a perfect hedge.

If the tests do not confirm the effectiveness of the hedge, in accordance with the rules outlined above hedge accounting is discontinued and the hedging derivative contract is reclassified as a trading instrument.

Hedging derivatives are carried at fair value, and therefore, in the case of fair value hedging, the change in the fair value of the hedged element is offset by the change in the fair value of the hedging instrument. This offsetting is recognized by booking the value changes to the Income Statement, with reference both to the element hedged (as regards the changes produced by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.

With specific reference to the activity of hedging fixed-rate loans the method used to calculate the fair value is explained below:

- with reference to the stock of hedged loans, the market interest rate current at the moment of hedging is ascertained, using information on the pricing of the various amortising IRS hedges signed. This interest rate represents the “interest rate” portion effectively hedged by the stock of IRS contracts;
- an amortization schedule is then calculated for the stock of hedged loans using the contractual

principal payments to which is applied the market interest rate as above;

- at every subsequent valuation date the new amortization schedule is discounted to the present at the market interest rate current at that time;
- at every valuation date the cumulative stock of hedging IRSs and the cumulative stock of hedged loans are also analyzed, checking that the amortization profile of the IRSs corresponds to the amortization profile of the hedged loans;
- the fair value at the valuation date is then calculated, by discounting to the present the new amortization schedule of the stock of hedged loans (established as indicated in the second point) multiplied by the hedging percentage, and the result is compared with the fair value calculated at the previous valuation date. The difference between these two figures is the fair value delta of the loans, which is then compared with the fair value delta of the IRSs.

The fair value delta of the IRSs is calculated with the following methods:

- the fair value is calculated discounting to the present the future cash flows (Net Present Value – NPV): this method consists of discounting the estimated cash flows to the present at a current interest rate expressing the intrinsic risk of the instrument measured.
- for IRSs hedging loans that already existed at the end of the previous financial year, the fair value delta is given by the difference between the fair value at the end of the year and the fair value at the end of the previous year;
- for IRSs hedging loans contracted during the financial year, the fair value delta is the fair value of the IRS at the end of the year.
- both the market values and the intrinsic values of all IRSs are calculated.

## 6 – Equity investments

This items includes interests held in affiliated and controlled companies. Initial recognition of such financial assets takes place on the settlement date. At the moment of initial recognition financial assets classified in this category are recognized at cost.

If there is evidence that the value of an equity investment may have suffered impairment, the recoverable value of this equity investment is estimated, taking into account the present value of the future cash flows that the equity investment may generate, the transaction multiples, the shareholders' equity and the actuarial method, including the value on final disposal of the investment. If the recovery value is less than the book value, the difference between them is recognized in the Income Statement. If the reasons for the impairment cease following an event that occurs after recognition of the loss, writebacks are recognized in the Income Statement.

Financial assets are derecognized when the contractual rights to the financial flows deriving from the such assets expire or when the financial asset is sold, transferring substantially all of the risks and benefits associated with it.

## 7 – Tangible assets

Tangible assets include land, buildings for business purposes, property investments, technical systems, furniture and fittings and equipment of all kinds. These are tangible assets held to be used in the production or supply of goods and services or for administrative purposes, or to be rented out to third parties, and which are likely to be used for more than one period. The item includes, finally, improvements and value-adding expenses incurred on third-party properties not classifiable in the item “other assets”.

Items of tangible assets are initially recognized at cost, which includes, besides the purchase price, any and all the ancillary charges directly attributable to the purchase and commissioning of the asset. Extraordinary maintenance expenses which lead to an increase in future economic benefits are recognized as an increase in the value of the assets, while other ordinary maintenance costs are booked to the Income Statement.

Tangible assets items, including properties not for business purposes, are carried at cost, after deducting any depreciation and impairment losses. These fixed assets are systematically depreciated over their useful life, adopting as the depreciation criterion the straight line method, with the exception of land, whether purchased separately or incorporated in the value of buildings, as it has an unlimited useful life. If its value is incorporated into the value of the building, in accordance with the components approach it is considered an asset separable from the building; the value of the land is separated from the value of the building on the basis of valuation by independent experts only for buildings possessed “from roof to ground”.

At every balance sheet date, if there is any indication that an asset may have suffered a loss in value, the carrying value of the asset is compared with its recoverable amount, which is the greater between the fair value, net of any selling costs, and the use value of the asset, understood as the present value of the future flows originating from the item. Any adjustments are recognized in the Income Statement. If the reasons for recognition of the loss no longer apply, a writeback is made, which may not exceed the value that the asset would have had, net of the depreciation calculated, if the previous writedowns had not been made.

A tangible fixed asset is derecognized from the Balance Sheet upon disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

## 8 – Intangible assets

Intangible assets are software applications used over several years and are recognized as such if they are identifiable and originate from legal or contractual rights.

Intangible assets are recognized at cost, inclusive of any ancillary charges, only if it is probable that the future economic benefits attributable to the asset will flow to the company and if the cost of the asset itself can be measured reliably. Otherwise the cost of the intangible asset is recognized in the Income Statement in the year in which it is incurred.

The cost of intangible fixed assets is amortized on a straight line basis over their useful life. At every balance sheet date, if there is evidence of impairment losses, the recoverable amount of the

asset is estimated. The amount of the loss, which is recognized in the Income Statement, is the difference between the carrying amount of the asset and the recoverable amount.

An intangible fixed asset is derecognized from the Balance Sheet when it is disposed of or when future economic benefits are not expected.

## 9 – Current and deferred taxation

The items include respectively current tax assets, current tax liabilities, and deferred tax assets net of deferred tax liabilities.

Income taxes are recognized in the Income Statement with the exception of those relating to items debited or credited directly to shareholders' equity. Provisions for income taxes are determined on the basis of a prudential forecast of the current tax liability, and of deferred tax assets and liabilities.

Prepaid and deferred taxes are calculated on the temporary differences, with no time limit, between the book value and the tax value of the single assets or liabilities.

Deferred tax assets are recognized if their recovery is probable. Deferred tax liabilities are recognized, with the sole exceptions of assets recognized for a higher amount than the fiscally recognized value and of reserves in tax suspension, for which it is reasonable to believe that no operations will be initiated such as to entail their taxation. The deferred tax assets and liabilities recognized are measured systematically to take account of any changes made to legislation or tax rates.

## 10 – Provisions for risks and charges

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

The sub-item "Other provisions" contains provisions for risks and charges set aside in compliance with the International Accounting Standards, with the exception of writedowns due to impairment of guarantees given recognized under "Other liabilities".

Provisions are set aside for risks and charges only when:

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

The amount set aside represents the best estimate of the charge necessary to extinguish the obligation; this estimate takes into account the risks and uncertainties relating to the facts and circumstances in question.

If a significant period of time is expected to pass before the charge is incurred, the amount of the provision is the present value of the charge expected to be required to extinguish the obligation. In this case the discounting rate used is such as to reflect the current market valuations of the present value of the money. In particular the Banca Sella Group uses the "Zero curve" rate model.

The congruity of these amounts is also reviewed regularly.

If new, more or further information is acquired on the risk event, such as to lead to an update of the estimates originally made, the associated provisions are immediately adjusted.

Provisions are used only on occurrence of the risk events for which they were originally set aside.

## 11 – Payables and outstanding securities

The items “due to banks”, “due to customers” and “outstanding securities” include the various forms of interbank funding and customer deposits and funding obtained through certificates of deposit and outstanding bonds, net, therefore, of any amount repurchased.

These financial liabilities are initially recognized at the moment when the amounts are deposited or the debt securities issued. Initial recognition is performed on the basis of the fair value of the liabilities, which is normally equivalent to the amount collected or the issue price, increased by any additional costs/revenues directly attributable to the single issue or funding operation and not refunded by the creditor counterparty. Internal costs of an administrative nature are excluded.

After initial recognition, these financial liabilities are measured at the amortized cost, using the effective interest rate method. An exception is made for short-term liabilities – where the time factor is negligible – which remain recognized at the value collected and any costs attributed to them are booked to the Income Statement. It should be noted, also, that funding instruments subject to an effective hedging relationship are measured on the basis of the rules laid down for hedging transactions.

For structured instruments, if the requisites envisaged by IAS 39 are complied with, embedded derivatives are separated from the host contract and recognized at fair value as trading liabilities. In this last case the host contract is recognized at the amortized cost.

Financial liabilities are derecognized when they have expired or have been settled. Derecognition also occurs if securities previously issued are repurchased. The difference between the book value of the liability and the amount paid to purchase it is entered in the Income Statement. Re-placing on the market of own securities after their repurchase is considered a new issue with recognition at the new placement price, with no effect on the Income Statement.

## 12 – Financial liabilities held for trading

This item includes the negative value of derivative contracts held for trading measured at fair value.

Embedded derivatives which, in accordance with IAS 39, have been separated from the hybrid financial instruments hosting them are also included.

Gains and losses deriving from the change in fair value and/or the sale of the trading instruments are accounted for in the Income Statement.

Financial liabilities are derecognized when they have expired or have been settled.



## 13 – Foreign currency transactions

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

At every balance sheet date, the accounting items in foreign currency are measured as follows:

- monetary items are converted at the exchange rate on the balance sheet date;
- non-monetary items carried at their historical cost are translated at the exchange rate in force at the time of the operation; to translate the revenue and cost items an exchange rate that approximates the exchange rates at the transaction dates is often used, for example an average exchange rate for the period;
- non-monetary items carried at fair value are translated at the exchange rates at the balance sheet date.

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

When a gain or loss relating to a non-monetary item is booked to shareholders' equity, the exchange difference relating to this item is also recognized in shareholders' equity. On the contrary, when a gain or loss is recognized in the Income Statement, the associated exchange difference is also booked to the Income Statement.

## 14 – Other information

### **Employee benefits**

Employee severance indemnities are entered on the basis of their actuarial value. For the purposes of discounting to the present, the projected unit credit method is used; this involves the projection of the future outflows on the basis of historical statistical analyses and of the demographic curves, and the financial discounting of these flows on the basis of a market interest rate.

According to IAS 19, provisions for severance indemnities represent post-employment defined benefits, which must be recognized making use of actuarial methods.

In the light of the rules laid down in the 2007 state Budget Law, severance indemnities accrued from 1<sup>st</sup> January 2007 destined for complementary pension funds and the INPS Treasury Fund are to be considered a "defined contribution plan" and are, therefore, no longer the subject of actuarial valuation.

According to the International Accounting Standards, in fact, severance indemnities may not be recognized for an amount corresponding to that accrued (assuming that all the employees leave the company at the balance sheet date); instead the liability in question must be calculated projecting the amount already accrued to the future moment of termination of the employment relationship and then discounting this amount to the present at the balance sheet date using the actuarial "Projected Unit Credit Method".

### **Recognition of revenues and costs**

Revenues are recognized at the moment in which they are received or at least, in the case of sale

of goods or products, when it is probable that the future benefits will be received and these benefits can be quantified in a reliable manner, in the case of performance of services, at the moment in which they are rendered. In particular:

- interest received is recognized pro rata temporis on the basis of the contractual or effective interest rate in the case of application of the amortized cost;
- any contractually envisaged default interest is accounted for in the income statement only at the moment in which it is actually collected;
- dividends are recognized in the income statement during the period in which their distribution is approved;
- fees received for services are recognized, on the basis of the existence of contractual agreements, in the period in which these services are rendered;
- gains and losses deriving from the trading of financial instruments are recognized in the income statement at the moment of conclusion of the sale, on the basis of the difference between the price paid or collected and the carrying amount of the instruments themselves;
- revenues deriving from the sale of non-financial assets are recognized at the moment of conclusion of the sale, unless most of the risks and benefits associated with the assets are maintained.

Costs are recognized in the income statement in the periods in which the associated revenues are accounted for. If the costs and revenues can be associated in a generic and indirect manner, the costs are booked over several periods with rational procedures and on a systematic basis. Costs which cannot be associated with revenues are immediately recognized in the income statement.

### **Accruals and deferrals**

Accruals and deferrals that include charges and revenues accruing in the period to assets and liabilities are recognized to adjust the assets and liabilities to which they refer.

### **Expenses for improvements to third-party properties**

The costs of renovating properties not owned are capitalized in consideration of the fact that for the duration of the rental contract the user company has control over the assets and can draw future economic benefits from them. The above costs, classified among Other assets as provided for in the Instructions of the Bank of Italy, are amortized for a period equivalent to the duration of the rental contract.

### **Provisions for guarantees issued and commitments**

Provisions on a collective basis, in relation to the estimate of the possible outflows connected with the credit risk relating to the guarantees, determined applying the same criteria previously explained with reference to loans and receivables, are classified among Other liabilities, as envisaged in the Instructions of the Bank of Italy.

### **Use of estimates and assumptions in the preparation of the annual financial statements**

In drafting the financial statements, the Bank made use of estimates and assumptions which can have effects on the amounts recognized in the balance sheet and income statement. These estimates are prepared:

- using the information available;
- adopting measurements, based also on historical experience, used in formulating rational assumptions for the recognition of operating data.

In future periods the current values recognized may differ, even significantly, following changes in the valuations used, because, by their very nature, the estimates and assumptions used may vary from one year to another.

The main cases which most require the use of valuations are:

- for the reduction of the value of loans and other financial assets, the determination of losses;
- in determining the fair value of financial instruments not quoted on active markets, the use of valuation models;
- for goodwill and other intangible assets, the estimate of the congruity of the value;
- for provisions for personnel and for risks and liabilities, estimates of their value;
- for deferred tax assets, estimates and assumptions on their recoverability;





■ Part B - Information on the balance sheet

ASSETS



## ■ Section 1 - Cash and available liquidity - Item 10

### I.1 Cash and available liquidity: breakdown

	Total 31/12/2008	Total 31/12/2007
a) Cash on hand	-	-
b) Demand deposits at central banks	-	70
<b>Total</b>	<b>-</b>	<b>70</b>

## Section 2 - Financial assets held for trading - Item 20

### 2.1 Financial assets held for trading: breakdown by type

Item/Amount	Total 31/12/2008			Total 31/12/2007		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<b>A. Cash assets</b>						
1. Debt securities	334.239	28.067	362.306	331.515	16.119	347.634
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	334.239	28.067	362.306	331.515	16.119	347.634
2. Equity securities	2.237	13	2.250	15	-	15
3. UCITS units	999	7.368	8.367	14.577	18	14.595
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-
6. Assets sold but not derecognized	10.500	-	10.500	4.250	-	4.250
<b>Total A</b>	<b>347.975</b>	<b>35.448</b>	<b>383.423</b>	<b>350.357</b>	<b>16.137</b>	<b>366.494</b>
<b>B. Derivative instruments</b>						
1. Financial derivatives:	3.720	107.767	111.487	4.407	41.964	46.371
1.1 for trading	3.720	107.209	110.929	4.407	40.252	44.659
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	558	558	-	1.712	1.712
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
<b>Total B</b>	<b>3.720</b>	<b>107.767</b>	<b>111.487</b>	<b>4.407</b>	<b>41.964</b>	<b>46.371</b>
<b>Total A+B</b>	<b>351.695</b>	<b>143.215</b>	<b>494.910</b>	<b>354.764</b>	<b>58.101</b>	<b>412.865</b>

During the year a number of financial instruments were reclassified from the item Financial assets held for trading. For more information on these reclassifications, see the contents of Part A of the present Notes to the Financial Statements.

The item "Assets sold but not derecognized" refers to instruments in the company portfolio which, as of 31 December 2008, served as collateral for funding repurchase agreements. The drop compared with the previous year is therefore due to the reduction in repurchase agreements.

The item "Unquoted financial derivative instruments" refers to derivatives contracted with other Group companies.

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

Item/Amount	Total 31/12/2008	Total 31/12/2007
<b>A. CASH ASSETS</b>		
<b>1. Debt securities</b>	<b>362.306</b>	<b>347.634</b>
a) Governments and Central Banks	210.069	158.173
b) Other public bodies	105	1.708
c) Banks	129.260	137.318
d) Other issuers	22.872	50.435
<b>2. Equity securities</b>	<b>2.250</b>	<b>15</b>
a) Banks	760	-
b) Other issuers:	1.490	15
- insurance companies	309	-
- financial companies	18	15
- non-financial companies	1.163	-
- others	-	-
<b>3. UCITS units</b>	<b>8.367</b>	<b>14.595</b>
<b>4. Loans and advances</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>5. Impaired assets</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>6. Assets sold but not derecognized</b>	<b>10.500</b>	<b>4.250</b>
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	2.453	4.250
d) Other issuers	8.047	-
<b>Total A</b>	<b>383.423</b>	<b>366.494</b>
<b>B. DERIVATIVE INSTRUMENTS</b>		
a) Banks	87.610	39.036
b) Customers	23.877	7.335
<b>Total B</b>	<b>111.487</b>	<b>46.371</b>
<b>Total A+B</b>	<b>494.910</b>	<b>412.865</b>



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

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans & Receivables	Others	Total 31/12/2008	Total 31/12/2007
<b>A) Quoted derivatives</b>							
<b>1. Financial derivatives</b>	-	-	<b>3.720</b>	-	-	<b>3.720</b>	<b>4.407</b>
• with equity swap	-	-	-	-	-	-	92
- options purchased	-	-	-	-	-	-	92
- other derivatives	-	-	-	-	-	-	-
• without equity swap	-	-	3.720	-	-	3.720	4.315
- options purchased	-	-	3.720	-	-	3.720	4.315
- other derivatives	-	-	-	-	-	-	-
<b>2. Credit derivatives</b>	-	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
<b>Total A</b>	-	-	<b>3.720</b>	-	-	<b>3.720</b>	<b>4.407</b>
<b>B) Unquoted derivatives</b>							
<b>1. Financial derivatives</b>	<b>83.284</b>	<b>23.898</b>	<b>585</b>	-	-	<b>107.767</b>	<b>41.964</b>
• with equity swap	-	20.314	-	-	-	20.314	16.209
- options purchased	-	4.460	-	-	-	4.460	2.906
- other derivatives	-	15.854	-	-	-	15.854	13.303
• without equity swap	83.284	3.584	585	-	-	87.453	25.755
- options purchased	3.628	-	585	-	-	4.213	6.886
- other derivatives	79.656	3.584	-	-	-	83.240	18.869
<b>2. Credit derivatives</b>	-	-	-	-	-	-	-
• con scambio di capitale	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
<b>Total B</b>	<b>83.284</b>	<b>23.898</b>	<b>585</b>	-	-	<b>107.767</b>	<b>41.964</b>
<b>Total A+B</b>	<b>83.284</b>	<b>23.898</b>	<b>4.305</b>	-	-	<b>111.487</b>	<b>46.371</b>

**2.4 Cash financial assets held for trading other than assets sold but not derecognized and impaired assets: annual changes**

Change/Underlying asset	Debt securities	Equity securities	UCITS units	Loans and advances	Total 31/12/2008
<b>A. Opening balance</b>	<b>347.634</b>	<b>15</b>	<b>14.595</b>	-	<b>362.244</b>
<b>B. Increases</b>	<b>125.432.180</b>	<b>6.195.214</b>	<b>47.226</b>	-	<b>131.674.620</b>
B.1 Purchases	125.397.847	6.194.704	47.221	-	131.639.772
B.2 Increases in fair value	-	-	-	-	-
B.3 Other changes	34.333	510	5	-	34.848
<b>C. Decreases</b>	<b>125.417.508</b>	<b>6.192.979</b>	<b>53.454</b>	-	<b>131.663.941</b>
C.1 Sales	125.292.553	6.178.975	49.487	-	131.521.015
C.3 Reductions in fair value	-	-	-	-	-
C.4 Other changes	31.615	14.004	3.967	-	49.586
<b>D. Closing balance</b>	<b>362.306</b>	<b>2.250</b>	<b>8.367</b>	-	<b>372.923</b>

## Section 4 - Financial assets available for sale - Item 40

### 4.1 Financial assets available for sale: breakdown by type

Item/Amount	Total 31/12/2008		Total 31/12/2007	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	-	-	-	-
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	-	-	-
2. Equity securities	11.470	21.515	37.240	3.059
2.1 Carried at fair value	11.470	17.487	37.240	245
2.2 Carried at cost	-	4.028	-	2.814
3. UCITS units	-	-	-	-
4. Loans and advances	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognized	-	-	-	-
<b>Total</b>	<b>11.470</b>	<b>21.515</b>	<b>37.240</b>	<b>3.059</b>

Equity instruments consist mainly of minority equity interests, which at the end of the year were subjected to impairment tests. From these there emerged a need to proceed with the devaluation: of the equity interest in London Stock Exchange Group Plc, in view of the situation of permanent and significant loss affecting the stock, with effects on the income statement at the closing market price at 31 December 2008. The writedown was 23,7 million euro;

For more information on minority shareholdings see the Report on Operations, in the paragraph "Minority interests" of the section "Results for the year".

Banca Sella Holding signed with Fondazione di Piacenza e Vigevano a preliminary contract with the purpose of agreeing the sale, at the same terms envisaged for the purchase, of 84.000 Banca Monte Parma shares (3% of the share capital of the bank) which consequently were recognized among Financial assets available for sale. The sale was completed after the end of the financial year, on 16 February 2009.

#### 4.2 Financial assets available for sale: breakdown by borrowers/issuers

Item/Amount	Total 31/12/2008	Total 31/12/2007
<b>1. Debt securities</b>	-	-
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>2. Equity securities</b>	<b>32.985</b>	<b>40.299</b>
a) Banks	13.248	2.221
b) Other issuers:	19.737	38.078
- insurance companies	-	-
- financial companies	13.457	36.625
- non-financial companies	6.280	1.453
- others	-	-
<b>3. UCITS units</b>	-	-
<b>4. Loans and advances</b>	-	-
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>5. Impaired assets</b>	-	-
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>6. Assets sold but not derecognized</b>	-	-
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>Total</b>	<b>32.985</b>	<b>40.299</b>

#### 4.5 Financial assets available for sale other than assets sold but not derecognized and impaired: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total 31/12/2008
<b>A. Opening balance</b>	-	<b>40.299</b>	-	-	<b>40.299</b>
<b>B. Increases</b>	-	<b>22.256</b>	-	-	<b>22.256</b>
B.1 Purchases	-	16.431	-	-	16.431
B.2 Increases in fair value	-	5.825	-	-	5.825
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	X	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	-	-	-	-	-
<b>C. Decreases</b>	-	<b>29.570</b>	-	-	<b>29.570</b>
C.1 Sales	-	134	-	-	134
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	-	29.412	-	-	29.412
C.4 Impairment losses	-	24	-	-	24
- charged to the income statement	-	24	-	-	24
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	-	-	-	-	-
<b>D. Closing balance</b>	-	<b>32.985</b>	-	-	<b>32.985</b>

The item B.2 was affected by the purchase of the equity interest held in the company Centrale Bilanci, representing 1% of the share capital.  
The item C.3 was affected by the devaluation of the equity interest in London Stock Exchange Group Plc.

## Section 5 - Financial assets held to maturity - Item 50

### 5.1 Financial assets held to maturity: breakdown by type

Type of transaction/Amount	Total 31/12/2008		Total 31/12/2007	
	Book value	Fair value	Book value	Fair value
1. Debt securities	63.107	64.677	35.469	35.866
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	63.107	64.677	35.469	35.866
2. Loans and advances	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not derecognized	-	-	34.971	35.322
<b>Total</b>	<b>63.107</b>	<b>64.677</b>	<b>70.440</b>	<b>71.188</b>

*The item "Assets sold but not derecognized" refers to instruments in the company portfolio which, as of 31 December 2007, served as collateral for funding repurchase agreements. The drop compared with the previous year was due to the decline in repurchase agreements and to the decision to use as collateral financial assets from other portfolios.*

### 5.2 Financial assets held to maturity: borrowers/issuers

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
<b>1. Debt securities</b>	<b>63.107</b>	<b>35.469</b>
a) Governments and central banks	63.107	35.469
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>2. Loans and advances</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>3. Impaired assets</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>4. Assets sold but not derecognized</b>	<b>-</b>	<b>34.971</b>
a) Governments and central banks	-	34.971
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>Total</b>	<b>63.107</b>	<b>70.440</b>

**5.4 Financial assets held to maturity other than assets sold but not derecognized and impaired assets: annual changes**

	Debt securities	Loans and advances	Total
<b>A. Opening balance</b>	<b>35.469</b>	-	<b>35.469</b>
<b>B. Increases</b>	<b>35.148</b>	-	<b>35.148</b>
B.1 Purchases	-	-	-
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	35.148	-	35.148
<b>C. Decreases</b>	<b>7.510</b>	-	<b>7.510</b>
C.1 Sales	-	-	-
C.2 Redemptions	7.500	-	7.500
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	10	-	10
<b>D. Closing balance</b>	<b>63.107</b>	-	<b>63.107</b>

## Section 6 - Due from banks - Item 60

### 6.1 Due from banks: breakdown by type

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
<b>A) Due from central banks</b>	<b>1.671.261</b>	<b>33.027</b>
1. Term deposits	1.670.001	-
2. Statutory reserve	1.260	33.027
3. Reverse repurchase agreements	-	-
4. Others	-	-
<b>B) Due from banks</b>	<b>1.649.803</b>	<b>2.705.875</b>
1. Current accounts and demand deposits	148.287	197.118
2. Term deposits	414.690	731.214
3. Other loans and advances	336.652	1.023.336
3.1 reverse repurchase agreements	335.898	1.007.414
3.2 financial leasing	-	-
3.3 others	754	15.922
4. Debt securities	750.174	754.207
4.1 structured	-	-
4.2 others	750.174	754.207
5. Impaired assets	-	-
6. Assets sold but not derecognized	-	-
<b>Total (book value)</b>	<b>3.321.064</b>	<b>2.738.902</b>
<b>Total (fair value)</b>	<b>3.317.797</b>	<b>2.738.902</b>

During the year a number of government securities were reclassified from the item Financial assets held for trading. For more information on these reclassifications, see the contents of Part A of the present Notes to the Financial Statements.

The increase in the item "A) Due from central banks", was a result of the different allocation of the Group liquidity following the profound changes in the economic and financial scenario (the European Central Bank is the safest entity to which to entrust liquidity).

The decrease in the item "B) Due from banks", can instead be attributed to the repurchase agreement component, which declined with respect to 2007 owing to a drop in subscriptions of the same by customers and an increase in transactions with underlying own securities.

### 6.2 Due from banks: assets subject to micro-hedging

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Loans subject to micro-hedging of fair value	-	68.221
a) interest rate risk	-	68.221
b) exchange rate risk	-	-
c) credit risk	-	-
d) other risks	-	-
2. Loans subject to micro-hedging of cash flows	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
<b>Total</b>	<b>-</b>	<b>68.221</b>

The asset hedged in financial year 2007 consisted of a repurchase agreement which expired in 2008.



## Section 7 - Due from customers - Item 70

### 7.1 Due from customers: breakdown by type

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Current accounts	3.002	379.485
2. Repurchase agreements	-	-
3. Mortgage loans	600.810	542.623
4. Credit cards, personal loans, salary-backed loans	81.611	77.296
5. Financial leasing	-	-
6. Factoring	-	-
7. Other operations	935.392	519.128
8. Debt securities	31.410	-
8.1 Structured	-	-
8.2 Others	31.410	-
9. Impaired assets	94	70
10. Assets sold but not derecognized	-	-
<b>Total (book value)</b>	<b>1.652.319</b>	<b>1.518.602</b>
<b>Total (fair value)</b>	<b>1.651.586</b>	<b>1.518.602</b>

During the year a number of government securities were reclassified from the item Financial assets held for trading to the item Receivables. For more information on these reclassifications, see the contents of Part A of the present Notes to the Financial Statements.

The decrease in the item Current accounts compared with the previous year is due to the different classification of loans up to 18 months less one day which are considered "hot money" and therefore recorded among Other operations.

## 7.2 Due from customers: breakdown by borrowers/issuers

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
<b>1. Debt securities issued by:</b>	<b>31.410</b>	-
a) Governments	-	-
b) Other public bodies	-	-
c) Other issuers	31.410	-
- non-financial companies	1.480	-
- financial companies	29.930	-
- insurance companies	-	-
- others	-	-
<b>2. Loans and advances to:</b>	<b>1.620.815</b>	<b>1.518.532</b>
a) Governments	-	-
b) Other public bodies	2	2
c) Other subjects	1.620.813	1.518.530
- non-financial companies	8.815	8.982
- financial companies	1.538.819	1.440.797
- insurance companies	21	16
- others	73.158	68.735
<b>3. Impaired assets:</b>	<b>94</b>	<b>70</b>
a) Governments	-	-
b) Other public bodies	-	-
c) Other subjects	94	70
- non-financial companies	87	60
- financial companies	-	-
- insurance companies	-	-
- others	7	10
<b>4. Assets sold but not derecognized:</b>	-	-
a) Governments	-	-
b) Other public bodies	-	-
c) Other subjects	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
<b>Total</b>	<b>1.652.319</b>	<b>1.518.602</b>

## Section 8 - Hedging derivatives - Item 80

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

Derivative type/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Receivables	Other	Total
<b>A) Quoted</b>						
<b>1. Financial derivatives</b>	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
<b>2. Credit derivatives</b>	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
<b>Total A</b>	-	-	-	-	-	-
<b>B) Unquoted</b>						
<b>1. Financial derivatives</b>	<b>1.769</b>	-	-	-	-	<b>1.769</b>
• with equity swap	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without equity swap	1.769	-	-	-	-	1.769
- options purchased	-	-	-	-	-	-
- other derivatives	1.769	-	-	-	-	1.769
<b>2. Credit derivatives</b>	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
<b>Total B</b>	<b>1.769</b>	-	-	-	-	<b>1.769</b>
<b>Total (A+B) 31/12/2008</b>	<b>1.769</b>	-	-	-	-	<b>1.769</b>
<b>Total (A+B) 31/12/2007</b>	<b>2.156</b>	-	-	-	-	<b>2.156</b>

The amount refers to the hedging of interest rate risk on fixed-rate bond issues, by means of interest rate swap contracts.

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

Transaction/Type of hedging	Fair Value					Cash flows		
	Micro					Macro	Micro	Macro
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. Financial assets available for sale	-	-	-	-	-	X	-	X
2. Receivables	-	-	-	X	-	X	-	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
5. Foreign investments	X	X	X	X	X	X	-	X
<b>Total assets</b>	-	-	-	-	-	-	-	-
1. Financial liabilities	1.769	-	-	X	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
<b>Total liabilities</b>	<b>1.769</b>	-	-	-	-	-	-	-
1. Pending transactions	X	X	X	X	X	X	-	-

## Section 10 - Equity investments - Item 100

### 10.1 Equity investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: equity percentage information

Name	Head office	Equity interest %	Voting rights %
<b>A. Solely-controlled companies</b>			
Finanziaria 2007 S.p.A.	Biella	100,00	100,00
Banca Sella Sud Arditì Galati S.p.A.	Lecce	60,13	60,13
Banca Patrimoni Sella & C. S.p.A.	Torino	68,34	68,34
Banca Sella S.p.A.	Biella	100,00	100,00
Biella Leasing S.p.A.	Biella	76,91	76,91
Brosel S.p.A.	Biella	61,00	61,00
C.B.A. Vita S.p.A.	Milan	82,00	82,00
Consel S.p.A.	Turin	55,53	55,53
Easy Nolo S.p.A.	Biella	84,74	84,74
Immobiliare Lanificio M.Sella S.p.A.	Biella	100,00	100,00
Immobiliare Sella S.p.A.	Biella	100,00	100,00
Secursel S.p.A.	Biella	80,00	80,00
Selfid S.p.A.	Biella	88,00	88,00
Sella Bank Luxembourg S.a.	Luxembourg	23,66	23,66
Sella Capital Management SGR. S.p.A.	Milan	85,97	85,97
Sella Corporate Finance S.p.A.	Biella	99,50	99,50
Sella Gestioni SGR S.p.A.	Milan	75,37	75,37
Sella Holding N.V.	The Netherlands	100,00	100,00
<b>C. Companies subject to significant influence</b>			
S.C.P. VDP1	Principality of Monaco	29,00	29,00
Banca Monte Parma S.p.A.	Parma	7,00	7,00

For more information on the equity interest in Banca Monte Parma the reader is referred to the contents of the Report on Operations in the section of the same name.

## 10.2 Equity investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: accounting information

Name	Total assets	Total income	Profit (loss)	shareholders' equity	Book value	Fair value
<b>A. Solely controlled companies</b>						
Finanziaria 2007 S.p.A.	46.423	3.156	3.036	46.373	60.028	X
Banca Sella Sud Arditì Galati S.p.A.	1.605.725	137.676	12.686	90.166	70.449	X
Banca Patrimoni Sella & C. S.p.A.	561.660	56.446	(4.041)	49.853	30.930	X
Banca Sella S.p.A.	8.578.122	633.261	42.039	387.255	300.000	X
Biella Leasing S.p.A.	1.104.372	85.576	4.002	46.988	15.747	X
Brosel S.p.A.	4.723	3.266	499	2.828	506	X
C.B.A. Vita S.p.A.	694.922	156.487	(2.491)	40.470	49.057	X
Consel S.p.A.	855.357	93.672	1.869	89.157	32.107	X
Easy Nolo S.p.A.	13.083	12.468	705	4.068	1.633	X
Immobiliare Lanificio M.Sella S.p.A.	33.146	2.962	31	30.277	25.083	X
Immobiliare Sella S.p.A.	24.567	5.800	13	23.848	23.413	X
Secursel S.p.A.	43	33	1	14	8	X
Selfid S.p.A.	1.692	708	144	1.313	1.364	X
Sella Bank Luxembourg S.a.	342.150	29.195	(4.212)	17.913	4.495	X
Sella Capital Management SGR. S.p.A.	11.590	77	(412)	10.229	4.564	X
Sella Corporate Finance S.p.A.	1.107	724	31	800	514	X
Sella Gestioni SGR S.p.A.	23.232	25.322	85	17.243	24.890	X
Sella Holding N.V.	43.794	3.333	(2.030)	29.852	47.274	X
<b>C. Companies subject to significant influence</b>						
S.C.P. VDP1	5.680	187	(4)	1.967	580	580
Banca Monte Parma S.p.A.	2.849.966	183.140	7.675	187.583	28.445	28.445
<b>Total</b>	<b>16.801.354</b>	<b>1.433.489</b>	<b>59.626</b>	<b>1.078.197</b>	<b>721.087</b>	<b>29.025</b>

### 10.3 Equity investments: annual changes

	Total 31/12/2008	Total 31/12/2007
<b>A. Opening balance</b>	<b>666.296</b>	<b>636.593</b>
<b>B. Increases</b>	<b>75.698</b>	<b>95.270</b>
B.1 Purchases	75.698	95.270
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
<b>C. Decreases</b>	<b>20.907</b>	<b>65.567</b>
C.1 Sales	544	65.567
C.2 Writedowns	20.363	-
C.4 Other changes	-	-
<b>D. Closing balance</b>	<b>721.087</b>	<b>666.296</b>
<b>E. Total revaluations</b>	-	-
<b>F. Total adjustments</b>	-	<b>22.978</b>

#### Impairment tests on equity interests

As required by the IFRS, equity interests were subjected to impairment tests in order to ascertain whether there was objective evidence that might indicate that the book value of such assets was not fully recoverable.

The entities subjected to impairment tests are listed below:

Entities subjected to impairment tests	CGU	Carrying value A (before any adjustments in the year) (euro thousands)	Proportion of shareholders' equity held B (euro thousands)	Difference A-B (euro thousands)
Equity interest in Banca Sella Sud Arditi Galati	CGU A1	70.449	54.216	16.233
Equity interest in Sella Bank Luxembourg	CGU A2	24.858	3.252	21.606
Equity interest in Sella Gestioni	CGU A3	24.890	12.997	11.893
Equity interest in Selfid	CGU A4	1.364	1.154	210
Equity interest in CBA Vita	CGU A5	49.057	32.146	16.911
Equity interest in Finanziaria 2007	CGU A6	60.028	46.373	13.655

The accounting standards of reference state that the impairment test must be carried out comparing the book value of the CGU with its recoverable value. If this value is found to be less than the book value, a value adjustment must be recognized. The recoverable value of the CGU is the greater of its fair value net of selling costs and its value in use. The methods of calculation of the recoverable value of the CGU are shown below and the following table shows the assumptions for calculation of the recoverable value:

CGU	Recoverable value	Method of calculation used	Result of impairment test
CGU A1	Fair value	Transaction Multiples	The impairment test detected no loss in value
CGU A2	Value in Use	Discounting of future profit flows <sup>(1)</sup>	The impairment test detected a loss in value of 20.363 thousand euro
CGU A3	Fair value	Transaction Multiples <sup>(1)</sup>	The impairment test detected no loss in value
CGU A4	Value in use	Discounting of future profit flows	The impairment test detected no loss in value
CGU A5	Fair value	Actuarial method	The impairment test detected no loss in value
CGU A6	Fair value	Adjusted net equity <sup>(1)</sup>	The impairment test detected no loss in value

<sup>(1)</sup> Valuations carried out with the assistance of an independent advising company.

The **fair value** is defined as the price at which an asset may be exchanged between knowledgeable and independent parties, in an arm's length transaction on the market, not subject to any duress and net of the selling costs.

- The Transaction Multiples Method is based on an estimate of the multiples implicit in the prices of a sample of transactions of comparable companies and the subsequent application of these multiples to the fundamental numbers of the company being valued.
- The Actuarial Method is considered the most suitable method for valuing insurance companies: the valuation is obtained from the sum of the shareholders' equity of the company adjusted for the value of existing policies (embedded value) and for the value of future policies (appraisal value).
- The Net Equity Method involves considering the proportion of shareholders' equity held adjusted by the higher value with respect to the carrying value attributed to the equity interests held.

The **value in use** is defined as the present value of future cash flows expected to derive from an asset. The estimate of value in use incorporates the following elements:

- an estimate of the future cash flows the entity expects to derive from the asset;
- expectations about possible variations in the amount or timing of those future cash flows;
- the time value of money;
- other factors such as the uncertainty of the value and the illiquidity of the asset.

<b>CGU</b>	<b>Basic assumptions</b>	<b>Method of determination</b>
CGU A1	Shareholders' Equity	Data at 31 December 2008
	Net banking income	Data at 31 December 2008
	Net Profit	Data at 31 December 2008
	Total deposits	Data at 31 December 2008
	Turnover	Data at 31 December 2008
CGU2	Net Profit	Economic and financial forecasts 2009-2011
	Discount rate	8,18% as the sum of a free risk rate and a risk premium
	Profitability beyond the forecast period	2%
CGU A3	Assets Under Management	Data at 31 December 2008
	Fee income	Data at 31 December 2008
	Net banking and insurance income	Data at 31 December 2008
CGU A4	Net Profit	Economic and financial forecasts 2009-2011
	Discount rate	8,95% as the sum of a free risk rate and a risk premium
	Profitability beyond the forecast period	2%
CGU A5	Shareholders' Equity	Data at 31 December 2008
	Value of existing portfolio	Life portfolio as of 30/06/08
	Value of future policies	Economic and financial forecasts 2009-2013
	Flow discount rate	7,5% as the sum of a free risk rate and a risk premium
CGU A6	Shareholders' Equity	Data at 31 December 2008
	NAV of the equity interest in BSNE	Valuation carried out using the Transaction Multiples method

#### **Sensitivity analysis:**

CGU	Change in discount rate		Change in profit growth rate	
	Change considered	% proportion of value in use	Change considered	% proportion of value in use
CGU A4	+/- 10 b. p.	-/+ 1,4%	+/- 10 b. p.	+/- 1,3%

The sensitivity analysis revealed no indications of value requiring registration.



## Section 11 - Tangible assets - Item 110

### 11.1 Tangible assets: breakdown of assets carried at cost

Item/Amount	Total 31/12/2008	Total 31/12/2007
<b>A. Assets used for business purposes</b>		
<b>1.1 owned</b>	<b>60.200</b>	<b>59.153</b>
a) land	10.268	10.268
b) buildings	35.766	36.778
c) furniture	299	229
d) electronic equipment	11.507	10.418
e) other	2.360	1.460
<b>1.2 acquired through financial leasing</b>	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
<b>Total A</b>	<b>60.200</b>	<b>59.153</b>
<b>B. Assets held for investment</b>		
<b>2.1 owned</b>	<b>1.730</b>	<b>1.769</b>
a) land	932	932
b) buildings	798	837
<b>2.2 acquired through financial leasing</b>	-	-
a) land	-	-
b) buildings	-	-
<b>Total B</b>	<b>1.730</b>	<b>1.769</b>
<b>Total (A+B)</b>	<b>61.930</b>	<b>60.922</b>

The item "Owned assets for business purposes – others" includes security, alarm and communication systems; motor vehicles; machinery; and sundry equipment.

### 11.3 Tangible assets used for business purposes: annual changes

	Land	Buildings	Furniture	Electronic equipment	Others	Total
<b>A. Gross opening balance</b>	<b>10.268</b>	<b>51.962</b>	<b>2.480</b>	<b>73.686</b>	<b>11.335</b>	<b>149.731</b>
A.1 Total net impairments		15.184	2.251	63.268	9.875	90.578
<b>A.2 Net opening balance</b>	<b>10.268</b>	<b>36.778</b>	<b>229</b>	<b>10.418</b>	<b>1.460</b>	<b>59.153</b>
<b>B. Increases</b>	<b>-</b>	<b>519</b>	<b>134</b>	<b>7.423</b>	<b>1.516</b>	<b>9.592</b>
B.1 Purchases	-	519	134	7.423	1.516	9.592
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>1.531</b>	<b>64</b>	<b>6.334</b>	<b>616</b>	<b>8.545</b>
C.1 Sales	-	-	-	-	19	19
C.2 Depreciation	-	1.531	64	6.334	597	8.526
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
<b>D. Net closing balance</b>	<b>10.268</b>	<b>35.766</b>	<b>299</b>	<b>11.507</b>	<b>2.360</b>	<b>60.200</b>
D.1 Total net impairments		16.305	2.280	73.088	6.469	98.142
<b>D.2 Gross closing balance</b>	<b>10.268</b>	<b>52.071</b>	<b>2.579</b>	<b>84.595</b>	<b>8.829</b>	<b>148.074</b>
<b>E. Carried at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	Total	
	Land	Buildings
<b>A. Opening balance</b>	<b>932</b>	<b>837</b>
<b>B. Increases</b>	-	-
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from buildings for business purposes	-	-
B.7 Other changes	-	-
<b>C. Decreases</b>	-	<b>39</b>
C.1 Sales	-	-
C.2 Depreciation	-	39
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	-
a) buildings for business purposes	-	-
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
<b>D. Closing balance</b>	<b>932</b>	<b>798</b>
<b>E. Carried at fair value</b>	-	-

#### 11.5 Commitments to buy tangible assets

	Total 31/12/2008	Total 31/12/2007
Commitments to buy tangible assets	-	440

## Section 12 - Intangible assets - Item 120

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

Item/Amount	Total 31/12/2008		Total 31/12/2007	
	Limited term	Unlimited term	Limited term	Unlimited term
<b>A.1 Goodwill</b>	<b>X</b>	-	<b>X</b>	-
<b>A.2 Other intangible assets:</b>	<b>31.704</b>	-	<b>24.242</b>	-
A.2.1 Assets carried at cost	31.704	-	24.242	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	31.704	-	24.242	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>31.704</b>	-	<b>24.242</b>	-

*The total at 31 December 2008 refers to software used by the company in its business.*

## 12.2 Intangible assets: annual changes

	Goowill	Other intangible assets: generated internally		Other intangible assets: others		Total
		LIM.	UNLIM.	LIM.	UNLIM.	
<b>A. Gross opening balance</b>	-	-	-	<b>94.284</b>	-	<b>94.284</b>
A.1 Total net reductions in value	-	-	-	70.042	-	70.042
<b>A.2 Net opening balance</b>	-	-	-	<b>24.242</b>	-	<b>24.242</b>
<b>B. Increases</b>	-	-	-	<b>16.744</b>	-	<b>16.744</b>
B.1 Purchases	-	-	-	16.744	-	16.744
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value		-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
<b>C. Decreases</b>	-	-	-	<b>9.282</b>	-	<b>9.282</b>
C.1 Sales	-	-	-	121	-	121
C.2 Writedowns	-	-	-	9.161	-	9.161
- amortization	X	-	-	9.155	-	9.155
- writedowns	-	-	-	6	-	6
- shareholders' equity	X	-	-	-	-	-
- income statement	-	-	-	6	-	6
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
<b>D. Net closing balance</b>	-	-	-	<b>31.704</b>	-	<b>31.704</b>
D.1 Total net value adjustments	-	-	-	78.817	-	78.817
<b>E. Gross closing balance</b>	-	-	-	<b>110.521</b>	-	<b>110.521</b>
F. Carried at cost	-	-	-	-	-	-

### KEY

LIM: limited term

UNLIM: unlimited term

## Section 13 - Tax assets and liabilities - Item 130 of assets and item 80 of liabilities

### Current tax assets: breakdown

	Total 31/12/2008	Total 31/12/2007
Prepaid taxes	4.587	7.063
Credits for withholdings	1	9
Assets from inclusion in tax consolidation	8.186	7.389
Tax credits	536	534
<b>Total</b>	<b>13.310</b>	<b>14.995</b>

The sub-item "Assets from inclusion in tax consolidation" records in particular the benefit, relating to the tax on income of companies (the so-called IRES), accrued to "the national tax consolidation" – as per Art. 117 and following, of the Consolidated Act on Income Tax, known as the TUIR (Pres. Dec. 917 of 22/12/1986) – of which Banca Sella Holding is the parent and consolidating company, deriving in particular:

- i) from offsetting the individual tax loss of Banca Sella Holding, relating to the 2008 tax period, with the net positive taxable income for 2008 of the other companies included in the national tax consolidation;
- ii) from attribution to Banca Sella Holding of the benefit as per Art. 96, paragraph 5-bis, TUIR, related to interest expense accrued in financial year 2008 to the same in favour of other subjects included in the national tax consolidation (this is a partial adjustment of the so-called "Robin Hood tax").

### Current tax liabilities: breakdown

	Total 31/12/2008	Total 31/12/2007
Provisions for direct taxes	523	2.223
Provisions for indirect taxes	57	67
<b>Total</b>	<b>580</b>	<b>2.290</b>

### 13.1 Deferred tax assets: breakdown

	Ires (Corporate tax)	Irap (Regional business tax)	Others	Total 31/12/2008	Total 31/12/2007
Losses on receivables	3.199	185	-	3.384	3.616
Provisions for sundry risks and liabilities	842	-	-	842	802
Depreciation and valuation of buildings	1.168	-	-	1.168	1.199
Sundry administrative expenses	324	6	-	330	1.287
Personnel expenses	627	-	-	627	794
Other assets	681	8	-	689	305
<b>Total deferred tax assets (charged to income statement)</b>	<b>6.841</b>	<b>199</b>	<b>-</b>	<b>7.040</b>	<b>8.003</b>
Depreciation and valuation of buildings	1.396	-	-	1.396	1.396
Measurement of available-for-sale financial assets	17	62	-	79	427
<b>Total deferred tax assets (charged to shareholders' equity)</b>	<b>1.413</b>	<b>62</b>	<b>-</b>	<b>1.475</b>	<b>1.823</b>

### 13.2 Deferred tax liabilities: breakdown

	Ires (Corporate tax)	Irap (Regional business tax)	Others	Total 31/12/2008	Total 31/12/2007
Gains on sale of available-for-sale financial assets	157	-	-	157	370
Different calculation of depreciation of tangible assets	536	53	-	589	1.368
Different calculation of amortization of intangible assets	2	-	-	2	209
Contributions for training costs	44	-	-	44	98
Discounting to the present of provisions for sundry risks and liabilities	1	-	-	1	9
Other liabilities	-	-	-	-	403
<b>Total deferred taxes (charged to income statement)</b>	<b>740</b>	<b>53</b>	<b>-</b>	<b>793</b>	<b>2.457</b>
Measurement of available-for-sale financial assets	84	292	-	376	381
Other liabilities	140	-	-	140	140
<b>Total deferred taxes (charged to shareholders' equity)</b>	<b>224</b>	<b>66</b>	<b>-</b>	<b>516</b>	<b>521</b>

Starting in financial year 2008, for greater uniformity with the consolidated financial statements, Banca Sella Holding decided to no longer take advantage of the option to offset tax assets and liabilities. To enable better comparability it was decided to apply the new criterion also to taxation for financial year 2007.

### 13.3 Changes in deferred tax assets (charged to income statement)

	Total 31/12/2008	Total 31/12/2007
<b>1. Initial amount</b>	<b>8.003</b>	<b>11.465</b>
<b>2. Increases</b>	<b>1.666</b>	<b>3.100</b>
2.1 Prepaid taxes recognised during the year	1.666	3.074
a) relating to previous years	411	262
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	1.255	2.812
2.2 New taxes cancelled during the year	-	26
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>2.629</b>	<b>6.562</b>
3.1 Prepaid taxes cancelled during the year	2.629	3.676
a) reversals	2.629	3.572
b) writedowns for unrecoverable items	-	104
c) changes in accounting policies	-	-
3.2 Reductions in tax rates	-	995
3.3 Other changes	-	1.891
<b>4. Final amount</b>	<b>7.040</b>	<b>8.003</b>

### 13.4 Changes in deferred tax liabilities (charged to income statement)

	Total 31/12/2008	Total 31/12/2007
<b>1. Opening balance</b>	<b>2.457</b>	<b>4.115</b>
<b>2. Increases</b>	<b>418</b>	<b>861</b>
2.1 Deferred taxes recognized during the year	418	861
a) relating to previous years	365	29
b) due to changes in accounting policies	-	-
c) others	53	832
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>2.082</b>	<b>2.519</b>
3.1 Deferred taxes cancelled during the year	2.082	2.004
a) reversals	2.082	343
b) due to changes in accounting policies	-	-
c) others	-	1.661
3.2 Reductions in tax rates	-	325
3.3 Other decreases	-	190
<b>4. Final amount</b>	<b>793</b>	<b>2.457</b>

### 13.5 Changes in deferred tax assets (charged to shareholders' equity)

	Total 31/12/2008	Total 31/12/2007
<b>1. Opening balance</b>	<b>1.823</b>	-
<b>2. Increases</b>	<b>79</b>	<b>2.318</b>
2.1 Prepaid taxes recognized during the year	79	427
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	79	427
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1.891
<b>3. Decreases</b>	<b>427</b>	<b>495</b>
3.1 Prepaid taxes cancelled during the year	427	216
a) reversals	-	-
b) writedowns for unrecoverable items	427	216
c) due to changes in accounting policies	-	-
3.2 Reductions in tax rates	-	279
3.3 Other decreases	-	-
<b>4. Final amount</b>	<b>1.475</b>	<b>1.823</b>



### 13.6 Changes in deferred tax liabilities (charged to shareholders' equity)

	Total 31/12/2008	Total 31/12/2007
<b>1. Opening balance</b>	<b>521</b>	<b>2.113</b>
<b>2. Increases</b>	<b>361</b>	<b>571</b>
2.1 Deferred taxes recognized during the year	361	381
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	361	381
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	190
<b>3. Decreases</b>	<b>366</b>	<b>2.163</b>
3.1 Deferred taxes cancelled during the year	366	2.135
a) reversals	366	2.113
b) due to changes in accounting policies	-	-
c) others	-	22
3.2 Reductions in tax rates	-	28
3.3 Other decreases	-	-
<b>4. Final amount</b>	<b>516</b>	<b>521</b>

## Section 15 - Other assets - Item 150

### 15.1 Other assets: breakdown

	Total 31/12/2008	Total 31/12/2007
Forms in stock	166	143
Payment orders to sundry others being debited	3.146	24.567
Countervalues on securities trading being settled	8.954	30.331
Matured coupons and securities being settled	12.425	9.847
Current account cheques drawn against third parties	-	380
Current account cheques drawn against the bank	8.145	14.376
Fees, commissions and other income being debited	10.086	37.009
Expenses for improvements to third-party property	79	79
Adjustments for non-cash portfolio items	18.756	-
Advances and accounts payable	1	1.175
Disputed items not deriving from lending transactions	920	808
Deferrals on administrative expenses and fees	1.033	541
Due from insurance companies	-	3.808
Others	3.862	6.463
<b>Total</b>	<b>67.573</b>	<b>129.527</b>

*In financial year 2007 adjustments for non-cash portfolio items were negative, and therefore the amount relating to them was classified among other liabilities.  
The item Payment orders to sundry others being debited for 2008 consists mainly of operations performed with credit cards to be settled in clearing on maturity.*



Part B - Information on the balance sheet

LIABILITIES



## Section 1 - Due to banks - Item 10

### 1.1 Due to banks: breakdown by type

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
<b>1. Due to central banks</b>	<b>10.077</b>	<b>1.098</b>
<b>2. Due to banks</b>	<b>3.951.830</b>	<b>3.402.999</b>
2.1 Current accounts and demand deposits	2.696.410	1.348.166
2.2 Term deposits (including term C/As)	919.498	1.374.485
2.3. Loans and advances	335.922	641.390
2.3.1 financial leasing	-	-
2.3.2 others	335.922	641.390
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5. Liabilities against assets sold but not derecognized	-	38.958
2.5.1 repurchase agreements	-	38.958
2.5.2 others	-	-
2.6 Other payables	-	-
<b>Total</b>	<b>3.961.907</b>	<b>3.404.097</b>
<b>Fair value</b>	<b>3.961.907</b>	<b>3.404.097</b>

### 1.3 Details of item 10 "Due to banks": structured debts

	Total 31/12/2008	Total 31/12/2007
- structured debts	1.018	-
<b>Total</b>	<b>1.018</b>	<b>-</b>

## ■ Section 2 - Due to customers - Item 20

### 2.1 Due to customers: breakdown by type

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Current accounts and demand deposits	87.789	130.528
2. Term deposits and term C/As	-	11.837
3. Managed third-party funds	-	-
4. Loans and advances	-	-
4.1 financial leasing	-	-
4.2 others	-	-
5. Payables for own equity instrument repurchase commitments	-	-
6. Liabilities against assets sold but not derecognized	-	-
6.1 repurchase agreements	-	-
6.2 others	-	-
7. Other payables	40.942	45.783
<b>Total</b>	<b>128.731</b>	<b>188.148</b>
<b>Fair value</b>	<b>128.731</b>	<b>188.148</b>

## Section 3 - Outstanding securities - Item 30

### 3.1 Outstanding securities: breakdown by type

Type of security/Amount	Total 31/12/2008		Total 31/12/2007	
	Book value	Fair value	Book value	Fair value
<b>A. Quoted securities</b>	<b>856.037</b>	<b>832.623</b>	<b>855.495</b>	<b>852.966</b>
1. Bonds	856.037	832.623	855.495	852.966
1.1 structured	-	-	-	-
1.2 others	856.037	832.623	855.495	852.966
2. Other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 others	-	-	-	-
<b>B. Unquoted securities</b>	<b>766.553</b>	<b>763.175</b>	<b>467.053</b>	<b>466.543</b>
1. Bonds	749.037	745.659	467.053	466.543
1.1 structured	14.410	14.769	15.838	15.432
1.2 other	734.627	730.890	451.215	451.111
2. Other securities	17.516	17.516	-	-
2.1 structured	-	-	-	-
2.2 others	17.516	17.516	-	-
<b>Total</b>	<b>1.622.590</b>	<b>1.595.798</b>	<b>1.322.548</b>	<b>1.319.509</b>

### 3.2 Details of Item 30 "Outstanding securities": subordinated securities

	Total 31/12/2008	Total 31/12/2007
- subordinated securities	286.225	289.667
<b>Total</b>	<b>286.225</b>	<b>289.667</b>

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

Type of security/Amount	Total 31/12/2008	Total 31/12/2007
<b>1. Securities subject to micro-hedging of fair value</b>	<b>14.410</b>	<b>18.359</b>
a) interest rate risk	14.410	18.359
b) exchange rate risk	-	-
c) other risks	-	-
<b>2. Securities subject to micro-hedging of cash flows</b>	<b>-</b>	<b>-</b>
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-

## Section 4 - Financial liabilities held for trading - Item 40

### 4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amount	Total 31/12/2008				Total 31/12/2007			
	NV	FV		FV*	NV	FV		FV*
		Q	UQ			Q	UQ	
<b>A. Cash liabilities</b>								
1. Due to banks	-	-	-	-	12	-	12	12
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	X	-	-	-	X
3.1.2 Other bonds	-	-	-	X	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	X	-	-	-	X
3.2.2 Others	-	-	-	X	-	-	-	X
<b>Total A</b>	-	-	-	-	<b>12</b>	-	<b>12</b>	<b>12</b>
<b>B. Derivative instruments</b>								
1. Financial derivatives	-	6.355	115.305	-	-	3.374	45.640	-
1.1 Held for trading	X	6.355	115.008	X	X	3.374	43.934	X
1.2 Linked to fair value option	X	-	-	X	X	-	-	X
1.3 Others	X	-	297	X	X	-	1.706	X
2. Credit derivatives	-	-	75	-	-	-	-	-
2.1 Held for trading	X	-	75	X	X	-	-	X
2.2 Linked to fair value option	X	-	-	X	X	-	-	X
2.3 Others	X	-	-	X	X	-	-	X
<b>Total B</b>	<b>X</b>	<b>6.355</b>	<b>115.380</b>	<b>X</b>	<b>X</b>	<b>3.374</b>	<b>45.640</b>	<b>X</b>
<b>Total A+B</b>	-	<b>6.355</b>	<b>115.380</b>	-	<b>12</b>	<b>3.374</b>	<b>45.652</b>	<b>12</b>

KEY

FV = fair value

FV\* = fair value calculated excluding changes in value due to changes in credit worthiness of the issuer after the issue date

NV = nominal or notional value

Q = quoted

UQ = unquoted

#### 4.4 Financial liabilities held for trading: derivative instruments

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equity securities	Receivables	Other	Total 31/12/2008	Total 31/12/2007
<b>A) Quoted derivatives</b>							
<b>1. Financial derivatives:</b>	-	-	<b>6.355</b>	-	-	<b>6.355</b>	<b>3.374</b>
• with equity swap	-	-	-	-	-	-	97
- options issued	-	-	-	-	-	-	97
- other derivatives	-	-	-	-	-	-	-
• without equity swap	-	-	6.355	-	-	6.355	3.277
- options issued	-	-	6.355	-	-	6.355	3.277
- other derivatives	-	-	-	-	-	-	-
<b>2. Credit derivatives:</b>	-	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
<b>Total A</b>	-	-	<b>6.355</b>	-	-	<b>6.355</b>	<b>3.374</b>
<b>B) Unquoted derivatives</b>							
<b>1. Financial derivatives:</b>	<b>82.968</b>	<b>32.012</b>	<b>325</b>	-	-	<b>115.305</b>	<b>45.640</b>
• with equity swap	-	30.414	-	-	-	30.414	20.443
- options issued	-	4.460	-	-	-	4.460	2.906
- other derivatives	-	25.954	-	-	-	25.954	17.537
• without equity swap	82.968	1.598	325	-	-	84.891	25.197
- options issued	3.626	-	325	-	-	3.951	6.836
- other derivatives	79.342	1.598	-	-	-	80.940	18.361
<b>2. Credit derivatives:</b>	-	-	-	<b>75</b>	-	<b>75</b>	-
• with equity swap	-	-	-	75	-	75	-
• without equity swap	-	-	-	-	-	-	-
<b>Total B</b>	<b>82.968</b>	<b>32.012</b>	<b>325</b>	<b>75</b>	-	<b>115.380</b>	<b>45.640</b>
<b>Total A+B</b>	<b>82.968</b>	<b>32.012</b>	<b>6.680</b>	<b>75</b>	-	<b>121.735</b>	<b>49.014</b>



## Section 6 - Hedging derivatives - Item 60

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

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equity securities	Receivables	Others	Total
<b>A) Quoted derivatives</b>						
<b>1) Financial derivatives</b>	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
<b>2) Credit derivatives</b>	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
<b>Total A</b>	-	-	-	-	-	-
<b>B) Unquoted derivatives</b>						
<b>1) Financial derivatives</b>	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
<b>2) Credit derivatives</b>	-	-	-	-	-	-
• with equity swap	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
<b>Total B</b>	-	-	-	-	-	-
<b>Total (A+B) 31/12/2008</b>	-	-	-	-	-	-
<b>Total (A+B) 31/12/2007</b>	<b>8.133</b>	-	-	-	-	<b>8.133</b>

The amount refers to the hedging of interest rate risk on fixed-rate bond issues and a repurchase agreement, by means of interest rate swap contracts.

## Section 10 - Other liabilities - Item 100

### 10.1 Other liabilities: breakdown

Items	Total 31/12/2008	Total 31/12/2007
Items payable in transit	-	203
Taxes payable for third parties	1.649	1.724
Adjustments for non-cash portfolio items	-	82.315
Cash available to customers	5.292	5.113
Bank transfers and other payments due	82.113	47.108
Accounts payable and fees payable to sundry third parties	20.608	32.313
Personnel expenses	14.706	17.098
Payables for guarantees and commitments	18	125
Fees payable to statutory auditors and directors	1.948	-
Contributions payable to sundry agencies	609	621
Deferrals of administrative expenses	15.940	64
Others	2.362	9.816
<b>Total</b>	<b>145.245</b>	<b>196.500</b>

*In financial year 2008 adjustments for non-cash portfolio items were positive, and therefore the amount relating to them was included among other assets.*

*The item Deferrals refers predominantly to deferrals on outsourcing fees.*

*The item Bank transfers and other payments due consists of more than 73 million euro of cash order and notice payments and direct debits awaiting settlement in clearing and due.*

# Section 11 - Employee severance indemnities - Item 110

## 11.1 Employee severance indemnities: annual changes

	Total 31/12/2008	Total 31/12/2007
<b>A. Opening balance</b>	<b>12.441</b>	<b>14.482</b>
<b>B. Increases</b>	<b>1.062</b>	<b>(1.350)</b>
B.1 Provisions	1.029	(1.454)
B.2 Other increases	33	104
<b>C. Decreases</b>	<b>763</b>	<b>691</b>
C.1 Liquidations paid	585	550
C.2 Other decreases	178	141
<b>D. Closing balance</b>	<b>12.740</b>	<b>12.441</b>

The technical bases used by the company were formulated observing the business performance in the years 2007-2008 in relation to the following demographic and financial variables:

- Demographic assumptions:
  - mortality/disability: in addition to the historical series observed, the ISTAT tables were adopted, divided by age and gender, for 2003;
  - retirement, resignations/dismissals, expiry of contracts: the probability of leaving the company assumed is 7,40% per year;
  - severance indemnity advances: the annual frequency of advances was set at 1,47%, while the percentage of severance indemnity requested in advance was assumed to be 70%;
- Economic/financial assumptions:
  - inflation: with reference to the start of employment, we used the inflationary scenario indicated in the 2009-2011 Economic and Financial Planning Document which envisages planned inflation of 1,5%;
  - discount rate: the Euroswap rate curve was used (source: Bloomberg) with reference to 31 December 2008.

## Section 12 - Provisions for risks and charges - Item 120

### 12.1 Provisions for risks and charges: breakdown

	Total 31/12/2008	Total 31/12/2007
1. Company pension funds	-	-
2. Other provisions for risks and charges	25.189	47.742
2.1 Legal disputes	2.011	1.640
2.2 Operational risks	23.127	45.354
2.3 Personnel charges	2	198
2.4 Others	49	550
<b>Total</b>	<b>25.189</b>	<b>47.742</b>

The item "Legal disputes" consists mainly of estimates of liabilities likely for bankruptcy revocatory actions, lawsuits against the company and customers claims. "Provisions for operational risks" include the amounts set aside for disputes relating to Sella Bank Luxembourg and for employee disloyalty. The payment times of the liabilities relating to lawsuits and customer claims can be estimated as a time period of approximately 18/24 months, while for revocatory actions oscillates between about 30 and 40 months in relation to the geographical area of reference.

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

	Pension funds	Legal disputes	Operational risks	Personnel expenses	Others	Total
<b>A. Opening balance</b>	-	<b>1.640</b>	<b>45.354</b>	<b>198</b>	<b>550</b>	<b>47.742</b>
<b>B. Increases</b>	-	<b>746</b>	<b>2.395</b>	<b>2</b>	<b>22</b>	<b>3.165</b>
B.1 Provisions for the year	-	645	-	2	14	661
B.2 Changes due to passing of time	-	72	1.000	-	6	1.078
B.3 Changes due to fluctuations in discount rate	-	29	1.395	-	2	1.426
B.4 Other changes	-	-	-	-	-	-
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	-	-	-	-	-
- other changes (+)	-	-	-	-	-	-
<b>C. Decreases</b>	-	<b>375</b>	<b>24.622</b>	<b>198</b>	<b>523</b>	<b>25.718</b>
C.1 Utilization in the period	-	279	19.790	197	-	20.266
C.2 Changes due to fluctuations in discount rate	-	9	-	-	-	9
C.3 Other changes	-	87	4.832	1	523	5.443
- business combinations (-)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	87	4.832	1	523	5.443
<b>D. Closing balance</b>	-	<b>2.011</b>	<b>23.127</b>	<b>2</b>	<b>49</b>	<b>25.189</b>

## Section 14 - Corporate capital - Items 130, 150, 160, 170, 180, 190, 200

### 14.1 Corporate capital: breakdown

Item/Amount	31/12/2008	31/12/2007
1. Share capital	100.500	80.000
2. Share premiums	49.414	49.414
3. Reserves	294.090	238.145
4. (Own shares)	-	-
5. Valuation reserve	4.508	21.966
6. Equity instruments	-	-
7. Profit/(loss) for the year	1.734	65.713
<b>Total</b>	<b>450.246</b>	<b>455.238</b>

During the year the parent company Banca Sella Holding carried out a free capital increase from 80.000.000 euro to 100.500.000 euro. For more information on the subject the reader is referred to the contents of the Report on Operations, the paragraph "Capital increases".

### 14.2 "Capital" and "Own shares": breakdown

	Shares issued	Shares subscribed and not yet paid up	Total 31/12/2008	Total 31/12/2007
<b>A. Capital</b>				
A.1 ordinary shares	100.500	-	100.500	80.000
A.2 preference shares	-	-	-	-
A.3 other shares	-	-	-	-
<b>Total A</b>	<b>100.500</b>	<b>-</b>	<b>100.500</b>	<b>80.000</b>
<b>B. Own shares</b>				
B.1 ordinary shares	-	-	-	-
B.2 preference shares	-	-	-	-
B.3 other shares	-	-	-	-
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 14.3 Capital - Number of shares: annual changes

Item/Type	Ordinary	Others
<b>A. Total shares at start of period</b>	<b>160.000.000</b>	-
- fully paid up	160.000.000	-
- not fully paid up	-	-
A.1 Own shares (-)	-	-
<b>A.2 Outstanding shares: opening balance</b>	<b>160.000.000</b>	-
<b>B. Increases</b>	<b>41.000.000</b>	-
B.1 New issues	41.000.000	-
- paid	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- others	-	-
- free	41.000.000	-
- for employees	-	-
- for directors	-	-
- others	41.000.000	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	-	-
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Business sale transactions	-	-
C.4 Other changes	-	-
<b>D. Outstanding shares: closing balance</b>	<b>201.000.000</b>	-
D.1 Own shares (+)	-	-
D.2 Total shares at end of period	201.000.000	-
- fully paid up	201.000.000	-
- not fully paid up	-	-

During the year the parent company Banca Sella Holding carried out a free capital increase through the issue of 41.000.000 new shares with a par value of 0,50 euro each. For more information on the subject the reader is referred to the contents of the Report on Operations, the paragraph "Capital increases".

#### 14.5 Profit reserves: other information

	Total 31/12/2008	Total 31/12/2007
Legal Reserve	28.759	28.759
Statutory Reserve	60.154	33.869
Extraordinary Reserve	102.305	97.652
Free	102.305	94.616
Restricted under the terms of Law 266/05 Art. 1 paragraph 469	-	3.036
Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943	74.943
Realignment reserve pursuant to Law 266/05 Art.1 paragraph 469	18.344	18.344
Reserve pursuant to Lgs. Dec. 218/90 Art. 7	2.586	2.586
Reinvested capital gain reserve	710	710
Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239	239
Group company merger surplus reserve	6.194	6.194
IAS/IFRS adoption reserve	-	(21.219)
Reserve for purchase of company divisions from Group companies	(144)	(144)
Profits/losses carried forward following adoption of IAS/IFRS	-	(3.788)
<b>Total</b>	<b>294.090</b>	<b>238.145</b>

#### 14.7 Valuation reserves: breakdown

Item/Component	Total 31/12/2008	Total 31/12/2007
1. Financial assets available for sale	4.508	4.754
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Foreign investment hedge	-	-
5. Hedging of cash flows	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation laws	-	17.212
8.1 Revaluation pursuant to Law 342/00	-	8.895
8.2 Revaluation of buildings following adoption of IAS/IFRS (restricted under the terms of Law 266/05 Art 1 paragraph 469)	-	8.317
<b>Total</b>	<b>4.508</b>	<b>21.966</b>

#### 14.8 Valuation reserves: annual changes

	Financial assets available for sale	Tangible assets	Intangible assets	Hedging of foreign investments	Hedging of cash flows	Exchange differences	Non-current assets held for sale	Special revaluation laws
<b>A. Opening balance</b>	<b>4.754</b>	-	-	-	-	-	-	<b>17.212</b>
<b>B. Increases</b>	<b>6.948</b>	-	-	-	-	-	-	-
B.1 Increases in fair value	5.505	-	-	-	-	-	-	-
B.2 Other changes	1.443	-	-	-	-	-	-	-
<b>C. Decreases</b>	<b>7.194</b>	-	-	-	-	-	-	<b>17.212</b>
C.1 Reductions in fair value	7.134	-	-	-	-	-	-	-
C.2 Other changes	60	-	-	-	-	-	-	17.212
<b>D. Closing balance</b>	<b>4.508</b>	-	-	-	-	-	-	-

#### 14.9 Valuation reserves of financial assets available for sale: breakdown

Asset/Amount	Total 31/12/2008		Total 31/12/2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equity securities	4.508	-	4.754	-
3. UCITS units	-	-	-	-
4. Loans and advances	-	-	-	-
<b>Total</b>	<b>4.508</b>	-	<b>4.754</b>	-



#### 14.10 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances
<b>1. Opening balance</b>	-	<b>4.754</b>	-	-
<b>2. Increases</b>	-	<b>6.948</b>	-	-
2.1 Increases in fair value	-	5.505	-	-
2.2 Reversal to income statement of negative reserves	-	-	-	-
- following impairment	-	-	-	-
- following realization	-	-	-	-
2.3 Other changes	-	1.443	-	-
<b>3. Decreases</b>	-	<b>7.194</b>	-	-
3.1 Reductions in fair value	-	7.134	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves:				
following realization	-	-	-	-
3.4 Other changes	-	60	-	-
<b>4. Closing balance</b>	-	<b>4.508</b>	-	-

**Details of utilization of Reserves** (Prepared under the terms of Art. 2427 p. 7bis of the Civil Code)

	Amount	Possibility of utilization (*)	Proportion available for distribution	Summary of utilizations in the three previous years	
				To cover losses	For other reasons
<b>Share capital</b>	<b>100.500</b>				
<b>Share capital reserves</b>					
Share premium reserve	49.414	A - B - C	49.414		
<b>Profit reserves</b>					
Legal reserve	28.759	B			
Statutory reserve	60.154	B			
Extraordinary reserve	102.305	A - B - C	-	-	-
Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943	A <sup>(3)</sup> - B <sup>(1)</sup> - C <sup>(2)</sup>	-	-	-
Realignment reserve pursuant to Law 266/05 Art 1 paragraph 469	18.344	A - B <sup>(1)</sup> - C <sup>(2)</sup>	-	-	-
Reserve pursuant to Law 218/90 Art. 7	2.586	A - B - C <sup>(2)</sup>	-	-	-
Reinvested capital gain reserve	710	A - B - C <sup>(2)</sup>	-	-	-
Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239	A - B - C <sup>(2)</sup>	-	-	-
Group company merger surplus reserve	6.194	A - B - C	-	-	-
<b>Valuation reserves</b>					
Available-for-sale asset valuation reserve pursuant to Lgs. Dec. 38/05 Art. 7 paragraph 2	4.508	---	-	-	-
<b>Other reserves</b>					
Reserve for purchase of company divisions from Group companies	(144)	---	-	-	-
<b>Total</b>	<b>448.512</b>		<b>49.414</b>		
Proportion not available for distribution pursuant to Art 2426 no. 5 C.C.	-	-	-	-	-
Remainder of proportion available for distribution	-	-	49.414	-	-

<sup>(1)</sup> Key: A: for capital increase B: to cover losses C: for distribution to shareholders

<sup>(2)</sup> If used to cover losses (B) no profits can be distributed until the reserve has been reinstated or its amount reduced by the corresponding amount. The reduction must be made after a resolution of the extraordinary general meeting, without following the provisions of paragraphs 2 and 3 of Art. 2445 C.C..

<sup>(3)</sup> If not allocated to capital the reserve may be reduced only in accordance with the provisions of paragraphs 2 and 3 of Art. 2445 C.C. If distributed to shareholders it counts towards the taxable income of the company.

<sup>(4)</sup> If allocated to capital or distributed to shareholders the reserve counts towards the taxable income of the company.

## Other information

### I. Guarantees issued and commitments

Transactions	Balance 31/12/2008	Balance 31/12/2007
<b>1) Financial guarantees issued</b>	<b>25.025</b>	<b>34.935</b>
a) banks	25.025	34.935
b) customers	-	-
<b>2) Commercial guarantees issued</b>	<b>20</b>	<b>16</b>
a) banks	20	-
b) customers	-	16
<b>3) Irrevocable commitments to disburse funds</b>	<b>431.476</b>	<b>533.851</b>
a) banks	351.970	356.947
i) certain to be drawn down	351.808	356.722
ii) not certain to be drawn down	162	225
b) customers	79.506	176.904
i) certain to be drawn down	79.506	176.904
ii) not certain to be drawn down	-	-
<b>4) Commitments underlying credit derivatives: protection sales</b>	<b>-</b>	<b>-</b>
<b>5) Assets pledged for third party obligations</b>	<b>62.424</b>	<b>94.145</b>
<b>6) Other commitments</b>	<b>76.251</b>	<b>113.104</b>
<b>Total</b>	<b>595.196</b>	<b>776.051</b>

### 2. Assets pledged against own liabilities and commitments

Portfolios	Balance 31/12/2008	Balance 31/12/2007
1. Financial assets held for trading	109.676	168.525
2. Financial assets at fair value through profit or loss	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	62.115	64.441
5. Due from banks	8.474	-
6. Due from customers	1.514	-
7. Tangible assets	-	-

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

Type of service	Balance 31/12/2008	Balance 31/12/2007
<b>1. Trading of financial instruments for third parties</b>	<b>117.673.466</b>	<b>185.547.025</b>
a) Purchases	58.597.514	91.834.632
1. settled	58.509.603	91.595.271
2. not settled	87.911	239.361
b) Sales	59.075.952	93.712.393
1. settled	58.985.519	93.401.708
2. not settled	90.433	310.685
<b>2. Assets management</b>	-	-
a) Individual	-	-
b) Collective	-	-
<b>3. Custody and administration of securities</b>	<b>29.931.306</b>	<b>32.121.129</b>
a) Third-party securities on deposit: connected with role of custodian bank (excluding asset management)	1.743.475	2.341.360
1. securities issued by the reporting bank	-	-
2. other securities	1.743.475	2.341.360
b) other third-party securities on deposit (excluding asset management): others	13.066.047	13.778.452
1. securities issued by the reporting bank	568.152	255.513
2. other securities	12.497.895	13.522.939
c) third-party securities deposited with third parties	13.704.364	14.579.311
d) own securities deposited with third parties	1.417.420	1.422.006
<b>4. Other transactions (*)</b>	<b>43.521.659</b>	<b>29.071.003</b>

<sup>(\*)</sup> The item "Other transactions" includes the volume of work of receiving and sending orders, which is divided as follows:

- purchases 21.678.294

- sales 21.843.365



## Part C - Information on the Income Statement



## Section 1 - Interest - Items 10 and 20

### 1.1 Interest receivable and similar income: breakdown

Item/Technical type	Performing financial assets		Impaired financial assets	Other assets	Total 31/12/2008	Total 31/12/2007
	Debt securities	Loans and advances				
1. Financial assets held for trading	11.627	-	-	4.512	16.139	24.851
2. Financial assets available for sale	-	-	-	-	-	-
3. Financial assets held to maturity	2.825	-	-	-	2.825	3.001
4. Due from banks	38.201	103.814	-	-	142.015	132.714
5. Due from customers	545	75.692	-	-	76.237	61.052
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-
7. Hedging derivatives	X	X	X	5.146	5.146	71
8. Financial assets sold but not derecognized	6.686	-	-	-	6.686	5.265
9. Other assets	X	X	X	666	666	1.253
<b>Total</b>	<b>59.884</b>	<b>179.506</b>	<b>-</b>	<b>10.324</b>	<b>249.714</b>	<b>228.207</b>

The item "Financial assets sold but not derecognized" includes interest on securities in portfolio used to guarantee repurchase agreements.  
The item Hedging derivatives refers mainly to hedging against the interest rate risk of a Repurchase Agreement.

### 1.3 Interest receivable and similar income: other information

#### 1.3.1 Interest income on financial assets in foreign currencies

	Total 31/12/2008	Total 31/12/2007
- on assets in foreign currencies	21.571	32.885

### 1.4 Interest payable and similar expense: breakdown

Item/Technical type	Payables	Securities	Other liabilities	Total 31/12/2008	Total 31/12/2007
1. Due to banks	157.308	X	-	157.308	144.787
2. Due to customers	2.775	X	-	2.775	3.436
3. Outstanding securities	X	68.652	-	68.652	56.564
4. Financial liabilities held for trading	-	-	4.611	4.611	10.175
5. Financial liabilities at fair value through profit or loss	-	-	-	-	-
6. Financial liabilities associated with assets sold but not derecognized	6.222	-	-	6.222	4.951
7. Other liabilities	X	X	47	47	49
8. Hedging derivatives	X	X	13.327	13.327	8.653
<b>Total</b>	<b>166.305</b>	<b>68.652</b>	<b>17.985</b>	<b>252.942</b>	<b>228.615</b>

The item "Financial liabilities sold but not derecognized" includes interest on repurchase agreements guaranteed by securities in portfolio.

### 1.5 Interest payable and similar expenses: differences on hedging transactions

Item/Segment	Total 31/12/2008	Total 31/12/2007
<b>A. Positive differences on transactions for:</b>		
A.1 Micro-hedging of fair value of assets	3.505	-
A.2 Micro-hedging of fair value of liabilities	1.641	71
A.3 Macro-hedging of interest rate risk	-	-
A.4 Micro-hedging of asset cash flows	-	-
A.5 Micro-hedging of liability cash flows	-	-
A.6 Macro-hedging of cash flows	-	-
<b>Total positive differences (A)</b>	<b>5.146</b>	<b>71</b>
<b>B. Negative differences on transactions for:</b>		
B.1 Micro-hedging of fair value of assets	11.499	8.643
B.2 Micro-hedging of fair value of liabilities	1.828	10
B.3 Macro-hedging of interest rate risk	-	-
B.4 Micro-hedging of asset cash flows	-	-
B.5 Micro-hedging of liability cash flows	-	-
B.6 Macro-hedging of cash flows	-	-
<b>Total negative differences (B)</b>	<b>13.327</b>	<b>8.653</b>
<b>C. Balance (A-B)</b>	<b>8.181</b>	<b>8.582</b>

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

#### 1.6.1 Interest expenses on financial liabilities in foreign currencies

	Total 31/12/2008	Total 31/12/2007
- on liabilities in foreign currencies	14.069	25.794

## Section 2 - Fees - Items 40 and 50

### 2.1 Fee income: breakdown

Type of service/Amount	Total 31/12/2008	Total 31/12/2007
<b>a) Guarantees issued</b>	<b>40</b>	<b>105</b>
<b>b) Credit derivatives</b>	-	-
<b>c) Asset management, brokerage and advisory services:</b>	<b>14.480</b>	<b>18.913</b>
1. Financial instruments trading	9.001	11.338
2. Currency trading	26	47
3. Asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. Custody and administration of securities	681	720
5. Custodian bank	1.929	2.696
6. Placement of securities	846	1.075
7. Order collection	1.948	3.026
8. Consultancy activities	26	-
9. Distribution of third party services	23	11
9.1. Asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	-	-
9.3. Other products	23	11
<b>d) Collection and payment services</b>	<b>67.594</b>	<b>66.473</b>
<b>e) Servicing for securitization transactions</b>	<b>1</b>	<b>1</b>
<b>f) Services for factoring transactions</b>	-	-
<b>g) Tax collection services</b>	-	-
<b>h) Other services</b>	<b>8.635</b>	<b>8.586</b>
- Credit and debit cards	6.696	6.857
- Recovery of postal, printing and similar expenses	1.924	1.710
- Fees and commissions on relations with credit institutions	10	11
- Others	5	8
<b>Total</b>	<b>90.750</b>	<b>94.078</b>



## 2.2 Fee income: product and service distribution channels

Channel/Amount	Total 31/12/2008	Total 31/12/2007
<b>a) At own branches:</b>	<b>828</b>	<b>1.050</b>
1. Asset management	-	-
2. Placement of securities	805	1.039
3. Third party products and services	23	11
<b>b) Door-to-door sales:</b>	<b>-</b>	<b>-</b>
1. Asset management	-	-
2. Placement of securities	-	-
3. Third party products and services	-	-
<b>c) Other distribution channels:</b>	<b>41</b>	<b>36</b>
1. Asset management	-	-
2. Placement of securities	41	36
3. Third party products and services	-	-

## 2.3 Fee expenses: breakdown

Service/Amount	Totale 31/12/2008	Totale 31/12/2007
<b>a) Guarantees received</b>	<b>-</b>	<b>-</b>
<b>b) Credit derivatives</b>	<b>-</b>	<b>-</b>
<b>c) Asset management, brokerage and advisory services:</b>	<b>7.178</b>	<b>9.080</b>
1. Financial instruments trading	3.924	4.323
2. Currency trading	4	6
3. Asset management	-	-
3.1. Own portfolio	-	-
3.2. Third party portfolio	-	-
4. Custody and administration of securities	1.128	1.234
5. Placement of financial instruments	74	608
6. Door-to-door sale of securities, products and services	2.048	2.909
<b>d) Collection and payment services</b>	<b>44.471</b>	<b>43.388</b>
<b>e) Other services</b>	<b>2.537</b>	<b>3.125</b>
<b>Total</b>	<b>54.186</b>	<b>55.593</b>

## Section 3 - Dividends and similar income - Item 70

### 3.1 Dividends and similar income: breakdown

Item/Income	Total 31/12/2008		Total 31/12/2007	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	4.668	247	3.069	19
B. Financial assets available for sale	7.527	-	1.538	-
C. Financial assets at fair value through profit or loss				
- others	-	-	-	-
D. Equity investments	35.242	X	25.579	X
<b>Total</b>	<b>47.437</b>	<b>247</b>	<b>30.186</b>	<b>19</b>

*The aggregate includes an extraordinary dividend received from Visa of 6,7 million euro, which more than offset the negative effect of the lower dividends received compared with the previous year owing to the sale of a part of the interest held in London Stock Exchange Group Plc.*

### Details of dividends from equity investments

Banca Sella S.p.A.	17.800
Biella Leasing S.p.A.	2.083
Sella Gestioni SGR S.p.A.	8.295
Banca Patrimoni Sella & C. S.p.A.	2.716
BC Finanziaria S.p.A.	576
Banca Sella Sud Arditi Galati S.p.A.	3.400
Others	372
<b>Total</b>	<b>35.242</b>

## Section 4 - Net gains/(losses) on trading activities - Item 80

### 4.1 Net gains/(losses) on trading activities: breakdown

Transaction/Income component	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains/(losses) (A+B)-(C+D)
<b>1. Financial assets held for trading</b>	<b>2.267</b>	<b>26.093</b>	<b>11.934</b>	<b>22.792</b>	<b>(6.366)</b>
1.1 Debt securities	2.254	25.465	7.593	9.170	10.956
1.2 Share capital securities	13	476	4.341	12.547	(16.399)
1.3 UCITS units	-	5	-	1.075	(1.070)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	147	-	-	147
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
<b>3. Other financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>2.584</b>
<b>4. Derivative instruments</b>	<b>148.057</b>	<b>225.021</b>	<b>153.398</b>	<b>203.300</b>	<b>13.843</b>
4.1 Financial derivatives:	147.979	225.021	153.250	203.144	14.069
- On debt securities and interest rates	147.616	46.850	146.792	48.647	(973)
- On share capital securities and share indices	363	178.171	6.458	154.497	17.579
- On currencies and gold	X	X	X	X	(2.537)
- Others	-	-	-	-	-
4.2 Credit derivatives	78	-	148	156	(226)
<b>Total</b>	<b>150.324</b>	<b>251.114</b>	<b>165.332</b>	<b>226.092</b>	<b>10.061</b>

## Section 5 - Net gains/(losses) on hedging activities - Item 90

### 5.1 Net gains/(losses) on hedging activities: breakdown

Income component/Amount	Total 31/12/2008	Total 31/12/2007
<b>A. Income from:</b>		
A.1 Fair value hedging derivatives	8.316	130
A.2 Hedged financial assets (fair value)	-	7.954
A.3 Hedged financial liabilities (fair value)	-	48
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
<b>Total income from hedging activities (A)</b>	<b>8.316</b>	<b>8.132</b>
<b>B. Expenses for:</b>		
B.1 Fair value hedging derivatives	15	7.980
B.2 Hedged financial assets (fair value)	7.954	-
B.3 Hedged financial liabilities (fair value)	657	195
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
<b>Total expenses for hedging activities (A)</b>	<b>8.626</b>	<b>8.175</b>
<b>C. Net gains/(losses) on hedging activities (A-B)</b>	<b>(310)</b>	<b>(43)</b>

*The table contains information on the impact of the valuation of interest rate swap derivative contracts and of the fixed-rate bonds hedged by them. The expenses of hedged financial assets relate to a repurchase agreement which expired in 2008 and which was hedged in financial year 2007.*

## Section 6 - Gains/(losses) on sale/repurchase -Item 100

### 6.1 Gains/(Losses) on sale/repurchase: breakdown

Item/Income component	Total 31/12/2008			Total 31/12/2007		
	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
<b>Financial assets</b>						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	6	14	(8)	55.933	-	55.933
3.1 Debt securities	-	-	-	-	-	-
3.2 Share capital securities	6	14	(8)	55.933	-	55.933
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
<b>Total assets</b>	<b>6</b>	<b>14</b>	<b>(8)</b>	<b>55.933</b>	<b>-</b>	<b>55.933</b>
<b>Financial liabilities</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	182	159	23	39	27	12
<b>Total liabilities</b>	<b>182</b>	<b>159</b>	<b>23</b>	<b>39</b>	<b>27</b>	<b>12</b>

The decline in Gains on disposal of financial assets available for sale was due above all to the gain realized in 2007, on the operation for the exchange of Borsa Italiana shares with London Stock Exchange shares and the subsequent sales made. For more information the reader is referred to the Report on Operations, section on "Results for the year – Income data".

## Section 8 - Net adjustments for impairment - Item 130

### 8.1 Net adjustments for impairment of loans: breakdown

Transaction/Income component	Writedowns			Writebacks				Total 31/12/2008	Total 31/12/2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	-	-	-	-	-	-	-	-	-
B. Due from customers	37	469	-	2	95	-	24	(385)	(358)
<b>C. Total</b>	<b>37</b>	<b>469</b>	<b>-</b>	<b>2</b>	<b>95</b>	<b>-</b>	<b>24</b>	<b>(385)</b>	<b>(358)</b>

### 8.2 Net adjustments for impairment of financial assets available for sale: breakdown

Transaction/Income component	Writedowns		Writebacks		Total 31/12/2008	Total 31/12/2007
	Specific		Specific			
	Write-offs	Others	From interest	Other writeback		
A. Debt securities	-	-	-	-	-	-
B. Share capital securities	-	23.745	-	-	(23.745)	(603)
C. UCITS units	-	-	-	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
<b>F. Total</b>	<b>-</b>	<b>23.745</b>	<b>-</b>	<b>-</b>	<b>(23.745)</b>	<b>(603)</b>

The increase compared with the previous year in the item Net value adjustments for impairment of financial assets available for sale is attributable to the decision to recognize the impairment of the equity investment held in London Stock Exchange Group Plc. For more information the reader is referred to the Report on Operations, section on "Results for the year - Income data".

### 8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction/Income component	Writedowns			Writebacks				Total 31/12/2008	Total 31/12/2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other writebacks	From Interest	Other writebacks		
A. Sureties issued	-	-	-	-	-	-	106	106	450
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	54	-	-	-	-	-	(54)	(271)
<b>Total</b>	<b>-</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>52</b>	<b>179</b>

## Section 9 - Administrative expenses - Item 150

### 9.1 Personnel expenses: breakdown

Type of expense/Amount	Total 31/12/2008	Total 31/12/2007
<b>1) Employees</b>	<b>59.390</b>	<b>57.726</b>
a) Wages and salaries	41.737	42.563
b) Social security contributions	12.925	12.680
c) Severance indemnities	2.392	2.592
d) Pension expenses	-	-
e) Provision for severance indemnities	1.029	(1.442)
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	953	1.090
- defined contribution	953	1.090
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	354	243
<b>2) Other personnel</b>	<b>4.478</b>	<b>4.229</b>
<b>3) Directors * *</b>	<b>1.501</b>	<b>4.297</b>
<b>Total</b>	<b>65.369</b>	<b>66.252</b>

\* In 2007 Item 3) Directors did not include emoluments paid to statutory auditors of Euro 115.000, which were included among Other administrative expenses.

### 9.2 Average number of employees per category

Type of expense/Amount	Total 31/12/2008	Total 31/12/2007
Employees:	1.029	1.056
a) executives	19	20
b) total middle management	186	186
- of whom:		
middle management of 3rd and 4th grade	73	73
c) remaining employees	824	850
Other personnel	51	14
<b>Total</b>	<b>1.080</b>	<b>1.070</b>

## 9.5 Other administrative expenses: breakdown

Type of expense/Segments	Total 31/12/2008	Total 31/12/2007
Legal and notarial expenses	2.112	1.392
IT assistance and sundry advice	2.542	6.095
Printing and stationery	523	538
Leasing of electronic machines and software licences	1.589	4.640
Sundry rentals and expenses for services provided by third parties	21.340	19.099
Fees for data transmission	1.110	1.003
Purchase of sundry materials for data processing centre	18	43
Postal and telegraphic expenses	1.858	2.221
Telephone charges	1.067	945
Transport expenses	599	443
Cleaning of premises	251	222
Surveillance and escort of valuables	451	474
Electricity and heating	1.945	1.638
Rent of premises	1.487	1.172
Sundry insurance policies	278	257
Advertizing and promotion	549	271
Entertainment expenses	63	278
Donations	49	38
Membership fees	533	386
Subscriptions and books	67	85
Gifts to staff	294	270
Personnel studies	854	843
Information and perusals	460	200
Travelling expenses	815	926
Expenses for interbank network service	2	265
Emoluments to statutory auditors	-	115
Other	1.052	1.098
<b>Maintenance and repair expenses</b>	<b>8.739</b>	<b>2.865</b>
- Properties owned	66	131
- Properties rented	11	16
- Movable	461	2.718
- Hardware and software	8.201	-
<b>Indirect taxes and duties</b>	<b>1.244</b>	<b>1.339</b>
- Stamp duty	770	847
- Local property tax	308	306
- Other indirect taxes and duties	166	186
<b>Total</b>	<b>51.891</b>	<b>49.161</b>

Following the issue of Circular 900 of 9 January 2009 by the Bank of Italy, which made changes to Circular 262 of 22 December 2005, for financial year 2008 the fees of the Board of Statutory Auditors, of 163 thousand euro were included under "Personnel expenses", and no longer under "Other administrative expenses";



## Section 10 - Net provisions for risks and charges - Item 160

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

	Total 31/12/2008	Total 31/12/2007
Provisions for risks for bankruptcy revocatory actions	-	32
Provisions for risks for lawsuits brought	516	418
Provisions for customer complaints	146	268
Provisions for operational risks	(2.459)	(102)
Provisions for employee disloyalty	23	11
Provisions for personnel	2	198
Supplementary provisions for customer indemnity	-	185
Other provisions	19	550
Reattributions to Income Statement relating to revocatory provisions	(1)	(50)
Reattributions to Income Statement relating to provisions for customer complaints	(11)	(125)
Reattributions to Income Statement relating to provisions for personnel	(11)	18
Reattributions to Income Statement relating to other provisions	(177)	(40)
<b>Total</b>	<b>(1.953)</b>	<b>1.363</b>

*The decline in provisions for risks and charges compared with the previous year was mainly due to discounting to the present the provision set aside for disputes involving the Sella Bank Luxembourg company, the due dates for the liabilities of which were postponed to 3/5 years owing to an objective prolongation of the expected judicial processes.*

## Section 11 - Net adjustments of tangible assets - Item 170

### 11.1 Net adjustments of tangible assets: breakdown

Asset/Income component	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c) 31/12/2008	Net adjustments (a+b-c) 31/12/2007
A. Tangible assets					
A.1 Owned	8.566	-	-	8.566	8.439
- for business purposes	8.565	-	-	8.565	7.979
- for investment	1	-	-	1	460
A.2 Acquired in financial leasing	-	-	-	-	-
- for business purposes	-	-	-	-	-
- for investment	-	-	-	-	-
<b>Total</b>	<b>8.566</b>	<b>-</b>	<b>-</b>	<b>8.566</b>	<b>8.439</b>

## Section 12 - Net adjustments of intangible assets - Item 180

### 12.1 Net adjustments of intangible assets: breakdown

Asset/Income component	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c) 31/12/2008	Net adjustments (a+b-c) 31/12/2007
A. Intangible assets					
A.1 Owned	9.155	6	-	9.161	7.432
- Generated internally by the company	-	-	-	-	-
- Others	9.155	6	-	9.161	7.432
A.2 Acquired in financial leasing	-	-	-	-	-
<b>Total</b>	<b>9.155</b>	<b>6</b>	<b>-</b>	<b>9.161</b>	<b>7.432</b>

## Section 13 - Other operating expenses and income - Item 190

### 13.1 Other operating expenses: breakdown

	Total 31/12/2008	Total 31/12/2007
Amortization of expenses for improvements on third party assets	38	20
Other operating expenses - Losses related to operational risks	1.478	1.553
Refunds of interest on collection and payment transactions	678	901
Penalties payable for contract defaults - outsourcing fees	206	612
Others	280	899
<b>Total</b>	<b>2.680</b>	<b>3.985</b>

### 13.2 Other operating income: breakdown

	Total 31/12/2008	Total 31/12/2007
Rents and instalments receivable	1.808	2.251
Charges to third parties and refunds received:	189	5.689
- taxes recovered	189	184
- insurance premiums and refunds	-	5.505
Expenses recovered and other revenues on current accounts and deposits	-	1
Income for software services	1.183	-
Recoveries of interest on collection and payment transactions	494	853
Administrative services rendered to third parties	58.836	55.530
Contributions refunded by INPS	-	160
Penalties receivable for contract defaults - outsourcing fees	-	56
Expenses recovered for services rendered in relation to credit recovery	271	616
Other income	2.100	2.454
<b>Total</b>	<b>64.881</b>	<b>67.610</b>

## Section 14 - Gains/(losses) on equity investments - Item 210

### 14.1 Gains/(losses) on equity investments: breakdown

Income component/Amount	Total 31/12/2008	Total 31/12/2007
A. Income		
1. Revaluations	-	-
2. Gains on sales	1	-
3. Writebacks	-	-
4. Other increases	-	292
B. Expenses		
1. Devaluations	1.113	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other decreases	154	-
<b>Total</b>	<b>(1.266)</b>	<b>292</b>

The item "Charges – devaluations" refers to the devaluation of the subsidiary Sella Bank Luxembourg, of 20.363 thousand euro, net of the utilization of the relevant provisions for risks and liabilities for an amount of 19.250 thousand euro.

## ■ Section 17 - Gains/(losses) on sale of investments - Item 240

### 17.1 Gains/(losses) on sale of investments: breakdown

Income component/Amount	Total 31/12/2008	Total 31/12/2007
A. Properties	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	25	16
- Gains on sales	25	16
- Losses on sales	-	-
<b>Net gains/(losses)</b>	<b>25</b>	<b>16</b>

## Section 18 - Income taxes for the period on continuing operations - Item 260

### 18.1 Income taxes for the period on continuing operations: breakdown

Component/Amount	Total 31/12/2008	Total 31/12/2007
1. Current taxes (-)	(1.958)	(4.391)
2. Change in current taxes of previous years (+/-)	197	(1.538)
3. Reduction of current taxes for the year (+)	8.161	7.155
4. Change in prepaid taxes (+/-)	(964)	(1.570)
5. Change in deferred taxes (+/-)	1.665	1.468
<b>6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)</b>	<b>7.101</b>	<b>1.124</b>

The determination of taxes was affected positively above all by the reduction in the rates of IRES (the nominal rate went down from 33% in 2007 to 27,50% in 2008) and of IRAP (the average rate of which went down from 5,22% of 2007 to 4,79% in 2008) although these positive effects were reduced by the introduction of the partial non/deductibility of interest expense introduced in Art. 82 of L.D. 112 of 25/6/2008 (converted into L. 133 of 6/8/2008), the so-called "Robin Hood tax".

The sub-item "Reduction of current taxes for the year" records in particular the benefit, relating to the tax on income of companies (the so-called IRES), recognized with a counter entry in the income statement, accrued to "the national tax consolidation" – as per Art. 117 and following, of the Consolidated Act on Income Tax, known as the TUIR (Pres. Dec. 917 of 22/12/1986) – of which Banca Sella Holding is the parent and consolidating company, deriving in particular:

- i) from offsetting the individual tax loss of Banca Sella Holding, relating to the 2008 tax period, with the net positive taxable income for 2008 of the other companies included in the national tax consolidation;
- ii) from attribution to Banca Sella Holding of the benefit as per Art. 96, paragraph 5-bis, TUIR, related to interest expense accrued in financial year 2008 to the same in favour of other subjects included in the national tax consolidation (this is a partial adjustment of the so-called "Robin Hood tax").

### 18.2 Reconciliation between theoretical tax burden and actual tax burden in the financial statements

Description	Taxable income	Rate	Income tax
Profit from continuing operations before taxes	(5.367)	-	-
Nominal rate <sup>(1)</sup>		32,32%	(1.735)
Tax-exempt dividends	(40.631)	-	(13.132)
Non-deductible costs	1.696	-	548
Discounting/use of untaxed provisions for risks and charges	(3.003)	-	(970)
Devaluation of and losses on equity investments	24.952	-	8.064
Non-deductible interest expense	7.588	-	1.443
Other differences	-	-	(2.032)
Differences in IRES and IRAP taxable base	14.764	-	712
Total taxes	-	-	(7.101)

<sup>(1)</sup> Weighted average IRES rate + IRAP rate on the basis of the territorial distribution of the taxable base.

The statement is intended to reconcile the effective tax rate with the theoretical tax rate determining the percentage weight of the changes with the respect to the profit before tax; the statement does not record the changes in current taxes which were offset by an equal change in deferred tax assets or liabilities.







## Part D – Sector information

As permitted by Circular No. 262 of 22 December 2005 issued by the Bank of Italy, the sector information has been prepared at the consolidated level.







## Part E – Information on risks and associated hedging policies

As required by Bank of Italy Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, [www.gruppobancasella.it](http://www.gruppobancasella.it).



# Section 1- Credit risks

## QUALITATIVE INFORMATION

### 1. General aspects

Banca Sella Holding considers the measurement and management of credit risk to be of crucial importance. The lending policies and processes for the disbursement and monitoring of loans are consequently defined so as to combine business needs with the need to ensure the maintenance of a high quality of the lending business. Specifically, credit risk control activities are the responsibility of the Risk Management and Controls (Credit Risk Management Unit) and Credit Quality Control Services of the Parent Company. The first has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating effective and proactive management. The second is instead engaged in more traditional monitoring mainly oriented to an analysis of single risk positions.

### 2. Credit risk management policies

According to the generally accepted definition in the literature and in the banking system, “credit risk” means the possibility that an unexpected change in the creditworthiness of a counterparty may cause a corresponding unexpected change in the market value of its exposure in relation to the Banca Sella Group.

It is clear from the above definition that the significant concept for the purpose of a correct identification of credit risk is the so-called “unexpected loss”: the fact that the actual losses suffered on a given exposure (or on a loan portfolio) may later turn out to be greater than the expected actual losses (the so-called “expected loss”). In more rigorous terms, the unexpected loss is equivalent to the variability of loss around its average value. The expected loss, which is the loss that can be estimated in advance and which the bank expects to be able to cope with on the basis of its historical experience, is managed in the Banca Sella Group through adequate calibration of provisions on performing loans.

The work of disbursement and management of loans and advances, in their different forms, is an important component of the business and profitability of the Group.

During 2008 the Banca Sella Group pursued Lending Policies with the aim of:

- increasing the share of the lending market of the Group banks and Product Companies;
- disseminating more advanced and monitored portfolio management policies aimed at improving the risk/return ratio, focusing in particular on strong diversification and fragmentation;
- encouraging innovation and organizational evolution;
- adopting advanced credit risk management models;
- investing in training and skills and increase of the corporate culture of risk management and internal controls;
- investing in credit quality control systems aimed at innovating credit portfolio management methods;
- adopting a rigorous policy in the application of pricing aimed at applying the correct risk-related price.

## 2.1 Organizational Aspects

Banca Sella Holding arranged its organizational framework taking care to ensure the necessary distinction between units engaged in granting credit and control structures, and to set out roles and responsibilities as clearly as possible.

The Bank, as the Parent Company, does not carry on a “traditional” lending business through a network of branches. The business areas which generate credit risks are the following:

- Exposures to counterparties of a banking and financial nature

The operating limits for business on the markets are set submitting requests to the competent executive bodies after careful analysis of the creditworthiness of the counterparties; in 2008 more resources were devoted to this line of work and greater care was taken than in the past, owing to the particularly critical situation of tension on the markets.

- Loans and advances to group companies

Within the Banca Sella Group Banca Sella Holding plays an important role in financing the subsidiaries, providing adequate credit lines in relation to the growth of their lending. This lending is mainly to Consel and Biella Leasing.

- Exposures deriving from credit cards

The bank grants credit, mainly to individuals, by issuing credit cards to non-account holders. All applicants are analyzed carefully to establish their risk profile and ability to repay.

## 2.2 Systems of management, measurement and control

The Parent Company's Credit Risk Management Service has the task of developing credit risk measurement methods and supporting the creation of specific models for the assessment of risk components on the individual loan portfolios of the Group. The Credit Risk Management Service also carries on supervisory work preparing regular reports at every level and laying down common guidelines. The regular analyses concern, among other things, the distribution of customers by rating class and the development of risk profiles covering the entire loan portfolio or particular sub-portfolios characterized by specific risk conditions.

As regards the assessment of the risk of default, Banca Sella Holding uses different management processes and analysis tools according to a segmentation of customers in keeping with the parameters laid down in the Basel 2 Standardized Approach, as confirmed in Bank of Italy Circular 263/2006. The customer segmentation makes it possible, among other things, to divide enterprises into four size classes, labelled in ascending order: small businesses, small and medium enterprises, corporate enterprises and large corporate enterprises.

Each enterprise is associated with a summary risk judgment attributed according to an internal rating model. The rating assignment process concerns all business customers: the assessments, in fact, cover enterprises operating in the industrial, commercial, tertiary and multi-annual production segments, as well as farms, cooperatives, non-profit organizations and financial companies.

The internal rating used in the Banca Sella Group is integrated into the company information systems and is made up of the following components:

- **Financial statements rating:** this component assesses the risk of default based only on analysis of the customer's accounting data. The financial statements rating may be calculated for every customer or potential customer. An indispensable premise for calculation of the financial statements rating is possession of financial statements containing a Balance Sheet and an Income

Statement. For enterprises with simplified accounts a function has been developed for the attribution of a continual numerical judgement representing the customer's creditworthiness, called the Income Statement Score. Although an ad-hoc function has not been developed to divide the Income Statement Score into separate risk classes (known as clusterization), this Score is combined, by means of a specific function, with the qualitative assessment, contributing in this way to the calculation of the enterprise rating (see next point) also for companies with simplified accounts. The financial statements score is also the maximum level of detail obtainable for the following categories of customer: financial companies, leasing companies, factoring companies, holdings and property companies.

- **Company rating:** a combination of the financial statements rating and the qualitative component deriving from compilation of a specific questionnaire by the account manager. Like the financial statements rating, the enterprise rating may be calculated for every borrower or potential borrower. In the case of a new customer, it represents the most detailed assessment possible of creditworthiness and is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. In view of the need to contain the volatility of the company rating, the difference between this rating and the financial statements rating is opportunely limited to no more than one class.
- **Overall rating:** a combination of the company rating and the behavioural component (data from the Central Credit Register and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer. Unlike the financial statements rating and the company rating, it can only be calculated on companies which have been customers for at least three months.

The internal rating is expressed in the form of a summary alphabetic classification. Each of the three components mentioned includes nine classes of performing loans: from AAA (least risky clients) to C (most risky clients). No rating is assigned if one of the essential elements for determination of the rating – such as recent statutory financial statements and an up-to-date qualitative questionnaire – is missing.

In 2008 work continued on assigning and updating ratings to business borrowers, further consolidating the already significant levels of coverage achieved in previous years.

During 2008 the new performance scoring model for continuous assessment of the probability of default associated with Private, Small Business and Small and Medium Enterprise Customers was also added to the credit disbursement and monitoring processes (for now only for information purposes) . Like the internal rating, the performance scoring leads to a summary final classification made up of nine classes. The main difference with respect to the internal rating lies in the fact that, as it concerns a precise customer segment, the relative weight of the single components of the model takes into due consideration the different risk characteristics of the counterparties.

The new supervisory regulations, known as Basel 2, were immediately interpreted by Banca Sella Holding as an opportunity to refine the credit risk measurement techniques and to ensure supervision through the use of techniques with a growing degree of sophistication. Although it determines its capital requirement to cover credit risk under the terms of the First Pillar using the Standardized Approach, the Bank is deeply committed to taking all the organizational and metho-

dological actions needed to prove that its internal rating system is substantially in line with the requisites provided for in the supervisory regulations (the so-called experience test, preparatory to the dispatch of the request for authorization for use of the internal rating based approach to the Bank of Italy).

The Bank is also aware of the importance of all the risk factors associated with credit risk but not measured by the tools provided by the First Pillar of Basel 2, such as concentration risk (in the two forms of single name concentration and industry concentration). Alongside scrupulous observance of the supervisory regulations on the subject of large risks and the quantification of internal capital to cover concentration risk under the terms of the Second Pillar of Basel 2, the Parent Company has defined precise guidelines designed to mitigate concentration risk through fragmentation, both at the level of single entities, and in terms of business sector/geographical area. Exposure to concentration risk is monitored monthly on the basis of objective indicators, such as the Herfindahl index, and precise thresholds have been set to limit the overall exposure in each business sector/geographical area and dimensional class.

The Group Credit Quality Service has the task of intervening to prevent any pathologies that may lead to counterparties defaulting. To this end, the Service monitors constantly the performance and use of the credit lines granted to customers.

In 2008 this work was carried out with the support of auditing software procedures and through direct visits to branches. The computerized monitoring work was carried out with the use of a "Credit Alarms" programme: a process based on early warning signals which analyses any negative elements detected in relations with the customer and reports them to the Branch Network. It is the responsibility of the Network itself to indicate the measures taken following the reports and the deadline by which the negative elements will be dealt with. Depending on the seriousness of the event, or failure to implement the measures resolved, the Bank may also decide to revoke the credit and to classify the position immediately as non-performing.

Beginning in the second half of 2008 another instrument was made available with the intention of refining further the credit monitoring process, known internally as ARC (Automatic Risk Classification) and designed to classify all positions in the Credit Portfolio (borrowers or with overdrafts in use) into 4 classes on the basis of the associated credit risk:

- ARC class 1 (green): positions with no anomalies and positions with a low level of anomalies;
- ARC class 2 (yellow): positions with more serious anomalies, not such as to jeopardize continuation of the relationship, but which need to be remedied;
- ARC class 3 (red): positions with significant anomalies which require urgent action to remedy the situation;
- ARC class 4 (black): positions with particularly significant anomalies such as to require immediate action to terminate the relationship.

The ARC calculation is updated every month.

The assignment of a risk class derives from the analysis of corresponding rating/scoring values as a 12-month performance forecast to which are added other rules (the so-called policy rules, internal rules defined on the basis of experience) designed to worsen the counterparty's risk profile further if strong signs are detected such as to increase considerably the probability of default in the short term.

At the software level, a specific risk form enables all the indicator values to be displayed in a sin-

gle page, together with other information needed for management of the position.

Specific professional figures, called Territorial Credit Quality Auditors, manage the Class 4 (black) ARC positions directly for recovery of the credit and reduction of the credit risk.

## **2.3 Credit risk mitigation techniques**

In the light of the significant attention paid by Banca Sella Holding to the work of loan disbursement, approval for credit is granted only after a particularly detailed initial selection of possible borrowers. In the first place, the assessment of creditworthiness is founded on the actual ability of borrowers to fulfil the commitments assumed exclusively on the basis of their capacity to generate adequate cash flows. However, in the process of disbursement and monitoring of loans, forms of protection from credit risk given by the technical type and by the presence of guarantees are not neglected, above all with reference to customers associated with a higher probability of default. The guarantees normally acquired from counterparties are those typical of the banking business, primarily: personal guarantees and real guarantees on property and financial instruments.

The Bank is well aware that credit risk mitigation techniques are effective only if they are acquired and maintained so as to comply with the requirements of the Basel 2 standard in all its aspects: legal, rapid realization, organizational and specific to each guarantee. Effective compliance with the admissibility requisites is the result of a complex process, which is differentiated on the basis of the type of credit risk attenuation technique, and which involved numerous players: from the Distribution staff who deal with the guarantee acquisition process to the Parent Company's Risk Management and Controls Service which handles the stage of verification of admissibility of these guarantees.

With specific reference to the guarantee acquisition stage, the process is backed by a special software procedure which intervenes between the approval stage and the stage of disbursement of the loan and manages acquisition of the guarantees (pledges, mortgages and sureties), tying disbursement to a positive outcome of the controls envisaged.

As regards specifically the guarantee admissibility verification stage, starting out from the input data from the software procedure supporting the acquisition of new guarantees, the Parent Company's Risk Management and Controls Service works in two ways:

- statistical revaluations (known as surveillance) of the value of properties mortgaged for all contracts for which Bank of Italy Circular 263/2006 permits recourse to this type of valuation. To this end the Group makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;
- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

## **2.4 Impaired financial assets**

The structure that manages the work of recovery of impaired loans and disputes in Banca Sella Holding is made up of a central office divided into two sectors.

- The Impaired Loans Service was set up in 2006 and monitors the performance of the single customers and focuses on the prevention of the risks of default of exposed customers such as unpaid



loan instalments up to a maximum of euro 30.000 with no other credit lines granted, with the exclusion of overdrafts, or unpaid instalments from positions allocated to "Paa3" for which the agreements signed have not been complied with.

The monitoring is essentially based on three aspects of the management of non-performing positions:

- prevention of the risk of default, which is expressed in specific irregularities in the performance of the position, resulting from any type of credit risk, attributable to non-compliance with the contractual deadlines;
  - centralized identification and management of anomalies with the aim of remedying them through direct payment demands to customers;
  - verification that the anomaly has been remedied and, if it has not, transfer of the positions to the "terminated loans" category.
- The Disputes Service works on an outsourcing basis for the following companies: Banca Sella SpA, Banca Sella Sud Ardit Galati SpA, Biella Leasing SpA.

Its operational duties include responsibility for:

- calling in loans for new positions in default;
- providing assistance and advice to complete restructuring agreements in support of customers;
- pursuing timely actions to recover loans in default and acquiring further guarantees to cover exposure;
- promptly calculating expected losses in an analytical manner at the level of individual customer accounts;
- periodically checking the adequacy of the recovery forecasts and the terms of recoverability of the credit;
- optimising the costs/results of the legal measures taken to recover the credit;
- providing technical and operational advice inside the Group on recovering anomalous credits, acquiring guarantees and managing positions in arrears;
- making losses definitive that are recorded at the end of court and out-of-court procedures.

Autonomous powers in relation to the assessment of recoveries and waiver proposals for arrangements with customers are almost completely attributed to single managers within the range of the powers granted to the single CEOs of the various companies managed in outsourcing.

The analytical assessment of credits applies to the following classes of impaired receivables:

- non-performing loans
- revoked watchlist loans
- restructured loans.

In accordance with IAS 39, impaired loans are subject to an analytical assessment process and the amount of adjustment of each loan is the difference between the present value of the expected future flows, calculated by applying the original effective interest rate, and the carrying value at the moment of the assessment.

The forecast of recoverability of the credit takes account of:

- the amount of the recovery value as the sum of the expected cash flows estimated on the basis of

the types of guarantees given and/or acquirable, their estimated realization value, the costs to be sustained and the debtor's desire to pay;

- recovery times estimated on the basis of the types of guarantees, the in-court or out-of-court liquidation methods for the guarantees, bankruptcy proceedings and the geographical area to which the loan belongs;
- discounting rates; for all credits measured at the amortized cost the original effective rate of return is used whereas for revocable credit lines the interest rate considered is that at the moment of the default.

The Legal Disputes Service analyses the recoverability of each position without using estimation models for expected cash flows. Instead, a specific repayment schedule is drawn up on the basis of the features of each position, taking into account the guarantees given and/or acquirable and any agreements reached with the customers.

The calculation of net value adjustments is backed up by an audit procedure combined with a dynamic review of the various positions to enable constant updating of the recovery forecasts.

## QUANTITATIVE INFORMATION

### A. CREDIT QUALITY

#### A.1 IMPAIRED AND PERFORMING LOANS: AMOUNTS, VALUE ADJUSTMENTS, TREND, ECONOMIC AND GEOGRAPHICAL DISTRIBUTION

##### A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/Quality	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Country risk	Other assets	Total
1. Financial assets held for trading	-	-	-	-	759	494.151	494.910
2. Financial assets available for sale	-	-	-	-	-	32.985	32.985
3. Financial assets held to maturity	-	-	-	-	-	63.107	63.107
4. Due from banks	-	-	-	-	67	3.320.997	3.321.064
5. Due from customers	88	6	-	-	-	1.652.225	1.652.319
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	1.769	1.769
<b>Total 31/12/2008</b>	<b>88</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>826</b>	<b>5.565.234</b>	<b>5.566.154</b>
<b>Total 31/12/2007</b>	<b>63</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>5.005</b>	<b>4.778.189</b>	<b>4.783.264</b>

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

Portfolio/quality	Impaired assets				Other assets				Total (net. exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	-	-	-	-	494.910	-	-	494.910	494.910
2. Financial assets available for sale	-	-	-	-	32.985	-	-	32.985	32.985
3. Financial assets held to maturity	-	-	-	-	63.107	-	-	63.107	63.107
4. Due from banks	-	-	-	-	3.321.064	-	-	3.321.064	3.321.064
5. Due from customers	3.444	3.350	-	94	1.652.452	-	227	1.652.225	1.652.319
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	1.769	-	-	1.769	1.769
<b>Total 31/12/2008</b>	<b>3.444</b>	<b>3.350</b>	<b>-</b>	<b>94</b>	<b>5.566.287</b>	<b>-</b>	<b>227</b>	<b>5.566.060</b>	<b>5.566.154</b>
<b>Total 31/12/2007</b>	<b>3.114</b>	<b>3.044</b>	<b>-</b>	<b>70</b>	<b>4.784.048</b>	<b>-</b>	<b>854</b>	<b>4.783.194</b>	<b>4.783.264</b>

### A.1.3 Cash and off balance sheet exposure to banks: gross and net amounts

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>CASH EXPOSURES</b>				
a) Non-performing exposures	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	X	-
e) Country risk	90	X	-	90
f) Other assets	3.466.695	X	-	3.466.695
<b>Total A</b>	<b>3.466.785</b>	<b>-</b>	<b>-</b>	<b>3.466.785</b>
<b>OFF BALANCE SHEET EXPOSURE</b>				
a) Impaired	-	-	-	-
b) Others	546.420	X	18	546.402
<b>Total B</b>	<b>546.420</b>	<b>-</b>	<b>18</b>	<b>546.402</b>

### A.1.4 Cash exposure to banks: trend in gross impaired exposures and exposures subject to “country risk”

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Country risk
<b>A. Initial gross exposure</b>	-	-	-	-	<b>2.478</b>
- of which: exposures sold not derecognized	-	-	-	-	-
<b>B. Increases</b>	-	-	-	-	<b>57</b>
B.1 Inflows from performing exposures	-	-	-	-	56
B.2 Transfers from other impaired exposures	-	-	-	-	-
B.3 Other increases	-	-	-	-	1
<b>C. Decreases</b>	-	-	-	-	<b>2.445</b>
C.1 Outflows to performing exposures	-	-	-	-	2.436
C.2 Write-offs	-	-	-	-	-
C.3 Collections	-	-	-	-	-
C.4 Realizations through sales	-	-	-	-	-
C.5 Transfers to other impaired exposures	-	-	-	-	-
C.6 Other decreases	-	-	-	-	9
<b>D. Final gross exposure</b>	-	-	-	-	<b>90</b>
- of which: exposures sold but not derecognized	-	-	-	-	-

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

Exposure type/Value	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURE</b>				
a) Non-performing exposures	3.017	2.929	X	88
b) Watchlist exposures	427	421	X	6
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	X	-
e) Country risk	737	X	-	737
f) Other assets	1.985.509	X	227	1.985.282
<b>Total A</b>	<b>1.989.690</b>	<b>3.350</b>	<b>227</b>	<b>1.986.113</b>
<b>B. OFF BALANCE SHEET EXPOSURES</b>				
a) Impaired	-	-	-	-
b) Others	162.049	X	-	162.049
<b>Total B</b>	<b>162.049</b>	<b>-</b>	<b>-</b>	<b>162.049</b>

### A.1.7 Cash exposures to customers: trend in gross impaired exposures and exposures subject to "country risk"

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Country Risk
<b>A. Initial gross exposure</b>	<b>2.567</b>	<b>547</b>	-	-	<b>2.527</b>
- of which: exposures sold but not derecognized	-	-	-	-	-
<b>B. Increases</b>	<b>519</b>	<b>602</b>	-	-	-
B.1 Inflows from performing exposures	-	571	-	-	-
B.2 Transfers from other impaired exposures	474	-	-	-	-
B.3 Other increases	45	31	-	-	-
<b>C. Decreases</b>	<b>69</b>	<b>722</b>	-	-	<b>1.791</b>
C.1 Outflows to performing exposures	-	29	-	-	-
C.2 Write-offs	39	24	-	-	-
C.3 Collections	30	107	-	-	-
C.4 Realizations through sales	-	-	-	-	-
C.5 Transfers to other impaired exposures	-	473	-	-	-
C.6 Other decreases	-	89	-	-	1.791
<b>D. Final gross exposure</b>	<b>3.017</b>	<b>427</b>	-	-	<b>736</b>
- of which: exposures sold but not derecognized	-	-	-	-	-

### A.1.8 Cash exposures to customers: trend in total value adjustments

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Country Risk
<b>A. Initial total adjustments</b>	<b>2.504</b>	<b>540</b>	-	-	-
- of which exposures sold but not derecognized	-	-	-	-	-
<b>B. Increases</b>	<b>533</b>	<b>465</b>	-	-	-
B.1 Writedowns	85	465	-	-	-
B.2 Transfers from other impaired exposures	448	-	-	-	-
B.3 Other increases	-	-	-	-	-
<b>C. Decreases</b>	<b>108</b>	<b>584</b>	-	-	-
C.1 Writebacks on valuation	45	25	-	-	-
C.2 Writebacks on collection	24	4	-	-	-
C.3 Write-offs	39	24	-	-	-
C.4 Transfers to other impaired exposures	-	447	-	-	-
C.5 Other decreases	-	84	-	-	-
<b>D. Final total adjustments</b>	<b>2.929</b>	<b>421</b>	-	-	-
- of which: exposures sold but not derecognized	-	-	-	-	-

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

### A.2.1 Distribution of cash and off balance sheet exposures by external rating classes

The table below shows the distribution of exposures by external rating classes assigned by Fitch of the customers of Banca Sella Holding SpA. With reference to the exposure to banks it should be noted that all counterparties with which relations are maintained have a rating higher than investment grade.

#### A.2.1 Distribution of cash and off balance sheet exposures by external rating classes (book values)

Exposures	External Rating Classes					Unrated	Total	
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B- Lower than B-			
<b>A. Cash exposures</b>	<b>182.434</b>	<b>71.274</b>	<b>5.000</b>	-	-	-	<b>5.194.190</b>	<b>5.452.898</b>
<b>B. Derivatives</b>	-	-	-	-	-	-	<b>113.256</b>	<b>113.256</b>
B.1 Financial derivatives	-	-	-	-	-	-	113.256	113.256
B.2 Credit derivatives	-	-	-	-	-	-	-	-
<b>C. Guarantees issued</b>	-	-	-	-	-	-	<b>25.045</b>	<b>25.045</b>
<b>D. Commitments to disburse funds</b>	-	-	-	-	-	-	<b>431.476</b>	<b>431.476</b>
<b>Total</b>	<b>182.434</b>	<b>71.274</b>	<b>5.000</b>	-	-	-	<b>5.763.967</b>	<b>6.022.675</b>

### A.2.2 Distribution of cash and off balance sheet exposures by internal rating classes

On the subject of internal ratings it is important to note that there is an internal model for the assignment of credit ratings to companies. The work of assignment and calculation of ratings on Banca Sella Holding SpA customers has not achieved significant levels of coverage with respect to the overall dimensions of the portfolio.

The internal rating system envisages, for terminological uniformity with the scales adopted by external rating agencies, nine classes of creditworthiness for performing customers, from AAA (the least risky) to C (the most risky).

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

In view of the particular nature of the Loan Disbursement work done by the Bank, in which its borrowers are exclusively Group companies and private customers to whom credit cards are issued and its counterparties are banks and financial companies, there are no guaranteed exposures, and therefore the section has no amounts.

## B. CREDIT DISTRIBUTION AND CONCENTRATION

### B.1 Distribution by segment of cash and off balance sheet exposures to customers

Exposure/Counterparty	Governments and Central Banks				Other public bodies				Financial companies			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. Cash exposures</b>												
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	37	37	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	1	1	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	273.177	X	-	273.177	107	X	-	107	1.631.250	X	-	1.631.250
<b>Total A</b>	<b>273.177</b>	-	-	<b>273.177</b>	<b>107</b>	-	-	<b>107</b>	<b>1.631.288</b>	<b>38</b>	-	<b>1.631.250</b>
<b>B. Off balance sheet exposures</b>												
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	-	-	X	-	-	160.409	X	-	160.409
<b>Total B</b>	-	-	-	-	-	-	-	-	<b>160.409</b>	-	-	<b>160.409</b>
<b>Total 31/12/2008</b>	<b>273.177</b>	-	-	<b>273.177</b>	<b>107</b>	-	-	<b>107</b>	<b>1.791.697</b>	<b>38</b>	-	<b>1.791.659</b>
<b>Total 31/12/2007</b>	<b>228.614</b>	-	-	<b>228.614</b>	<b>1.710</b>	-	-	<b>1.710</b>	<b>1.793.402</b>	<b>39</b>	<b>522</b>	<b>1.792.841</b>

### Continuation of table above

Exposure/Counterparty	Insurance companies				Non-financial companies				Other subjects			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. Cash exposures</b>												
A.1 Non-performing exposures	-	-	-	-	1.356	1.269	-	87	1.624	1.623	-	1
A.2 Watchlist exposures	-	-	-	-	274	273	-	1	152	147	-	5
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	330	X	-	330	13.592	X	73	13.519	67.790	X	154	67.636
<b>Totale A</b>	<b>330</b>	-	-	<b>330</b>	<b>15.222</b>	<b>1.542</b>	<b>73</b>	<b>13.607</b>	<b>69.566</b>	<b>1.770</b>	<b>154</b>	<b>67.642</b>
<b>B. Off balance sheet exposures</b>												
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	-	-	X	-	-	1.640	X	-	1.640
<b>Tota B</b>	-	-	-	-	-	-	-	-	<b>1.640</b>	-	-	<b>1.640</b>
<b>Total 31/12/2008</b>	<b>330</b>	-	-	<b>330</b>	<b>15.222</b>	<b>1.542</b>	<b>73</b>	<b>13.607</b>	<b>71.206</b>	<b>1.770</b>	<b>154</b>	<b>69.282</b>
<b>Total 31/12/2007</b>	<b>16</b>	-	-	<b>16</b>	<b>14.166</b>	<b>1.406</b>	<b>77</b>	<b>12.683</b>	<b>70.615</b>	<b>1.599</b>	<b>255</b>	<b>68.761</b>



### B.3 Geographical distribution of cash and off balance sheet exposures to customers (book value)

Exposure/Geographical area	ITALY		OTHER EUROPEAN C.		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. Cash exposures</b>										
A.1 Non-performing exposures	3.017	88	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	427	6	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	1.852.967	1.852.741	130.434	130.433	2.746	2.746	13	13	86	86
<b>Total A</b>	<b>1.856.411</b>	<b>1.852.835</b>	<b>130.434</b>	<b>130.433</b>	<b>2.746</b>	<b>2.746</b>	<b>13</b>	<b>13</b>	<b>86</b>	<b>86</b>
<b>B. Off balance sheet exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	153.546	153.546	8.503	8.503	-	-	-	-	-	-
<b>Total B</b>	<b>153.546</b>	<b>153.546</b>	<b>8.503</b>	<b>8.503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 31/12/2008</b>	<b>2.009.957</b>	<b>2.006.381</b>	<b>138.937</b>	<b>138.936</b>	<b>2.746</b>	<b>2.746</b>	<b>13</b>	<b>13</b>	<b>86</b>	<b>86</b>
<b>Total (A+B) 31/12/2007</b>	<b>1.944.899</b>	<b>1.941.003</b>	<b>158.336</b>	<b>158.335</b>	<b>5.157</b>	<b>5.156</b>	<b>13</b>	<b>13</b>	<b>118</b>	<b>118</b>

### B.4 Geographical distribution of cash and off balance sheet exposures to banks

Exposure/Geographical area	ITALY		OTHER EUROPEAN C.		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
<b>A. Cash exposures</b>										
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	3.350.738	3.350.738	111.253	111.253	3.693	3.693	825	825	276	276
<b>Total A</b>	<b>3.350.738</b>	<b>3.350.738</b>	<b>111.253</b>	<b>111.253</b>	<b>3.693</b>	<b>3.693</b>	<b>825</b>	<b>825</b>	<b>276</b>	<b>276</b>
<b>B. Off balance sheet exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	427.148	427.130	118.951	118.951	321	321	-	-	-	-
<b>Total B</b>	<b>427.148</b>	<b>427.130</b>	<b>118.951</b>	<b>118.951</b>	<b>321</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 31/12/2008</b>	<b>3.777.886</b>	<b>3.777.868</b>	<b>230.204</b>	<b>230.204</b>	<b>4.014</b>	<b>4.014</b>	<b>825</b>	<b>825</b>	<b>276</b>	<b>276</b>
<b>Total (A+B) 31/12/2007</b>	<b>2.779.037</b>	<b>2.779.037</b>	<b>650.463</b>	<b>650.338</b>	<b>21.460</b>	<b>21.460</b>	<b>2.472</b>	<b>2.472</b>	<b>1.215</b>	<b>1.215</b>

## C.2 SALE TRANSACTIONS

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

Technical type/ Portfolio	Financial assets held for trading			Financial assets at fair value through profit or loss			Financial assets available for sale			Financial assets held to maturity		
	A	B	C	A	B	C	A	B	C	A	B	C
<b>A. Cash assets</b>	<b>10.500</b>	-	-	-	-	-	-	-	-	-	-	-
1. Debt securities	10.500	-	-	-	-	-	-	-	-	-	-	-
2. Share capital securities	-	-	-	-	-	-	-	-	-	X	X	X
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Derivative instruments</b>	-	-	-	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Total 31/12/2008</b>	<b>10.500</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Total 31/12/2007</b>	<b>4.250</b>	-	-	-	-	-	-	-	-	<b>34.971</b>	-	-

continued

Technical type/ Portfolio	Due from banks			Due from customers			Total	
	A	B	C	A	B	C	2008	2007
<b>A. Cash assets</b>	-	-	-	-	-	-	<b>10.500</b>	<b>39.221</b>
1. Debt securities	-	-	-	-	-	-	10.500	39.221
2. Share capital securities	X	X	X	X	X	X	-	-
3. UCITS	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-
<b>B. Derivative instruments</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	-	-
<b>Total 31/12/2008</b>	-	-	-	-	-	-	<b>10.500</b>	<b>X</b>
<b>Total 31/12/2007</b>	-	-	-	-	-	-	<b>X</b>	<b>39.221</b>

KEY:

A= financial assets sold and fully recognized (book value)

B= financial assets sold and partially recognized (book value)

C= partially recognized financial assets (full value)

### C.2.2. Financial liabilities against financial assets sold but not derecognized

Liability/Asset portfolio	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total
<b>1. Due to customers</b>							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
<b>2. Outstanding securities</b>							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
<b>3. Due to banks</b>							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
<b>Total 31/12/2008</b>	-	-	-	-	-	-	-
<b>Total 31/12/2007</b>	<b>4.162</b>	-	-	<b>34.796</b>	-	-	<b>38.958</b>

## Section 2 - Market risks

Market risk relates to unexpected variations in market factors such as interest rates, interest rates, exchange rates and share prices that may cause fluctuations in the value of a position held in the trading book and in the values of investments arising from commercial operations and strategic choices (banking book).

The management and control of market risks (interest rate risk, price risk, exchange rate risk, liquidity risk) is provided for by Group Regulations which lay down the rules under which the single Group companies may take on exposures to these types of risk.

The entity on which the market risks of the Banca Sella Group are concentrated is the Parent Company Banca Sella Holding, which carries on the financing activities.

The Parent Company's Risk Management Unit is responsible for the business risk monitoring methods of all Group companies, and also has an advisory and recommendatory role in the definition of methodological guidelines for the creation of Group risk measurement and control models.

For the purposes of measurement of risks and quantification of internal capital, market risk is measured by the Banca Sella Group applying the "standardized approach" defined by Bank of Italy Circular no. 263/2006. It follows that the quantification of internal capital for market risk consists of the sum of the capital requirements to cover the single risks that make up market risk on the basis of the so-called "building-block approach".

For operating purposes, however, the market risk of the trading book is measured and monitored on the basis of the VaR (Value at Risk) analysis carried out mainly through the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time.



### VaR Decomposition - Banca Sella Holding al 31.12.08

Orizzonte Temporale 10 giorni, intervallo di confidenza 99%

Dati al	31-dic-08			31-dic-07		
	VaR Medio	VaR Minimo	VaR Massimo	VaR Medio	VaR Minimo	VaR Massimo
<b>Tipologia di Rischio</b>						
Fixed Income	€ 90.079	5.940	754.048	90.698	5.941	620.899
Foreign Exchange	€ 2.345	109	157.801	30.582	193	139.871
Equities	€ 134.291	362	554.457	147.560	1.290	582.833
Equity Derivatives	€ 80.296	6.976	788.903	159.025	5.955	495.494
Derivatives OTC	€ 1.681	566	3.888	1.118	570	2.157
Treasury	€ 145.834	18.609	393.981	44.265	1.997	195.209
<b>Total VaR <sup>(b)</sup></b>	<b>€ 454.525</b>	<b>32.561</b>	<b>2.653.078</b>	<b>473.248</b>	<b>15.945</b>	<b>2.036.463</b>

(b) Il Value-at-Risk totale è calcolato come la somma dei singoli VaR per tipologia di rischio

Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of gains/losses that results is analyzed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

## 2.1 INTEREST RATE RISK – TRADING BOOK

### QUALITATIVE INFORMATION

#### A. General Aspects

This section deals with the risk that a fluctuation in interest rates may have a negative effect on the value of the regulatory trading book arising from the financial positions assumed by Banca Sella Holding within the assigned limits and powers.

The Bank's trading book includes trading on its own behalf in financial instruments exchanged both on regulated markets (mainly fixed- and variable-income and equity bonds) and over the counter. The interest rate risk deriving from this work is mitigated by means of regulated derivatives.

The goals and strategies underlying the trading activity involving the own securities portfolio aim to limit risks and maximize returns on the portfolio itself in the restricted and prudential field of action laid down in the Group rules on the subject.

#### B. Interest rate risk: management processes and measurement methods

The Group ALM Committee plays a recommendatory role in the definition of interest rate risk exposure policies as well as being one of the collegial bodies to which risk limit audits are reported. The Committee is also responsible for proposing any corrective actions needed to bring the Group's risk positions back into balance.

The Risk Management, Strategic Planning and Budgetary Control Units in the Finance Business Area play an active role in auditing interest rate risk

In order to measure the interest rate risk inherent in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular No. 263/2006.

For operating purposes, in any case, every day the Group Risk Management Unit measures the portfolio VaR (horizon 10 days and 3 months and confidence margin 99%), and every week analyzes sensitivity factors namely: portfolio duration, effects of sudden interest rate shocks and finally a weekly check on the operational limits on investment in securities.

The average duration of the trading book is 0,5 years while the sensitivity, estimated on a parallel movement of +100 basis points of the interest rate curve is about 1,59 million Euro (about 0,48% of the portfolio).

## 2.2 INTEREST RATE RISK – BANKING BOOK

### QUALITATIVE INFORMATION

#### A. Interest rate risk: general aspects, management processes and measurement methods

Interest rate risk derives from asymmetries in the maturities, in the interest rate redefinition times (and in the types of indexing) of the assets and liabilities of each entity. The interest rate risk is measured using the "standardized approach" defined by Bank of Italy Circular No. 263/2006.

The audit is carried out taking into consideration all the positions assumed on and off the balance sheet, but limited to interest-bearing assets and liabilities. Monitoring is performed by measu-

rement on a monthly basis which assesses the impact on net interest income in the period and the impact on regulatory capital in the case of a shift in interest rates of 2%.

The sensitivity analysis figures at 31 December 2008 show an extremely low risk for the banking book (see the table below for the total impact and percentage on the interest margin).

Shift	Total Sensitivity	Regulatory Capital	Sensitivity %
+200 bps	2,5	624,2	249,7

*Amounts in Euro millions*

The main sources of interest rate risk are those relating to interbank deposits (made and received) and to derivative instruments created to mitigate the exposure to interest rate risk of the Group banks and companies.

The Groups policy is to ensure high coverage of fixed-rate exposures.

The internal interest rate risk management and control processes are based on an essential organizational structure, on the basis of which the Group ALM Committee examines regularly the integrated asset and liability management situation prepared monthly, and then takes the consequent operational decisions.

## **B. Fair value hedging activities**

Hedging transaction strategies are mainly aimed at mitigating the risk of exposure to interest rate risk inherent in financial instruments, understood predominantly as ways of granting credit such as mortgage loans and consumer credit and regular leasing instalments, or bond loans issued by the Banca Sella Group, held in the banking book.

Exposure to the interest rate risk inherent in mortgage loans is hedged by derivative instruments such as amortizing interest rate swaps and cap options on the basis of the amount of the loan portfolio disbursed and the averages maturities of this portfolio.

Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers with the Bank.

The Parent Company generally adopts measurement methods and techniques based on the Black-Scholes, Monte Carlo and Net Present Value models using a number of parameters, which vary depending on the financial instrument to be measured.

These parameters are chosen and set up on the calculation software at the moment of a request for measurement of a new derivative instrument. The Parent Company's Risk Management and Controls Service has the task of approving the parameters defined. Every time the fair value of the financial instrument is calculated, the above parameters are rechecked and updated both by the area that performs the calculation and by the Parent Company's Risk Management and Controls Unit.

### **C. Cash flow hedging activities**

No hedging of cash flow for interest rate risk takes place.

## **2.3 PRICE RISK- REGULATORY TRADING BOOK**

### **QUALITATIVE INFORMATION**

#### **A. General Aspects**

The price risk inherent in the trading book is mainly a result of trading on the bank's own behalf in debt and share capital securities and UCITS.

The goals and strategies underlying the trading activity involving the own securities portfolio aim to limit risks and maximize returns on the portfolio itself in the restricted and prudential field of action laid down in the Group rules on the subject.

The Parent Company Banca Sella Holding is also the market broker for third-party trading carried on by customers of the Banca Sella Group.

#### **B. Price risk: management processes and measurement methods**

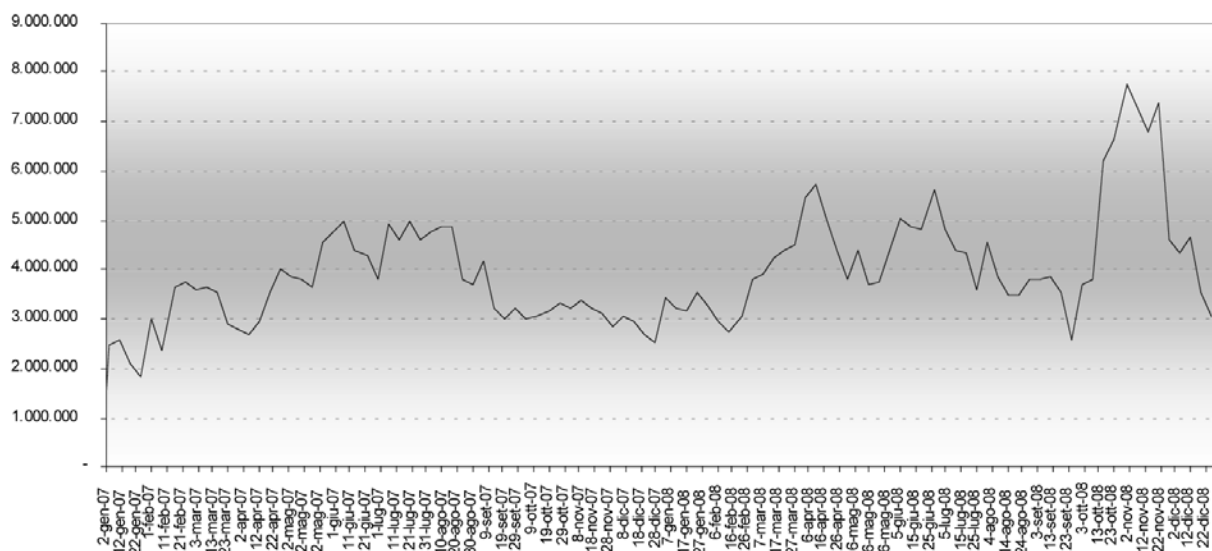
In order to measure the price risk in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular No. 263/2006.

For operating purposes, in any case, the Group Risk Management Unit measures every day the portfolio VaR (horizon 10 days and 3 months and confidence margin 99%), and checks every week the operational limits for investment in securities.

As regards the price risk management processes and measurement methods in the work of management of the trading book, see the explanation in the paragraph "Market risks".

The trend in the VaR of Banca Sella Holding (confidence interval 99%, time horizon 3 months, historical method) is shown in the chart below: note the increase recorded in October and November. The historical method, in fact, is based also on the measurement of the credit default swaps of the issuers of the securities. The Bank's trading book contains mostly Italian government securities. In the last quarter of 2008 the values of Italian government credit default swaps reached high levels, thus contributing to an increase in the VaR figures calculated.

Banca Sella Holding – Trading Book  
Market Risks VaR (time horizon 3 months - confidence interval 99%)



## 1. Regulatory trading book: cash exposures in share capital securities and UCITS

Exposure type/Value	Book value	
	Quoted	Unquoted
<b>A. Share capital securities</b>		
A.1 Shares	2.237	13
A.2 Innovative capital instruments	-	-
A.3 Other share capital securities	-	-
<b>B. UCITS</b>		
B.1 Italian law		
- harmonised open-ended	-	-
- non-harmonised open-ended	-	-
- closed-ended	-	1.450
- reserved	-	100
- speculative	-	-
B.2 Of other EU countries		
- harmonised	999	4.351
- non-harmonised open-ended	-	-
- non-harmonised closed-ended	-	791
B.3 Of non-EU countries		
- open-ended	-	676
- closed-ended	-	-
<b>Total</b>	<b>3.236</b>	<b>7.381</b>



## 2. Regulatory trading book: distribution of exposures in share capital securities and equity indices by main quotation market countries

Type of transaction/ Quotation index	Quoted						Un- quoted
	Italy	Luxembourg	Ireland	America	Switzerland	Other countries	
<b>A. Share capital securities</b>	<b>2.160.172</b>	<b>39.702</b>	-	<b>1.461</b>	-	<b>35.333</b>	<b>13.343</b>
- Long positions	2.160.172	39.702		1.461		35.333	13.343
- Short positions							
<b>B. Purchases of share capital securities not yet settled</b>	<b>(366.167)</b>	<b>(6.908)</b>	-	-	-	<b>(6.145)</b>	-
- Long positions	3.643.813	66.527		237.846	79.667	59.918	
- Short positions	4.009.980	73.436		237.846	79.667	66.063	
<b>C. Other derivatives on share capital instruments</b>	<b>(27.768)</b>	-	-	-	-	-	-
- Long positions							
- Short positions	27.768						
<b>D. Share index derivatives</b>	<b>20.742.550</b>	-	-	-	-	-	-
- Long positions	82.846.250						
- Short positions	62.103.700						
<b>Total</b>	<b>22.508.786</b>	<b>32.794</b>	-	<b>1.461</b>	-	<b>29.188</b>	<b>13.343</b>

## 2.4 PRICE RISK – BANKING BOOK

### QUALITATIVE INFORMATION

#### A. Price risk: general aspects, management processes and measurement methods

The price risk of the portfolio is attributable mainly to equity interests held by the Parent Company for long-term investment purposes. These are positions assumed directly on the basis of resolutions of the Board of Directors and managed by the Finance Department of the Parent Company itself.

#### 1. Banking book: cash exposures in share capital securities and UCITS

Item	Book value	
	Quoted	Unquoted
<b>A. Share capital securities</b>		
A.1 Shares	(11.470)	(742.603)
A.2 Innovative capital instruments	-	-
A.3 Other share capital securities	-	-
<b>B. UCITS</b>		
B.1 Italian law		
- harmonised open-ended	-	-
- non-harmonised open-ended	-	-
- closed-ended	-	-
- reserved	-	-
- speculative	-	-
B.2 Of other EU countries		
- harmonised	-	-
- non-harmonised open-ended	-	-
- non-harmonised closed-ended	-	-
B.3 Of non-EU countries		
- open-ended	-	-
- closed-ended	-	-
<b>Total</b>	<b>(11.470)</b>	<b>(742.603)</b>

## 2.5 EXCHANGE RATE RISK

### QUALITATIVE INFORMATION

#### A. Exchange rate risk: general aspects, management processes and measurement methods

Transactions in foreign currencies are carried on mainly in the Finance Department in which the Treasury unit manages the lending and funding in foreign currencies of the Group Banks, trading with a view to the short term and to the hedging of positions that might entail an exchange rate risk.

Exchange rate risk is monitored through the application of the “standardized approach” defined by Bank of Italy Circular No. 263/2006, which during the year never showed an absorption greater than 2% of Shareholders’ Equity.

The Risk Management Unit of the Banca Sella Group reports the figures for exposure to exchange rate risk to the Group ALM Committee which performs a coordinating role with the Group Treasury to take hedging actions in the case of exposures to exchange rates.

#### B. Exchange rate risk hedging activities

Banca Sella Holding does not hold predominantly speculative positions in exchange rates, but the transactions executed are associated with the work of hedging the exchange rate risk for the Group banks and companies.

Micro hedging is instead put in place, with third parties, with the aim of mitigating the risk of simple derivatives such as domestic currency swaps, currency options and forward contracts traded by customers with the Bank.

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

Item	Currency					
	US DOLLAR	JAPANESE YEN	SWISS FRANC	BRITISH POUND	AUSTRALIAN DOLLAR	OTHER CURRENCIES
<b>A. Financial assets</b>	<b>26.839</b>	<b>30.641</b>	<b>26.354</b>	<b>7.858</b>	<b>2.229</b>	<b>6.038</b>
A.1 Debt securities	571	-	-	-	-	-
A.2 Share capital securities	3.402	-	-	6.961	-	-
A.3 Loans and advances to banks	22.859	30.641	26.354	897	2.229	6.038
A.4 Loans and advances to customers	7	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
<b>B. Other assets</b>	<b>3.519</b>	<b>1.046</b>	<b>392</b>	<b>457</b>	<b>313</b>	<b>795</b>
<b>C. Financial liabilities</b>	<b>220.489</b>	<b>5.285</b>	<b>6.574</b>	<b>18.714</b>	<b>3.394</b>	<b>6.763</b>
C.1 Due to banks	213.717	1.561	6.322	11.822	3.236	4.432
C.2 Due to customers	6.772	3.724	252	6.892	158	2.331
C.3 Debt securities	-	-	-	-	-	-
<b>D. Other liabilities</b>	<b>192</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E. Financial derivatives</b>	<b>189.184</b>	<b>(26.360)</b>	<b>(20.018)</b>	<b>17.254</b>	<b>848</b>	<b>(381)</b>
- Options	(2.503)	-	-	-	-	-
+ Long positions	27.491	3.780	-	565	-	419
+ Short positions	29.994	3.780	-	565	-	419
- Others	191.687	(26.360)	(20.018)	17.254	848	(381)
+ Long positions	341.989	14.582	19.475	33.412	18.294	5.617
+ Short positions	150.302	40.942	39.493	16.158	17.446	5.998
<b>Total assets</b>	<b>399.838</b>	<b>50.049</b>	<b>46.221</b>	<b>42.292</b>	<b>20.836</b>	<b>12.869</b>
<b>Total liabilities</b>	<b>400.977</b>	<b>50.007</b>	<b>46.071</b>	<b>35.437</b>	<b>20.840</b>	<b>13.18</b>
<b>Imbalance (+/-)</b>	<b>(1.139)</b>	<b>42</b>	<b>150</b>	<b>6.855</b>	<b>(4)</b>	<b>(311)</b>

## 2.6 DERIVATIVE FINANCIAL INSTRUMENTS

### A. FINANCIAL DERIVATIVES

#### A.1 Regulatory trading book: notional end-of-period and average values

Type Transaction/ Underlying	Debt securities and interest rates		Share capital securities and equity indices		Exchange rates and gold		Other securities		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	3.448.544	-	-	-	-	-	-	-	3.448.544	-	2.028.566
3. Domestic currency swaps	-	-	-	-	-	65.330	-	-	-	65.330	-	61.829
4. Currency interest rate swaps	-	-	-	-	-	338.152	-	-	-	338.152	-	438.953
5. Basis swaps	-	821.487	-	-	-	-	-	-	-	821.487	-	509.076
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real estate index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	859	-	8.210	-	-	-	-	-	9.069	-	48.319	-
9. Cap options	-	491.660	-	-	-	-	-	-	-	491.660	-	506.122
- Purchased	-	240.301	-	-	-	-	-	-	-	240.301	-	253.597
- Issued	-	251.359	-	-	-	-	-	-	-	251.359	-	252.525
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	144.950	-	-	62.405	-	-	144.950	62.405	425.114	77.672
- Purchased	-	-	82.846	-	-	33.960	-	-	82.846	33.960	212.410	38.836
- Plain Vanilla	-	-	82.846	-	-	31.028	-	-	82.846	31.028	212.410	31.101
- Exotic	-	-	-	-	-	2.932	-	-	-	2.932	-	7.735
- Issued	-	-	62.104	-	-	28.445	-	-	62.104	28.445	212.704	38.836
- Plain Vanilla	-	-	62.104	-	-	25.513	-	-	62.104	25.513	212.704	31.101
- Exotic	-	-	-	-	-	2.932	-	-	-	2.932	-	7.735
12. Forward contracts	739.207	94.684	11.083	-	-	241.838	-	-	750.290	336.522	-	1.307.795
- Purchases	337.578	879	5.355	-	-	99.330	-	-	342.933	100.209	-	648.418
- Sales	401.629	93.805	5.728	-	-	97.263	-	-	407.357	191.068	-	568.336
- Currencies against Currencies	-	-	-	-	-	45.245	-	-	-	45.245	-	91.041
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	15.190
<b>Total</b>	<b>740.066</b>	<b>4.856.375</b>	<b>164.243</b>	<b>-</b>	<b>-</b>	<b>707.725</b>	<b>-</b>	<b>-</b>	<b>904.309</b>	<b>5.564.100</b>	<b>473.433</b>	<b>4.945.203</b>
<b>Average amounts</b>	<b>434.923</b>	<b>4.388.935</b>	<b>253.949</b>	<b>66.990</b>	<b>-</b>	<b>798.728</b>	<b>-</b>	<b>-</b>	<b>688.871</b>	<b>5.254.652</b>	<b>364.780</b>	<b>4.544.816</b>

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

### A.2.1 For hedging

Type Transaction/ Underlying	Debt securities and interest rates		Share capital securities and equity indices		Exchange rates and gold		Other securities		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	19.308	-	-	-	-	-	-	-	19.308	-	77.372
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real estate index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	1.026	-	-	-	1.026	-	-
- Purchased	-	-	-	-	-	1.026	-	-	-	1.026	-	-
- Plain Vanilla	-	-	-	-	-	1.026	-	-	-	1.026	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain Vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>19.308</b>	-	-	-	<b>1.026</b>	-	-	-	<b>20.334</b>	-	<b>77.372</b>
<b>Average values</b>	-	<b>48.340</b>	-	-	-	<b>513</b>	-	-	-	<b>48.853</b>	-	<b>49.973</b>

## A.2.2 Other derivatives

Type Transaction/ Underlying	Debt securities and interest rates		Share capital securities and equity indices		Exchange rates and gold		Other securities		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Non quotati	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real estate index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	5.723	-	1.026	-	-	-	6.749	-	16.008
- Purchased	-	-	-	3.179	-	1.026	-	-	-	4.205	-	8.004
- Plain Vanilla	-	-	-	3.179	-	1.026	-	-	-	4.205	-	8.004
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	2.544	-	-	-	-	-	2.544	-	8.004
- Plain Vanilla	-	-	-	2.544	-	-	-	-	-	2.544	-	8.004
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>5.723</b>	-	<b>1.026</b>	-	-	-	<b>6.749</b>	-	<b>16.008</b>
<b>Average amounts</b>	-	-	-	<b>6.788</b>	-	<b>4.591</b>	-	-	-	<b>11.379</b>	-	<b>12.568</b>

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

Type Transaction/ Underlying	Debt securities and interest rates		Share capital securities and equity indices		Exchange rates and gold		Other securities		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted	Quoted	Un- quoted
<b>A. Regulatory trading book</b>	<b>740.066</b>	<b>4.034.889</b>	<b>163.357</b>	<b>886</b>	-	<b>773.902</b>	-	-	<b>903.423</b>	<b>4.809.677</b>	<b>473.433</b>	<b>5.454.281</b>
1. Transactions with equity swaps	740.066	94.684	11.083	-	-	708.572	-	-	751.149	803.256	129.779	1.822.930
- Purchases	337.578	879	5.355	-	-	406.132	-	-	342.933	407.011	7.600	952.868
- Sales	402.488	93.805	5.728	-	-	239.610	-	-	408.216	333.415	122.179	765.407
- Currencies against currencies	-	-	-	-	-	62.830	-	-	-	62.830	-	104.655
2. Transactions without												
equity swaps	-	3.940.205	152.274	886	-	65.330	-	-	152.274	4.006.421	343.654	3.631.351
- Purchases	-	1.963.613	66.906	443	-	30.584	-	-	66.906	1.994.640	118.375	1.801.024
- Sales	-	1.976.592	85.368	443	-	34.746	-	-	85.368	2.011.781	225.279	1.830.327
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Banking book</b>	-	<b>19.308</b>	-	<b>5.723</b>	-	<b>2.052</b>	-	-	-	<b>27.083</b>	-	<b>92.860</b>
<b>B.1 For hedging</b>	-	<b>19.308</b>	-	-	-	<b>1.026</b>	-	-	-	<b>20.334</b>	-	<b>77.372</b>
1. Transactions with equity swaps	-	-	-	-	-	1.026	-	-	-	1.026	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	1.026	-	-	-	1.026	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without												
equity swaps	-	19.308	-	-	-	-	-	-	-	19.308	-	77.372
- Purchases	-	19.308	-	-	-	-	-	-	-	19.308	-	17.372
- Sales	-	-	-	-	-	-	-	-	-	-	-	60.000
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
<b>B.2 Other derivatives</b>	-	-	-	<b>5.723</b>	-	<b>1.026</b>	-	-	-	<b>6.749</b>	-	<b>15.488</b>
1. Transactions with equity swaps	-	-	-	-	-	1.026	-	-	-	1.026	-	7.636
- Purchases	-	-	-	-	-	1.026	-	-	-	1.026	-	3.818
- Sales	-	-	-	-	-	-	-	-	-	-	-	3.818
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without												
equity swaps	-	-	-	5.723	-	-	-	-	-	5.723	-	7.852
- Purchases	-	-	-	3.179	-	-	-	-	-	3.179	-	3.926
- Sales	-	-	-	2.544	-	-	-	-	-	2.544	-	3.926
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-

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

Counterparty/Underlying	Debt securities and interest rates			Share capital securities and equity indices			Exchange rates and gold			Other securities			Different underlyings	
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross offset	Future exposure

##### A. Regulatory trading book:

A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	63.747	-	12.098	28	-	27	17.868	-	2.321	-	-	-	-	-
A.4 Financial companies	17.897	-	3.586	-	-	-	6.030	-	884	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other subjects	1.640	-	509	-	-	-	-	-	-	-	-	-	-	-
<b>Total A 31/12/2008</b>	<b>83.284</b>	<b>-</b>	<b>16.193</b>	<b>28</b>	<b>-</b>	<b>27</b>	<b>23.898</b>	<b>-</b>	<b>3.205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total A 31/12/2007</b>	<b>22.941</b>	<b>-</b>	<b>8.907</b>	<b>19</b>	<b>-</b>	<b>60</b>	<b>17.293</b>	<b>-</b>	<b>3.963</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### B. Banking book:

B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	1.769	-	30	50	-	14	1	-	12	-	-	-	-	-
B.4 Financial companies	-	-	-	507	-	176	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other subjects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total B 31/12/2008</b>	<b>1.769</b>	<b>-</b>	<b>30</b>	<b>557</b>	<b>-</b>	<b>190</b>	<b>1</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total B 31/12/2007</b>	<b>2.156</b>	<b>-</b>	<b>60</b>	<b>1.705</b>	<b>-</b>	<b>314</b>	<b>6</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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

Counterparty/Underlying	Debt securities and interest rates			Share capital securities and equity indices			Exchange rates and gold			Other securities			Different underlyings	
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross offset	Future exposure

#### A. Regulatory trading book:

A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	74.230	-	12.271	28	-	-	20.894	-	1.834	-	-	-	-	-
A.4 Financial companies	5.913	-	916	-	-	-	11.116	-	919	-	-	-	-	-
A.5 Insurance companies	481	-	75	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other subjects	2.344	-	481	-	-	-	-	-	-	-	-	-	-	-
<b>Total A 31/12/2008</b>	<b>82.968</b>	<b>-</b>	<b>13.743</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>32.010</b>	<b>-</b>	<b>2.753</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total A 31/12/2007</b>	<b>22.248</b>	<b>-</b>	<b>8.856</b>	<b>19</b>	<b>-</b>	<b>60</b>	<b>21.660</b>	<b>-</b>	<b>4.996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### B. Banking book

B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	297	-	-	1	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other subjects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total B 31/12/2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>297</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total B 31/12/2007</b>	<b>8.133</b>	<b>-</b>	<b>20</b>	<b>1.706</b>	<b>-</b>	<b>314</b>	<b>6</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total
<b>A. Regulatory trading book</b>				
A.1 Financial derivatives on debt securities and interest rates	1.558.018	1.491.099	1.807.259	4.856.376
A.2 Financial derivatives on share capital securities and equity indices	886	-	-	886
A.3 Financial derivatives on exchange rates and gold	773.829	72	-	773.901
A.4 Financial derivatives on other securities	-	-	-	-
<b>B. Banking book</b>				
B.1 Financial derivatives on debt securities and interest rates	13.308	6.000	-	19.308
B.2 Financial derivatives on share capital securities and equity indices	5.723	-	-	5.723
B.3 Financial derivatives on exchange rates and gold	2.051	-	-	2.051
B.4 Financial derivatives on other securities	-	-	-	-
<b>Total 31/12/2008</b>	<b>2.353.815</b>	<b>1.497.171</b>	<b>1.807.259</b>	<b>5.658.245</b>
<b>Total 31/12/2007</b>	<b>2.677.712</b>	<b>1.013.262</b>	<b>1.011.681</b>	<b>4.702.655</b>

## B. CREDIT DERIVATIVES

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

Category of transaction	Regulatory trading book		Other transactions	
	On a single subject	On several subjects (basket)	On a single subject	On several subjects (basket)
<b>1. Protection purchases</b>				
1.1 With equity swap (with specific indication of the contractual types)	(2.500)	-	-	-
1.2 Without equity swap (with specific indication of the contractual types)	-	-	-	-
<b>Total 31/12/2008</b>	<b>(2.500)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total 31/12/2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Average values</b>	<b>(1.250)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2. Protection sales</b>				
2.1 With equity swap (with specific indication of the contractual types)	-	-	-	-
2.2 Without equity swap (with specific indication of the contractual types)	-	-	-	-
<b>Total 31/12/2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total 31/12/2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Average amounts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### B.3 Credit derivatives: negative fair value – financial risk

Type of transaction/Amount	Notional value	Negative fair value
<b>REGULATORY TRADING BOOK</b>		
<b>1. Protection purchases with counterparties</b>		
1.1. Governments and Central Banks	-	-
1.2. Other public bodies	-	-
1.3. Banks	(2.500)	(75)
1.4. Financial companies	-	-
1.5. Insurance companies	-	-
1.6. Non-financial companies	-	-
1.7 Other subjects	-	-
<b>Total 31/12/2008</b>	<b>(2.500)</b>	<b>(75)</b>
<b>Total 31/12/2007</b>	<b>-</b>	<b>-</b>

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

<b>Underlying asset/Residual life</b>	<b>Up to 1 year</b>	<b>From 1 year to 5 years</b>	<b>More than 5 years</b>	<b>Total 31/12/2008</b>
<b>A Regulatory trading book</b>				
A.1 Credit derivatives with "subordinated reference obligations"	-	-	(2.500)	(2.500)
A.2 Credit derivatives with "unsubordinated reference obligations"	-	-	-	-
<b>B. Banking book</b>				
B.1 Credit derivatives with "subordinated reference obligations"	-	-	-	-
B.2 Credit derivatives with "unsubordinated reference obligations"	-	-	-	-
<b>Total 31/12/2008</b>	<b>-</b>	<b>-</b>	<b>(2.500)</b>	<b>(2.500)</b>
<b>Total 31/12/2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Section 3 - Liquidity risk

### QUALITATIVE INFORMATION

#### A. Liquidity risk: general aspects, management procedures and measurement methods

Monitoring of liquidity risk is the responsibility of the ALM Committee and the Risk Management service, while the Treasury manages the items used to calculate the reference parameters and generate the risk itself.

The Finance Department of Banca Sella Holding manages the liquidity level of Banca Sella Holding and of the Group. With the support of the Risk Management Unit the Department intervenes promptly if the need arises to balance the Group's liquidity level following market events or structural situations in the business.

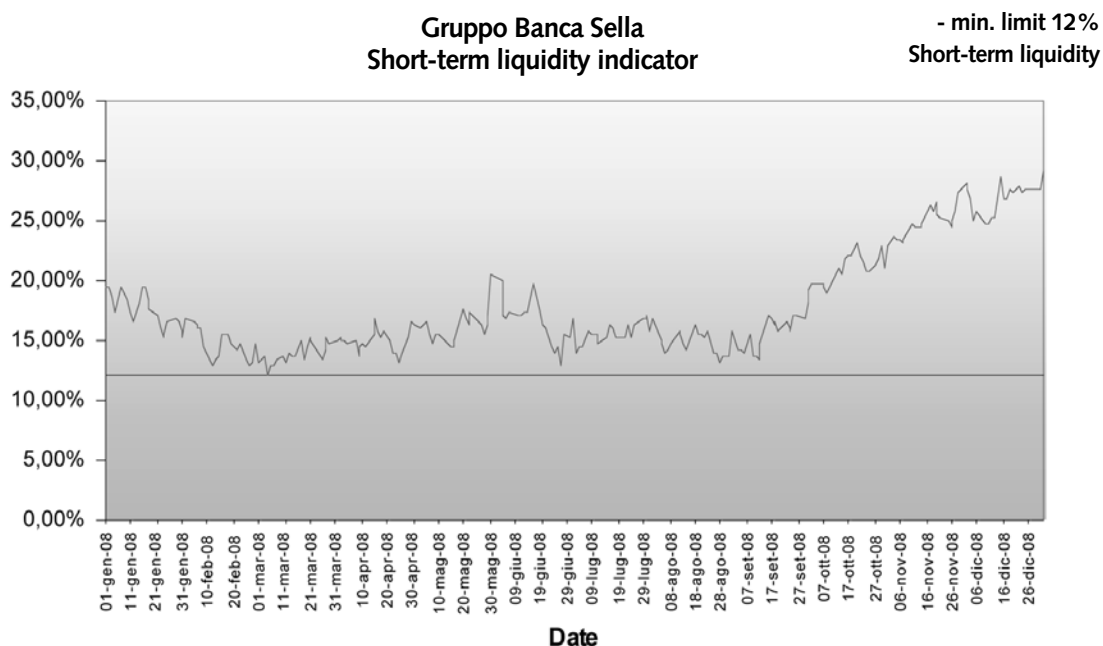
The process of liquidity management and control which involves the Group units mentioned above made it possible in the last few months of the year to maintain a more than adequate level of liquidity to cope with the market crisis in progress.

In the second half of 2008 the management of liquidity was profoundly reviewed, with the aim of bringing it into compliance with the standards and with the changed market scenario and of improving it on the basis of the many actions on the subject.

The improvements were introduced in the ordinary management of liquidity, through the formalization of a Group Liquidity Policy, both in the completion of strategies to be followed at critical times with the preparation of an emergency plan, called the Contingency Liquidity Plan.

The management policies implemented by the Group led during 2008 to a substantial increase in the Bank's own liquidity reserves of about 50% from the start of the year.

These reserves are measured with the short-term liquidity indicator established by the Group Risk Management Unit and Finance Department to assess the capacity to cope with possible cash outflows both in relation to ordinary customers and in relation to banks in the case of sudden liquidity stress, by means of assets which are liquid can be made liquid within 30 days.



The Group Liquidity Policy entailed the adoption of a set of qualitative and quantitative indicators intended to identify a possible condition of systemic/specific liquidity stress. These measures are combined into a key indicator which summarizes the Group's liquidity situation and if necessary triggers the organizational controls, strategies and actions provided for in the Contingency Liquidity Plan.

In particular the Contingency Liquidity Plan provides for three levels of attention to the liquidity status, which envisages, in the case of a possible crisis, the intervention of a Liquidity Crisis Extraordinary Management Committee (an official organism activated in the case of a crisis, given the wide decision-making powers and responsibilities required to implement strategies and policies needed to manage emergency).

The emergency plan is fundamental for attenuating and monitoring liquidity risk. It is intended to protect the bank's assets in situations of liquidity outflow through the preparation of crisis management strategies and procedures for obtaining funding sources in the case of emergency.

The risk of not being able to fulfil its cash obligations in the times required and at sustainable costs depends on so many factors – maturity structure of assets and liabilities, features of lending and funding, trends in costs and income, evolution of the markets – that make a capital guarantee unsuitable for the purpose.

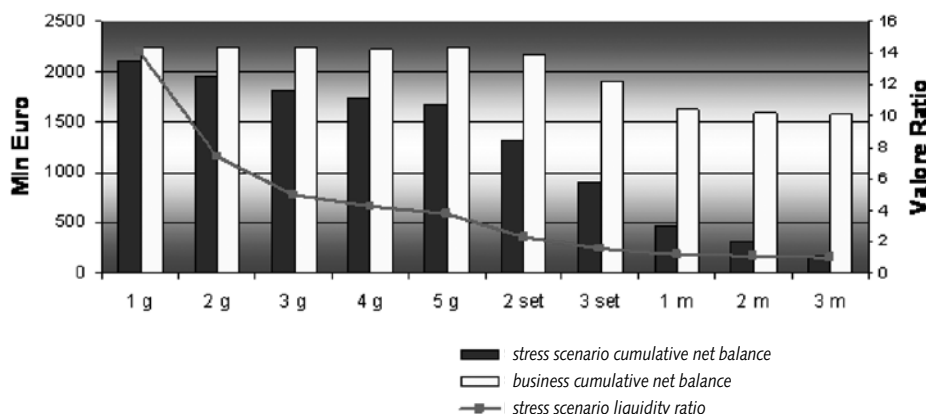
In support of the emergency plan, the Risk Management Unit and Finance Department of the Banca Sella Group performed a solid stress analysis on the liquidity stock of the Group itself.

The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder<sup>1</sup>, the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation. The ability to withstand is calculated with the assumption that the business structure and capital profile of the Group will not be altered.

The stress tests were carried out in compliance with the principles of the guidelines issued by the Basel Committee and forwarded regularly to the Bank of Italy with the purpose of systemic monitoring the liquidity of Italian banks.

The analysis was conducted measuring the balance of liquidity accumulated, or the sum of cash inflows (net of outflows) and the liquidity reserves the liquidity ratio (the ratio between current, planned or potential liquidity sources and cash outflows) is determined. The stress test showed the full ability of the liquidity sources of the Banca Sella Group to withstand systemic crises.

*Stress Scenario: Projection of cumulative net financial position and liquidity ratio*



<sup>(1)</sup> A Maturity Ladder is the projection of the net financial position over time.

**I. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: EURO**

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
<b>Cash assets</b>	<b>1.109.934</b>	<b>275.031</b>	<b>151.035</b>	<b>210.900</b>	<b>274.417</b>	<b>201.754</b>	<b>222.545</b>	<b>1.089.783</b>	<b>121.316</b>	-
A.1 Government securities	27.399	99	3.302	89	11.392	33.073	78.651	115.720	3.429	-
A.2 Quoted debt securities	5.815	-	-	2.525	9.533	11.105	27.965	61.404	15.772	-
A.3 Other debt securities	14.876	224.014	207	1	11	4.217	10.553	533.659	22.115	-
A.4 UCITS units	8.367	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	1.053.477	50.918	147.526	208.285	253.481	153.359	105.376	379.000	80.000	-
- Banks	1.793.390	50.918	145.341	200.035	189.295	75.901	25.733	-	-	1.260
- Customers	930.087	-	2.185	8.250	64.186	77.458	79.643	379.000	80.000	-
<b>Cash liabilities</b>	<b>2.722.726</b>	<b>101.078</b>	<b>145.689</b>	<b>422.731</b>	<b>281.188</b>	<b>224.893</b>	<b>429.404</b>	<b>958.974</b>	<b>165.327</b>	-
B.1 Deposits	2.681.423	86.628	65.017	308.824	190.220	68.570	43.721	-	-	-
- Banks	2.611.839	86.628	65.017	308.824	190.220	68.570	43.721	-	-	-
- Customers	69.584	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	112.606	385.683	958.974	165.327	-
B.3 Other liabilities	41.303	14.450	80.672	113.907	90.968	43.717	-	-	-	-
<b>Off balance sheet transactions</b>	<b>500</b>	<b>144.659</b>	<b>65.715</b>	<b>53.068</b>	<b>139.627</b>	<b>104.751</b>	<b>86.480</b>	-	<b>500</b>	-
C.1 Financial derivatives with equity swaps	500	144.659	65.715	53.068	139.627	104.751	86.480	-	500	-
- Long positions	-	50.826	8.046	21.908	33.331	57.834	37.978	-	500	-
- Short positions	500	93.833	57.669	31.160	106.296	46.917	48.502	-	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

**I. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: US DOLLAR**

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
<b>Cash assets</b>	<b>1.458</b>	<b>1.644</b>	<b>2.439</b>	<b>7.856</b>	<b>5.562</b>	<b>3.156</b>	<b>788</b>	<b>50</b>	<b>483</b>	-
A.1 Government securities	-	-	-	-	-	-	-	22	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	38	28	483	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	1.458	1.644	2.439	7.856	5.562	3.156	750	-	-	-
- Banks	1.451	1.644	2.439	7.856	5.562	3.156	750	-	-	-
- Customers	7	-	-	-	-	-	-	-	-	-
<b>Cash liabilities</b>	<b>99.787</b>	<b>9.189</b>	<b>21.053</b>	<b>23.638</b>	<b>46.552</b>	<b>16.673</b>	<b>3.595</b>	-	-	-
B.1 Deposits	98.692	9.189	21.053	23.638	46.552	16.673	3.595	-	-	-
- Banks	93.015	9.189	21.053	23.638	46.552	16.673	3.595	-	-	-
- Customers	5.677	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1.095	-	-	-	-	-	-	-	-	-
<b>Off balance sheet transactions</b>	<b>1.800</b>	<b>116.950</b>	<b>60.441</b>	<b>60.805</b>	<b>139.221</b>	<b>120.945</b>	<b>82.872</b>	-	<b>359</b>	-
C.1 Financial derivatives with equity swaps	359	115.315	60.441	60.805	139.077	120.895	82.872	-	359	-
- Long positions	-	76.057	52.310	49.557	102.177	57.937	48.082	-	359	-
- Short positions	359	39.258	8.131	11.248	36.900	62.958	34.790	-	-	-
C.2 Deposits and loans receivable	1.441	1.441	-	-	-	-	-	-	-	-
- Long positions	-	1.441	-	-	-	-	-	-	-	-
- Short positions	1.441	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	194	-	-	144	50	-	-	-	-
- Long positions	-	-	-	-	144	50	-	-	-	-
- Short positions	-	194	-	-	-	-	-	-	-	-

**I. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: SWISS FRANC**

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
<b>Cash assets</b>	<b>7.636</b>	<b>529</b>	<b>7.618</b>	<b>7.847</b>	<b>2.396</b>	<b>328</b>	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	7.636	529	7.618	7.847	2.396	328	-	-	-	-
- Banks	7.636	529	7.618	7.847	2.396	328	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
<b>Cash liabilities</b>	<b>313</b>	<b>77</b>	<b>673</b>	<b>1.782</b>	<b>2.574</b>	<b>707</b>	<b>448</b>	-	-	-
B.1 Deposits	313	77	673	1.782	2.574	707	448	-	-	-
- Banks	61	77	673	1.782	2.574	707	448	-	-	-
- Customers	252	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
<b>Off balance sheet transactions</b>	<b>238</b>	<b>43.010</b>	-	<b>18.899</b>	<b>1.676</b>	<b>18</b>	<b>18</b>	-	-	-
C.1 Financial derivatives with equity swaps	-	37.500	-	14.141	1.566	18	18	-	-	-
- Long positions	-	12.789	-	101	1.364	18	18	-	-	-
- Short positions	-	24.711	-	14.040	202	-	-	-	-	-
C.2 Deposits and loans receivable	238	238	-	-	-	-	-	-	-	-
- Long positions	-	238	-	-	-	-	-	-	-	-
- Short positions	238	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	5.272	-	4.758	110	-	-	-	-	-
- Long positions	-	202	-	4.758	110	-	-	-	-	-
- Short positions	-	5.070	-	-	-	-	-	-	-	-



**I. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: JAPANESE YEN**

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
<b>Cash assets</b>	<b>15.712</b>	<b>1.080</b>	<b>3.930</b>	<b>6.949</b>	<b>2.846</b>	<b>10</b>	<b>115</b>	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	15.712	1.080	3.930	6.949	2.846	10	115	-	-	-
- Banks	15.712	1.080	3.930	6.949	2.846	10	115	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
<b>Cash liabilities</b>	<b>4.781</b>	-	<b>321</b>	<b>156</b>	-	-	<b>27</b>	-	-	-
B.1 Deposits	4.206	-	321	156	-	-	27	-	-	-
- Banks	1.057	-	321	156	-	-	27	-	-	-
- Customers	3.149	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	575	-	-	-	-	-	-	-	-	-
<b>Off balance sheet transactions</b>	<b>118</b>	<b>11.851</b>	<b>793</b>	<b>20.702</b>	<b>7.072</b>	<b>9.225</b>	<b>10.145</b>	-	-	-
C.1 Financial derivatives with equity swaps	-	5.000	793	15.776	5.312	9.178	10.145	-	-	-
- Long positions	-	688	317	-	3.063	2.101	2.616	-	-	-
- Short positions	-	4.312	476	15.776	2.249	7.077	7.529	-	-	-
C.2 Deposits and loans receivable	118	118	-	-	-	-	-	-	-	-
- Long positions	-	118	-	-	-	-	-	-	-	-
- Short positions	118	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	6.733	-	4.926	1.760	47	-	-	-	-
- Long positions	-	-	-	4.926	1.760	47	-	-	-	-
- Short positions	-	6.733	-	-	-	-	-	-	-	-

**I. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: BRITISH POUND**

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
<b>Cash assets</b>	<b>208</b>	<b>5</b>	<b>109</b>	<b>52</b>	<b>522</b>	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	208	5	109	52	522	-	-	-	-	-
- Banks	208	5	109	52	522	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
<b>Cash liabilities</b>	<b>12.005</b>	<b>2.730</b>	<b>287</b>	<b>17</b>	<b>3.234</b>	<b>441</b>	-	-	-	-
B.1 Deposits	11.931	2.730	287	17	3.234	441	-	-	-	-
- Banks	5.113	2.730	287	17	3.234	441	-	-	-	-
- Customers	6.818	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	74	-	-	-	-	-	-	-	-	-
<b>Off balance sheet transactions</b>	<b>-</b>	<b>44.627</b>	<b>1.640</b>	<b>1.624</b>	<b>3.243</b>	<b>210</b>	<b>929</b>	-	-	-
C.1 Financial derivatives with equity swaps	-	44.312	1.640	1.309	3.243	210	929	-	-	-
- Long positions	-	29.519	1.640	784	1.990	105	457	-	-	-
- Short positions	-	14.793	-	525	1.253	105	472	-	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	315	-	315	-	-	-	-	-	-
- Long positions	-	-	-	315	-	-	-	-	-	-
- Short positions	-	315	-	-	-	-	-	-	-	-

**I. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: AUSTRALIAN DOLLAR**

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
<b>Cash assets</b>	<b>355</b>	<b>4</b>	<b>77</b>	<b>1.699</b>	<b>94</b>	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	355	4	77	1.699	94	-	-	-	-	-
- Banks	355	4	77	1.699	94	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
<b>Cash liabilities</b>	<b>553</b>	-	-	<b>2.614</b>	<b>178</b>	<b>49</b>	-	-	-	-
B.1 Deposits	510	-	-	2.614	178	49	-	-	-	-
- Banks	395	-	-	2.614	178	49	-	-	-	-
- Customers	115	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	43	-	-	-	-	-	-	-	-	-
<b>Off balance sheet transactions</b>	-	<b>16.841</b>	-	<b>200</b>	<b>4.706</b>	-	<b>4.237</b>	-	-	-
C.1 Financial derivatives with equity swaps	-	16.725	-	84	4.706	-	4.237	-	-	-
- Long positions	-	11.231	-	-	3.443	-	3.620	-	-	-
- Short positions	-	5.494	-	84	1.263	-	617	-	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	116	-	116	-	-	-	-	-	-
- Long positions	-	-	-	116	-	-	-	-	-	-
- Short positions	-	116	-	-	-	-	-	-	-	-

**I. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: OTHER CURRENCIES**

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
<b>Cash assets</b>	<b>4.354</b>	-	<b>62</b>	-	<b>401</b>	<b>610</b>	<b>610</b>	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	4.354	-	62	-	401	610	610	-	-	-
- Banks	4.354	-	62	-	401	610	610	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
<b>Cash liabilities</b>	<b>5.932</b>	<b>161</b>	-	<b>361</b>	<b>284</b>	<b>26</b>	-	-	-	-
B.1 Deposits	5.795	161	-	361	284	26	-	-	-	-
- Banks	3.601	161	-	361	284	26	-	-	-	-
- Customers	2.194	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	137	-	-	-	-	-	-	-	-	-
<b>Off balance sheet transactions</b>	<b>79</b>	<b>8.586</b>	<b>15</b>	<b>772</b>	<b>888</b>	<b>4.663</b>	<b>1.722</b>	-	-	-
C.1 Financial derivatives with equity swaps	-	8.492	-	772	888	4.663	1.722	-	-	-
- Long positions	-	4.678	-	386	406	1.983	551	-	-	-
- Short positions	-	3.814	-	386	482	2.680	1.171	-	-	-
C.2 Deposits and loans receivable	79	79	-	-	-	-	-	-	-	-
- Long positions	-	79	-	-	-	-	-	-	-	-
- Short positions	79	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	15	15	-	-	-	-	-	-	-
- Long positions	-	-	15	-	-	-	-	-	-	-
- Short positions	-	15	-	-	-	-	-	-	-	-

## 2. Sector distribution of financial liabilities

Exposure/Counterparty	Governments and Central Banks	Banks	Other public bodies	Financial companies	Insurance companies	Non-financial companies	Other subjects	Total
1. Due to customers	79	-	-	89.594	50	-	39.008	128.731
2. Outstanding securities	-	566.958	-	-	17.516	-	1.038.116	1.622.590
3. Financial liabilities held for trading	-	105.861	-	13.049	481	-	2.344	121.735
4. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
<b>Total 31/12/2008</b>	<b>79</b>	<b>672.819</b>	<b>-</b>	<b>102.643</b>	<b>18.047</b>	<b>-</b>	<b>1.079.468</b>	<b>1.873.056</b>
<b>Total 31/12/2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136.936</b>	<b>9</b>	<b>-</b>	<b>1.422.777</b>	<b>1.559.722</b>

## 3. Geographical distribution of financial liabilities

Exposure/Counterparty	Italy	Other European Countries	America	Asia	Rest of the world	Total
1. Due to customers	127.433	1.298	-	-	-	128.731
2. Due to banks	3.623.287	336.390	2.230	-	-	3.961.907
3. Outstanding securities	1.622.590	-	-	-	-	1.622.590
4. Financial liabilities held for trading	43.333	68.216	10.165	-	21	121.735
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-
<b>Total 31/12/2008</b>	<b>5.416.643</b>	<b>405.904</b>	<b>12.395</b>	<b>-</b>	<b>21</b>	<b>5.834.963</b>
<b>Total 31/12/2007</b>	<b>4.306.317</b>	<b>635.621</b>	<b>13.965</b>	<b>7.748</b>	<b>168</b>	<b>4.963.819</b>

## Section 4 - Operational risks

### QUALITATIVE INFORMATION

#### A. Operational risk: general aspects, management procedures and measurement methods

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes.

A detrimental operating event is defined as an individual occurrence arising from inefficiencies or malfunctions of processes, people, systems or external events that generates one or more operating losses.

Operational Risk therefore relates both to all the shortcomings in the current operations of the Group companies that cannot be directly linked to credit and market risks, and to external factors with a negative impact on the companies themselves.

The Parent Company, Banca Sella Holding, performs a function of management and coordination for the control of exposure to the risks assumed by the Banca Sella Group companies in carrying on their ordinary and extraordinary business, delegating the operational aspects to the Risk Management and Controls Service. This service has the task of measuring, assessing and monitoring management of total exposure to operational, market and credit risks (Basel 2 First Pillar risks) and to the Basel 2 Second Pillar risks, of the entire Group, having constant access to the accounting and operating information and data of all subsidiaries, monitoring the risk-return combination in the different businesses.

With a view to the identification and mitigation of operational risks, during 2008 the Parent Company's Risk Management and Controls Service, together with the process owners<sup>(1)</sup>, continued the work of mapping and approving new business processes and/or modifying and updating existing processes, identifying the risk factors which have an impact within these processes on the basis of a classification of operational risks based on so-called "event types" defined by Basel 2. Each process is "assigned" a process-inherent operational risk rating (which assesses the risk factors on the process without taking account of the mitigating effect of existing controls) and a process-residual operational risk rating (obtained by assessing the mitigating effect of controls on inherent risks). The risk ratings are measured on a discrete scale with values from 1 (minimum risk) to 5 (maximum risk). Particular attention is paid to correspondence between the operational map and the reality of the underlying process.

In 2008 we also began a Risk Self Assessment analysis, which consists of a detailed study of the mapping of processes through a quantification (in terms of both financial impact and frequency of occurrence) of possible risk events, and therefore losses, identified in the business processes.

This work, which is coordinated by the Parent Company's Risk Management and Controls Service, actively involved all the departments/services of the Holding and the Group Companies, which provided an estimate of the average frequency of occurrence of the average economic impact of potential events associated with the processes for which it is responsible, assessing in particular low-frequency high-impact events.

The objective of constantly improving the culture and management of operational risks and ensuring adequate information flows, is reflected in the constant and continual use by all the Group Companies of

<sup>(1)</sup> The process owner is the organizational unit responsible for the process as a whole (organization, instruments, rules and resources). In the Banca Sella Group the process owners are the managers of Parent Company Departments and of Group Companies or of departments within these companies.

the "Control Cycle". This is a process which involves the detection and treatment of anomalies, supported by a dedicated software instrument. The "Control Cycle" regulates the attribution of anomalies to the direct process owners and the attribution of follow-up responsibilities and also traces and governs their elimination and the elimination of their causes.

For the purposes of calculation of the capital requirement to cover exposure to operational risk, the Banca Sella Group uses the Basic Indicator Approach (BIA). In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net banking income available a regulatory ratio of 15%.

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organization, in accordance with the legislation which states that timely information must be provided on the subject of operational risks. In order to ensure proactive management of operational risk the Parent Company's Risk Management and Controls Service therefore produces regular summary and detailed statements which show for each Group Company the degree of risk assumed in relation to:

- detrimental events and operating losses reported in the Control Cycle process (highlighting the more serious anomalies);
- the outcome of line audits;
- the trend in service levels;
- the "internal operational risk rating<sup>(1)</sup>" (or I.O.R.R.).

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<sup>(1)</sup> The "internal operational risk rating" is an instrument which enables an expression of a Group Company's exposure to operational risk via a summary indicator ordered in ascending classes from 1 to 5 (where 1 is the minimum value and 5 the maximum value). It is calculated using a proprietary weighting system, prepared within the Banca Sella Group, on the basis of specific KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).







## Part F – Information on capital

As required by Bank of Italy Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, [www.gruppobancasella.it](http://www.gruppobancasella.it).



# Section 1 - Capital

## A. QUALITATIVE INFORMATION

In the light of its strategic development lines and objectives, the Bank has adopted the measures necessary to guarantee adequate capital requirements.

An initial audit is performed during preparation of the Group's three year strategic plan, comparing the growth trends of activities that affect the magnitude of risks with the expected evolution of the capital structure.

Respect for capital adequacy is obtained via:

- pay out policies;
- issues of subordinated bonds.

As of 31 December 2008, the excess Regulatory Capital with respect to the compulsory levels is of an amount in line with the risk profile adopted by the Bank, permitting development in keeping with the expected growth targets.

## B. QUANTITATIVE INFORMATION

Shareholders' equity items	Amount
Share capital	100.500
Share premiums	49.414
Reserves	294.090
- Legal reserve	28.759
- Statutory reserve	60.154
- Extraordinary reserve	102.305
- Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943
- Realignment reserve pursuant to Law 266/05 Art. 1 paragraph 469	18.344
- Reserve pursuant to Law 218/90 Art. 7	2.586
- Reinvested capital gain reserve	710
- Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239
- Sella South Holding merger surplus reserve	6.194
- Reserve for purchase of company division from Group companies	-144
Valuation reserves	4.508
- Financial assets available for sale	4.508
Profit for the year	1.734
<b>Total</b>	<b>450.246</b>

## ■ Section 2 - Capital and adequacy ratios

### 2.1 REGULATORY CAPITAL

#### A. QUALITATIVE INFORMATION

The regulatory capital and capital ratios have been calculated on the basis of the figures in the balance sheet and income statement determined by applying the IAS/IFRS international accounting standards, in accordance with Circular no 155/91 of the Bank of Italy, and later updates, containing “Instructions for preparing reports on regulatory capital and prudential ratios”.

##### 1. Tier 1 capital

This comprises:

- Share capital
- Share premiums
- Capital reserves
- Profit for the period

net of dividends to be distributed, intangible fixed assets and negative valuation reserves on securities available for sale.

##### 2. Tier 2 and Tier 3 capital

This comprises:

- Positive valuation reserves of tangible assets
- Hybrid capital instruments
- Subordinated liabilities

The main contractual features of hybrid capital instruments and subordinated liabilities included in the calculation of Tier 2 and Tier 3 capital are summarised in the following table.

Issuer	Interest rate	Interest type	Issue date	Maturity date	Early redemption from	Currency	Original amount to regulatory capital <i>(euro thousands)</i>	Contribution to regulatory capital <i>(euro thousands)</i>
Banca Sella Holding	5,500%	variabile	16-Sep-02	16-Mar-13	NO	EURO	50.000	48.900
Banca Sella Holding	5,400%	variabile	1-Sep-03	1-Sep-14	NO	EURO	24.612	24.198
Banca Sella Holding	5,400%	variabile	15-Jul-04	15-Jul-15	NO	EURO	18.560	17.245
<b>Total hybrid instruments (Upper Tier 2)</b>							<b>90.343</b>	
Banca Sella Holding	5,500%	variabile	15-Oct-03	15-Oct-09	17-Oct-05	EURO	10.000	1.996
Banca Sella Holding	4,700%	variabile	14-Nov-05	14-Nov-11	14-Nov-07	EURO	20.000	11.890
Banca Sella Holding	3,879%	variabile	15-Dec-04	15-Dec-14	NO	EURO	50.000	50.000
Banca Sella Holding	4,401%	variabile	28-Nov-06	28-Nov-16	NO	EURO	50.000	50.000
Banca Sella Holding	3,564%	variabile	21-Jun-07	21-Jun-17	NO	EURO	10.000	9.600
Banca Sella Holding	4,090%	variabile	6-Jun-08	6-Jun-14	NO	EURO	13.900	13.200
Banca Sella Holding	3,734%	variabile	27-Dec-07	27-Dec-17	NO	EURO	30.000	27.000
<b>Total eligible subordinated (Lower Tier 2)</b>							<b>163.686</b>	
Banca Sella Holding	5,550%	variabile	4-Apr-08	4-Apr-11	NO	EURO	20.000	19.713
Banca Sella Holding	5,370%	variabile	3-Jul-06	3-Jul-09	NO	EURO	10.000	9.975
<b>Total 3rd tier subordinated (Upper Tier 3)</b>							<b>29.688</b>	
<b>Total</b>							<b>283.716</b>	

### Hybrid instruments (Upper Tier 2)

The Upper Tier 2 subordinated loans comply with Bank of Italy requisites to be counted among the components of "Regulatory Capital". In particular:

- they are not subject to advance redemption clauses;
- redemption on maturity is conditional on previously obtaining consent from the Bank of Italy;
- where there are accounting losses which lead to a reduction of paid-in capital and reserves below the minimum level of capital required for authorisation for the banking business, the amounts originating from the above-mentioned liabilities and accrued interest can be used to cover the losses, in order to permit the issuing entity to continue its business;
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off.

### Lower Tier 2 subordinated liabilities

The subordinated liabilities as above comply with the requisites set out by the Bank of Italy to be counted among the components of "Regulatory Capital". In particular:

- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off;
- there are no advance redemption clauses save at the initiative of the Bank subject to consent from the Bank of Italy.

### Lower Tier 3 subordinated liabilities

These bond loans comply with the requisites set out by the Bank of Italy for deductibility of capital requirements to cover market risks. In particular:

- payment of interest and principal is suspended to the extent that the capital requirement of the issuing entity falls below the capital requirement laid down in the "Bank of Italy Supervisory Instructions";
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off;
- the original term is not less than two years.

## B. QUANTITATIVE INFORMATION

	31/12/2008	31/12/2007
<b>A. Tier 1 capital before application of prudential filters</b>	<b>411.535</b>	<b>402.549</b>
B. Tier 1 capital prudential filters::	-130	-2
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-130	-2
<b>C. Tier 1 capital including ineligible items (A + B)</b>	<b>411.405</b>	<b>402.547</b>
D. Tier 1 capital ineligible items	2.353	1.593
<b>E. Total Tier 1 capital (C - D)</b>	<b>409.052</b>	<b>400.955</b>
<b>F. Tier 2 capital before the application of prudential filters</b>	<b>258.536</b>	<b>279.173</b>
G. Tier 2 capital prudential filters	-2.254	-2.377
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-2.254	-2.377
<b>H. Tier 2 capital including ineligible items (F + G)</b>	<b>256.282</b>	<b>276.796</b>
I. Tier 2 capital ineligible items	2.353	1.593
<b>L. Total Tier 2 capital (H - I)</b>	<b>253.929</b>	<b>275.203</b>
M. Total Tier 1 and 2 capital ineligible items	46.851	46.851
<b>N. Regulatory capital (E + L - M)</b>	<b>616.130</b>	<b>629.307</b>
O. Tier 3 capital	5.957	6.083
<b>P. Regulatory capital including Tier 3 (N + O)</b>	<b>622.087</b>	<b>635.390</b>

## 2.2 CAPITAL ADEQUACY

### A. QUALITATIVE INFORMATION

In financial year 2008 the “New capital adequacy rules for Banks” (Bank of Italy Circular No. 263 of 27 December 2006), which incorporate the regulations on the subject of international convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the Bank must represent at least 6% of total weighted assets (total capital ratio) – as a company which belongs to a Banking Group which observes the 8% requirement – deriving from the typical risks of the banking and financial business (credit, counterparty, market and operational risks), weighted on the basis of regulatory segmentation of the counterparty debtors and taking account of credit risk mitigation techniques.

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the company exhibits a ratio between Tier 1 capital and risk weighted assets of 29,0% and a ratio between total regulatory capital and risk weighted assets of 44,11%, well above the minimum requirement of 6%.

### B. QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/requirements	
	2008	2007	2008	2007
<b>A. RISK ASSETS</b>				
<b>A.1 Credit and counterparty risk</b>	<b>5.921.911</b>	<b>4.493.323</b>	<b>1.096.594</b>	<b>2.816.994</b>
1. Standardized approach	5.921.911	4.493.323	1.096.594	2.816.994
2. Internal rating based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	-	-	-	-
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 Credit and counterparty risk</b>	<b>x</b>	<b>x</b>	<b>65.796</b>	<b>197.190</b>
<b>B.2 Markets risks</b>	-	-	<b>6.257</b>	<b>9.947</b>
1. Standardized approach	x	x	6.257	9.947
2. Internal models	x	x	-	-
<b>B.3 Operational risk</b>	-	-	<b>12.575</b>	-
1. Basic approach	x	x	12.575	-
2. Standardized approach	x	x	-	-
3. Advanced approach	x	x	-	-
<b>B.4 Other capital requirements</b>	<b>x</b>	<b>x</b>	-	-
<b>B.5 TOTAL CAPITAL REQUIREMENTS (B1+B2+B3+B4)</b>	<b>x</b>	<b>x</b>	<b>84.627</b>	<b>207.136</b>
<b>C. RISK ASSETS AND CAPITAL RATIOS</b>	<b>x</b>	<b>x</b>	-	-
C.1 Risk weighted assets	x	x	1.410.457	2.959.088
C.2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	x	x	29,00%	13,55%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	x	x	44,11%	21,47%

*The weighted amounts and ratios at 31 December 2008 were calculated on the basis of the new Basel 2 standard. The totals for single risks were reduced by 25%. This reduction has been granted by the Bank of Italy to banks belonging to banking groups which comply with consolidated capital requirements.*



## Part G - Aggregation operations regarding companies or business lines

Banca Sella Holding has not carried out this type of operation.









## Part H – Related party transactions



In accordance with IAS 24, the types of related parties significant for the Banca Sella Group, with reference to the specific organisational structure and governance, comprise:

- a) subsidiaries over which the parent company directly or indirectly exercises control;
- b) associated companies over which the parent company directly or indirectly exercises significant influence;
- c) directors and managers with strategic responsibilities;
- d) close family members of directors and managers with strategic responsibilities;
- e) companies controlled by or associated with one of the subjects described in points c) and d).

## 1. INFORMATION ON DIRECTORS' AND MANAGERS' REMUNERATION

In the light of the current organisational structure of the Group, the following are included in the definition of "managers with strategic responsibility": Directors and members of the Group Central Management of Banca Sella Holding in relation to the exercise of the functions of management, coordination and control.

Fees paid in 2008 to the above-mentioned key company personnel in the parent company are set out in the following table:

<b>Fees paid to managers with strategic responsibilities</b> <i>(including managers who also serve as directors)</i>	<b>2008</b>
<i>(amounts in euro thousands)</i>	
a) short-term employee benefits	4.460,9
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	133,9
e) share-based payments	-
<b>Total</b>	<b>4.594,8</b>

The following table shows payments received in 2008 by Directors and Statutory Auditors of the Company:

<b>Fees received in financial year 2008</b> <i>(amounts in euro thousands)</i>	<b>2008</b>
Directors	2.107,6
Statutory Auditors	255,0

## 2. INFORMATION ON RELATED PARTY TRANSACTIONS

Transactions with related parties were carried out, as a rule, on the basis of terms equivalent to those applied for operations performed with independent third parties.

### Outsourcing Contracts

The Parent Company, Banca Sella Holding S.p.A., in its function of management, coordination and control performs in favour of its subsidiaries a series of activities in outsourcing which include, among others, those

of custodian bank, finance, accounting, legal affairs, payment systems, information systems, risk management, marketing and administration.

These activities, which are governed by specific contracts, are carried out following assessments of mutual benefit, in line with market terms, with the aim of creating value within the Group.

In exchange for these services the Group companies pay Banca Sella Holding S.p.A. total fees of 56,9 million euro.

The table below sets out assets, liabilities, guarantees and commitments existing as of 31 December 2008 differentiated by the different types of related parties:

#### RELATED-PARTY TRANSACTIONS *(amounts in euro thousands)*

	Directors and Managers
Loans & Receivables	1.910,3
Payables	2.268,3
Guarantees given	135,0
Guarantees received by the Group	240,2

The following table shows the relations between Banca Sella Holding and Group companies from the financial and economic points of view:

#### MAIN INTRA-GROUP EQUITY ITEMS *(euro thousands)*

	31 December 2008	
	Amount	Weight %
Total financial assets	89.960	15,2%
Total loans & receivables	1.873.550	37,7%
Total other assets	6.066	9,0%
Total financial liabilities	22.376	18,4%
Total payables	3.898.124	95,3%
Total other liabilities	23.997	16,5%

#### MAIN INTRA-GROUP INCOME ITEMS *(euro thousands)*

	31 December 2008	
	Amount	Weight %
Total interest income	135.193	54,1%
Total interest expense	135.629	53,6%
Gains on trading activities	75.212	30,0%
Total fee income	13.576	15,0%
Total fee expense	11.487	21,2%
Administrative expenses	7.601	6,5%
Other operating expenses/income	61.375	98,7%

The main terms of reference of transactions with each category of related counterparty are shown below, on the basis of the subjects indicated in IAS 24.

<i>(in euro thousands)</i>							
Transactions with each category of related party	Financial assets held for trading	Due from banks	Due from customers	Other assets	Due to banks	Financial liabilities held for trading	Other liabilities
Parent company	-	-	-	-	-	-	-
Subsidiaries	89.960	364.475	1.509.075	6.066	3.898.124	22.376	23.997
Jointly controlled companies	-	-	-	-	-	-	-
Other related parties	-	-	-	-	-	-	-



## Part I – Payment agreements based on own equity instruments

Banca Sella Holding has not carried out this type of operation.







## Independent Auditors' Report



## AUDITORS' REPORT PURSUANT TO ARTICLE 2409 - ter OF THE CIVIL CODE

### To the Shareholders of BANCA SELLA HOLDING S.p.A.

1. We have audited the financial statements of Banca Sella Holding S.p.A. which comprise the balance sheet as of December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year's financial statements, the balances of which are presented for comparative purposes as required by law, reference should be made to other auditors' report issued on April 11, 2008.

3. In our opinion, the financial statements present fairly the financial position of Banca Sella Holding S.p.A as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.



4. The directors of Banca Sella Holding S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 2409-ter, paragraph 2, letter e), of the Italian Civil Code. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the Report on Operations is consistent with the financial statements of Banca Sella Holding S.p.A as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.

Signed by  
Vittorio Frigerio  
Partner

Turin, Italy  
April 10, 2009





## Resolutions of the ordinary shareholders' meeting of 27 April 2009

The Ordinary Shareholders' Meeting unanimously

Approves

- the Board of Directors' report on operations for financial year 2008;
- the Financial Statements at 31 December 2008, containing the Balance Sheet, Income Statement, the Notes to Financial Statements and the relevant appendices;
- the profit distribution proposal contained in the Directors' Report, amounting to 0,005 Euros per share.

Resolves

- the distribution of a supplementary dividend of 0,0074 per share, taking the amount of Euro 1.487.400,00 from the extraordinary reserve.

Appoints

- as Director, until the approval of the Financial Statements at 31 December 2009, Jean Paul Fitoussi;
- for the 2009/2011 three-year period, until the approval of the Financial Statements at 31 December 2011, as Auditors Alessandro Rayneri (Chairman), Alberto Rizzo and Paolo Piccatti, and as Alternate Auditors Mario Pia and Riccardo Foglia Taverna.



