

BANCA SELLA

BIELLA

Established in 1886



ANNUAL REPORT

2005

119th FINANCIAL YEAR

Joint Stock Company

Head Office in Biella - Share Capital and Reserves: € 344.847.447

Member of the Deposit Guarantee Scheme

Registered on the Banks and Banking Groups Roll

Tax and VAT number 01709430027

Subject to the direction and coordination of Finanziaria Bonsel S.p.A.

Head Office:

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Web site: www.sella.it

GRUPPO BANCA SELLA

CONTENTS

BOARD OF DIRECTORS	5
BOARD OF STATUTORY AUDITORS	5
CHART OF GRUPPO BANCA SELLA	6
GEOGRAPHICAL NETWORK GRUPPO BANCA SELLA	8
STANDARD SETTLEMENT INSTRUCTIONS	18
ORDINARY SHAREHOLDERS' MEETING – CALLING FOR THE MEETING	23
BOARD OF DIRECTORS' ANNUAL REPORT	25
Chairman's statement	26
Rating	28
Financial highlights	30
Financial ratios	31
Economic background	32
Strategic issues and progress report of the three-year Strategic Plan.	34
Overview of performance	36
Commercial and distribution policies	43
Main business areas – operating volumes.	49
Operating structure	59
2006 outlook	62
Remarkable facts after closing of the financial year	65
Own shares and controlling company shares.	65
Equity investments and relationships with Group companies	66
Proposal for the allocation of the profit for the year	69
BOARD OF STATUTORY AUDITORS' REPORT	71
Board of Statutory Auditors' report.	72
FINANCIAL STATEMENTS OF BANCA SELLA AS AT 31 DECEMBER 2005	75
Balance sheet	76
Income statement	78
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS	81
PART A – ACCOUNTING POLICIES	83
Form and contents of the financial statements	84
Section 1 - Accounting policies	84
PART B – INFORMATION ABOUT BALANCE SHEET	91
Section 1 - Loans	92
Section 2 - Securities	96
Section 3 - Equity investments	98



Section 4 - Tangible and intangible fixed assets	106
Section 5 - Other assets	108
Section 6 - Payables	109
Section 7 - Provisions	111
Section 8 - Capital, equity reserves, reserve for general banking risks and subordinated liabilities	116
Section 9 - Other liabilities	119
Section 10 - Guarantees and commitments	120
Section 11 - Concentration and distribution of assets and liabilities	127
Section 12 - Assets management and dealing on behalf of third parties	131
PART C – INFORMATION ABOUT INCOME STATEMENT	133
Section 1 - Interest	134
Section 2 - Commissions	135
Section 3 - Dealing profits/losses	137
Section 4 - Administrative expenses	138
Section 5 - Write-downs, write-ups and provisions	139
Section 6 - Other income statement captions	141
Section 7 - Other information regarding income statement	143
PART D – OTHER INFORMATION	145
Section 1 - Directors and statutory auditors	146
Section 2 - Parent company or supervising EU-resident credit institution	146
Section 3 - Financial statements of the company in charge of direction and coordination	147
ANNEXES	149
Properties owned by the Bank as at 31 December 2005	151
Statement of changes in shareholders' equity	152
Statement of cash flow	153
AUDITORS' REPORT	155
RESOLUTIONS OF THE ORDINARY SHAREHOLDERS' MEETING	158
Resolutions of the ordinary shareholders' meeting of 28 April 2006	158
CORPORATE SOCIAL RESPONSIBILITY REPORT	161
CONSOLIDATED ANNUAL REPORT OF GRUPPO BANCA SELLA	177
CONSOLIDATED ANNUAL REPORT OF GRUPPO BANCA SELLA - CONTENTS	179



BOARD OF DIRECTORS

appointed up to the approval of the 2006 financial statements

Chairman	* Maurizio Sella
Vice Chairman	* Franco Sella
Managing Director	* Pietro Sella
Director and General Manager	* Attilio Viola
Director	* Guido Bigiordi
“	Pier Vittorio Magnani
“	Giovanni Rosso
“	Marco Scarzella
“	* Federico Sella
“	* Sebastiano Sella

* Member of the Executive Committee

BOARD OF STATUTORY AUDITORS

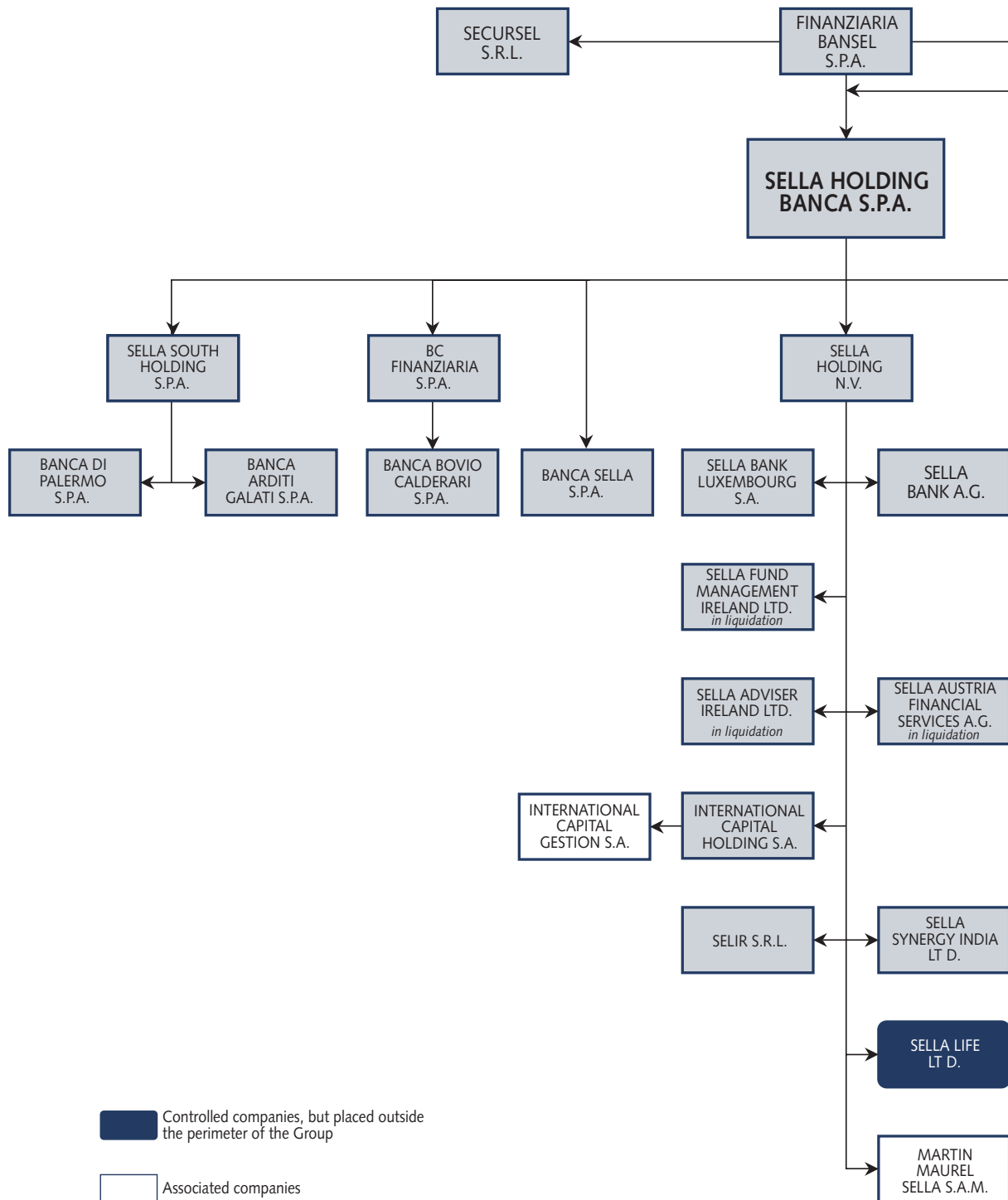
appointed up to the approval of the 2005 financial statements

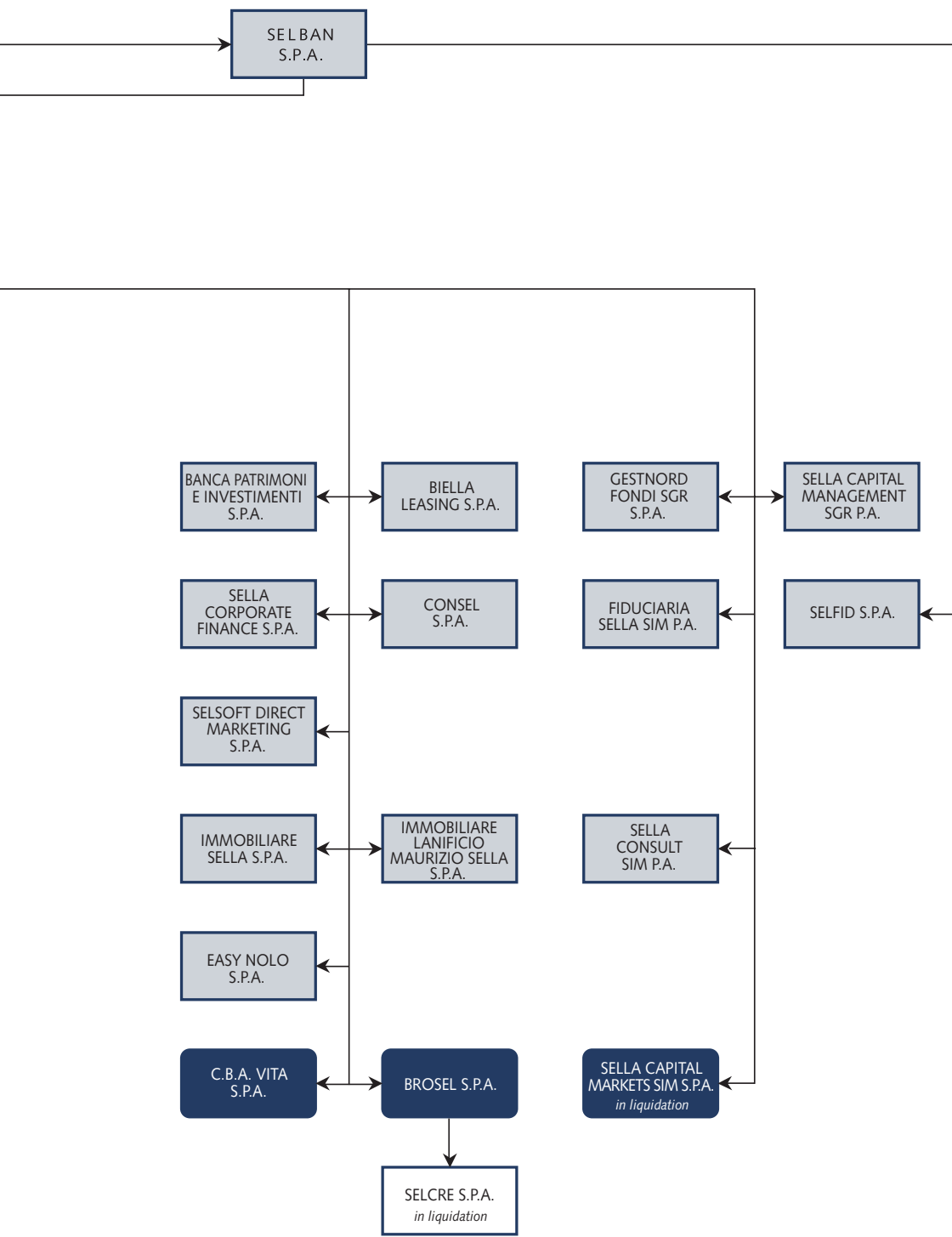
Auditor - Chairman	Alberto Rizzo
Auditor	Vittorio Bernero
“	Alessandro Rayneri
Supplementary Auditor	Roberto Cravero
“ “	Benito Rimini



CHART OF GRUPPO BANCA SELLA

updated as at 2 January 2006





GEOGRAPHICAL NETWORK (January 2006) GRUPPO BANCA SELLA

BANCA SELLA S.p.A.

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13900 BIELLA, Via Italia 2
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Swift SELB IT 2B - Telegr. Banca Sella
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International dialling code for Italy: +39

DOMESTIC BRANCHES AND PRIVATE BANKING OFFICES

Piemonte

ACQUI TERME (AL)	Via Marconi 15/17/19	0144 325077
ALBA (CN)	Piazza Cristo Re 12	0173 284244
ALBA (CN) Private Banking	Piazza Cristo Re 12	0173 281221
ALESSANDRIA	Via Migliara 5	0131 68154
ALPIGNANO (TO)	Via Mazzini 33	011 9664431
ANDORNO MICCA (BI)	Via Cavalieri di Vittorio Veneto 77	015 2475211
AVIGLIANA (TO)	Corso Torino 37/39/43	011 9312925
BANCHETTE (TO)	Via Castellamonte 3	0125 612766
BEINASCO (TO)	Strada Torino 104	011 3499873
BIELLA Head office	Via Italia 2	015 35011
BIELLA Private Banking	Via Volpi 2	015 35011
BIELLA 1	Via Lamarmora 18	015 28669
BIELLA 2	Piazza Martiri della Libertà 8	015 355459
BIELLA 3	Piazza Adua 12	015 8408192
BIELLA 4	Via Milano 53	015 355237
BIELLA 5	Via Fratelli Rosselli 108	015 8408205
BIELLA 6	Via Pettinengo 22	015 562676
BIELLA 7	Via Torino 53	015 406287
BIELLA 8	Via Tripoli 33 ang. Via Galimberti	015 403149
BORGARO TORINESE (TO)	Via Gramsci 2	011 4500276
BORGO S. DALMAZZO (CN)	Via Boves 17/D	0171 261947
BORGOMANERO (NO)	Corso Garibaldi 106	0322 835920
BORGOSIESA (VC)	P.zza Mazzini 5 (ang. Via G.B. d. Bianca)	0163 200379
BRA (CN)	Via Verdi 15	0172 432158
BRUSNENGO (BI)	Piazza Ubertalli 12	015 985476
BUSSOLENO (BI)	Via Torino 29	0122 640466
CALUSO (TO)	Via Bettoia 61	011 9831684
CANDELO (BI)	Piazza Castello 17/18	015 2536815
CARIGNANO (TO)	Via Umberto I 27	011 9697115
CARMAGNOLA (TO)	Corso Matteotti 6/8 ang. Via Chiffi	011 9713077
CASALE MONFERRATO (AL)	Via Saffi 33	0142 454133
CASTELLAMONTE (TO)	Via P. Educ 48	0124 513185
CASTIGLIONE TORINESE (TO)	Piazza Vittorio Veneto 1	011 9818393
CAVAGLIA' (BI)	Via Rondolino 1	0161 96397
CHIAVERANO (TO)	Corso Centrale 67	0125 54375
CHIERI (TO)	Via Vittorio Emanuele 44	011 9412210
CHIUSA DI SAN MICHELE (TO)	Via General Cantore 2	011 9643332
CHIVASSO (TO)	Via Italia 2	011 9172939
CIGLIANO (BI)	Via Umberto I angolo Via Gramsci	0161 423046
CIRIE SAN CIRIACO (TO)	Via Andrea Doria 14/10	011 9211265
COLLEGNO (TO)	Via Primo Levi 1	011 4151680
COSSATO (BI) Main branch	Piazza Cavour 8	015 980165
COSSATO (BI) Private Banking	Piazza Cavour 8	015 980165
COSSATO 1 (BI)	Via Martiri Libertà 177	015 983259
COSSATO 2 (BI)	Via Marconi 76	015 9840067
CRESCENTINO (VC)	Corso Roma 66/68	0161 834560
CUNEO	Via XXVIII Aprile 15/17	0171 697780
CUORGNÈ (TO)	Via Torino 3	0124 650434



FAVRIA (TO)	Via Caporal Cattaneo 52	0124 348885
FOSSANO (CN)	Piazza Duomo angolo Via Garibaldi	0172 633042
GAGLIANICO (BI)	Via Gramsci 75	015 2543541
GATTINARA (VC)	Viale Marconi 60	0163 834464
GIAVENO (TO)	Via Roma 15	011 9364122
GRUGLIASCO (TO)	Via Spanna 3	011 784697
IVREA (TO) Main branch	Corso Nigra 1	0125 45847
IVREA 1 (TO)	Corso Vercelli 124	0125 616821
IVREA (TO) Private Banking	Via Cavour 9	0125 627083
LANZO TORINESE (TO)	Via XI Settembre 4	0123 324100
LESSONA (BI)	Piazza Gaudenzio Sella 1	015 981949
MONCALIERI (TO)	P.zza Caduti per la Libertà e l'Indip. 6	011 6406892
MONGRANDO (BI)	Via Roma 24	015 666261
MONTANARO (TO)	Via Matteotti 8	011 9193093
NICHELINO (TO)	Piazza Camandona 25/27	011 6274438
NONE (TO)	Piazza Cavour 12	011 9904045
NOVARA	Corso Torino 35/37	0321 466611
OCCHIEPPO INFERIORE (BI)	Via Martiri della Libertà 18/A	015 2593686
OULX (TO)	C.so Torino 5	0122830846
ORBASSANO (TO)	Via Roma 27	011 9031751
OVADA (AL)	Piazza Garibaldi 8	0143 833128
PIANEZZA (TO)	Via Giolitti 7	011 9663741
PINEROLO (TO)	Corso Torino 63/B	0121 321787
POCAPAGLIA (CN)	Strada Macellai 53	0172 423669
POLLONE (BI)	Via Caduti per la Patria 24	015 61591
PONDERANO (BI)	piazza Garibaldi 1	015 2544330
PONT CANAVESE (TO)	Via Roscio 5	0124 860025
PONZONE (BI)	Piazza XXV Aprile	015 777046
RIVAROLO CANAVESE (TO)	Corso Torino 54/56	0124 29919
RIVOLI (TO)	Piazza Martiri Libertà 2	011 9580608
RIVOLI (TO) Private Banking	Piazza Martiri Libertà 2	011 9534694
RIVOLI - CASCINE VICA (TO)	Corso Francia 201/B	011 9574364
ROMANO CANAVESE (TO)	Viale Marconi 34	0125 712341
RONCO BIELLESE (BI)	Via Zumaglia 1	015 8462002
ROSTA (TO)	Via Rivoli 63	011 9541241
SALUSSOLA (BI)	Via Martiri della Libertà 45	0161 997243
SAN CARLO CANAVESE (TO)	Strada Ciriè 73	011 9214820
SAN FRANCESCO al C. (TO)	Via Torino 190	011 9276848
SAN GERMANO CHISONE (TO)	Via G. Vincons 17	0121 58577
SAN MAURO TORINESE (TO)	Piazza Mochino 12	011 8222136
SANDIGLIANO (BI)	Via Maroino 7	015 2493200
SANGANO (TO)	Via Bert 11	011 9085858
SANTHIA' (BI)	Corso Beato Ignazio 2	0161 930445
SAVIGLIANO (CN)	Piazza del Popolo 25	0172 33961
SETTIMO TORINESE Sede (TO)	Via Italia 18/B	011 8978181
SETTIMO TORINESE 1 (TO)	Via Regio Parco 2	011 8952119
SUSA (TO)	Corso Inghilterra 46	0122 629690
TOLLEGNO (BI)	Via XX Settembre 6/8	015 421523
TORINO - Main branch	Piazza Castello 127	011 5620738
TORINO Private Banking	Via Barbaroux 2	011 5919883
TORINO 1	Corso Francia 185	011 752646
TORINO 2	Corso Alcide De Gasperi 46	011 597533
TORINO 3	Via San Donato 34/36	011 4373471
TORINO 4	Corso Giulio Cesare 56 Bis	011 2487848
TORINO 5	Corso Monte Cucco 59	011 3850305
TORINO 6	Via Bologna 242	011 2424063
TORINO 7	Corso Sommeiller 25	011 593983
TORINO 8	Corso Orbassano 193	011 352108
TORINO 9	Corso Matteotti 47	011 5612608
TORINO 10	Corso Vittorio Emanuele II 12	011 885039
TORINO 11	Corso San Maurizio 47	011 888156
TORINO 12	Piazza Giosuè Carducci 122/C	011 6630930
TORINO 13	Corso Traiano 82/A	011 610128
TORINO 14	Corso Racconigi 16	011 745726
TORINO 15	Corso Stati Uniti 5	011 5612213
TORINO 16	Via Andrea Doria 8	011 5611467
TORINO 17	Via Nicomede Bianchi 42/E	011 7410975
TORINO 18	Piazza Adriano 5/H	011 4330233
TORINO 19	Corso Vercelli 168	011 2051735
TORINO 20	Via Nizza 348	011 6634404

TORINO 21 Private	Piazza Carignano 2/4	011 5619883
TORINO 22	Corso Belgio 107	011 8980265
TORRAZZA PIEMONTE (TO)	Via Mazzini 23	011 9180028
TORTONA (AL)	Corso Montebello 19/C	0131 813944
TRINO VERCELLESE (VC)	Corso Cavour 34/38	0161 828031
TROFARELLO (TO)	Via Torino 84	011 6490924
VALDENGO (BI)	Via Quintino Sella 28	015 882165
VALLEMOSSO (BI)	Via Bartolomeo Sella 1	015 702935
VENARIA REALE (TO)	Viale Buridani 6 ang. Corso Marconi	011 4593789
VERCELLI Main branch	Piazza Risorgimento 23	0161 255600
VERCELLI 1	Via Paggi 29	0161 211585
VERCELLI 2	Via Castelnuovo delle Lanze 2/4	0161 211397
VERCELLI Private Banking	Viale Garibaldi 51	0161 215853
VERGNASCO (BI)	Via Papa Giovanni XXIII 50	015 2583012
VERRONE (BI)	Via Zumaglini 23	015 2558286
VIGLIANO BIELLESE (BI)	Via Milano 163	015 811954
VIVERONE (BI)	Via Provinciale 32	0161 987392
VOLPIANO (TO)	Via Umberto I 11/13	011 9951480

Valle d'Aosta

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

Lombardia

BRESCIA	Corso Palestro 40	030 280268
MILANO Main branch	Piazza Ernesto De Angeli 9	02 4815348
MILANO 1	Via Bergognone 27	02 58107132
MILANO 2	Via Vincenzo Monti 33	02 4691540
MILANO 3	Via Gonzaga 3	02 72003420
MILANO Private Banking	Via Gonzaga 5	02 8900935
MILANO 4	Via Monte Nero 71	02 5517360
MILANO 5	Viale Piave 4	02 76017137
MILANO 6	Viale Corsica 42	02 7388789
MILANO 7	Piazzale Loreto 1 (ang. V.A. Doria)	02 67020286
MONZA (MI)	Via Borgazzi 13	039 326337
PAVIA	Viale Matteotti 14	0382 304944
RHO (MI)	Via dei Martiri 23	02 9307604
SESTO SAN GIOVANNI (MI)	Via Falck 5	02 2409386
VIGEVANO (PV)	Via Roma 4	0381 70129
VIGEVANO (PV) Private Banking	Via Roma 4	0381 70267

Veneto

AURONZO DI CADORE (BL)	Via Roma 16	0435 400660
BOVOLONE (VR)	Via Garibaldi 48	045 6901294
LONGARONE (BL)	Piazza Umberto I 8	0437 573423
PIEVE DI CADORE (BL)	Piazza Municipio 11	0435 31647
SAN MART. BUON ALB. (VR)	Via XX Settembre 95/97	045 8780220
SAPPADA (BL)	Borgata Palù 10	0435 469740
VERONA	Piazza Cittadella 13	045 595189
VERONA Private Banking	Piazza Cittadella 13	045 595189
VIGO DI CADORE (BL)	Fraz. Pelos, Via Fabbro 40	0435 77054

Liguria

BORDIGHERA (IM)	Corso Italia 48	0184 260433
CHIAVARI (GE)	Piazza Mazzini 10	0185 303027
CHIAVARI (GE) Private Banking	Piazza Mazzini 10	0185 362746
GENOVA	Salita Santa Caterina 4	010 5957514
GENOVA 1 BOLZANETO	Via P. Pastorino 70	010 7411093
GENOVA 2	Via Freschi 21R	010 5956324
GENOVA Private Banking	Salita Santa Caterina 4	010 5955125
IMPERIA (IM)	Piazza Rossini 10	0183 767701
SANREMO (IM)	Via Gioberti 17	0184 544612

Emilia Romagna

BOLOGNA	Via Clavature 9 E/F	051 264705
BOLOGNA Private Banking	Via Clavature 9 E/F	051 264241
BOLOGNA 1	Via Rolli 4/A	051 323965
BOLOGNA 2	Via Massarenti 416	051 6014226
CASALECCHIO DI RENO (BO)	Via Bazzanese 51/3	051 6133359
FERRARA	Via Baluardi 29	0532 760538
FERRARA Private Banking	Via Baluardi 29	0532 760538
MODENA	Via Giardini 436	059 340498
MODENA 1	Via Emilia Est 119	059 238558
MODENA 2	Strada Morane 298	059 444188
SASSUOLO (MO)	Viale Regina Pacis 1	0536 800847
VIGNOLA (MO)	Via della Resistenza 170	059 760181

Toscana

FIRENZE	Via Cavour 74/R	055 291074
FIRENZE Private Banking	Via Cavour 74/R	055 210677
FIRENZE 1	Viale Redi 59/61	055 3245118
FIRENZE 2	Viale dei Mille 7/9	055 5535105

Lazio

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

Campania

NAPOLI	Via dei Mille 34/36/38	081 410349
NAPOLI Private Banking	Via dei Mille 34/36/38	081 419526
NAPOLI 1 - VOMERO	Via Alvino 63	081 3721374
S. MARCO EVANGELISATA (CE)	S.S. 265 - km 26,200	0832 408999
SORRENTO (NA)	Piazza Angelina Lauro 35	081 8773847

Sardegna

CAGLIARI	Via Sidney Sonnino 33	070 667931
NUORO	Piazza Sebastiano Satta 1	0784 37781
SASSARI	Via Roma 11/a	079 232383

FOREIGN DISTRIBUTION NETWORK**USA**

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Venezuela

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BANKS OF THE GROUP

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Molise		
CAMPOBASSO	Via IV Novembre 135	0874 60655
Campania		
AVELLINO	Corso Europa 8/G	0825 784220
CAPACCIO SCALO (SA)	Viale della Repubblica	0828 724877
CAVA DE' TIRRENI (SA)	Corso Mazzini 227	089 468550
GIFFONI VALLE PIANA (SA)	Piazza Umberto I 31/33	089 868309
MONTECORVINO PUGL. (SA)	SS. 18 - Bivio Pratole	0828 51031
SALERNO	Via G. Cuomo	089 253590
Puglia		
ANDRANO (LE)	Via Michelangelo 42	08036 926094
ANDRIA (BA)	Viale Venezia Giulia 3	0883 596111
BARI	Via Calefati 131	080 5234545
BARI 2	Via Tommaso Fiore 106	080 5722890
BARLETTA (BA)	Via De Nittis 43	0883 518000
BRINDISI	Viale A. Moro 8	0831 516227
CASTRI' (LE)	Via C. Battisti 13	0832 826309
CASTRIGNANO (LE)	Via Grassi 7	0833 751008
FASANO (BR)	Piazza Kennedy 3	080 4425778
GALLIPOLI (LE)	Corso Roma 123	0833 263785
LECCE	Viale Marconi 45	0832 6981
LECCE 2	Via Lupiae ang Via Fornari	0832 312471
LECCE 3	Viale De Pietro 61	0832 277727
MAGLIE (LE)	Via V. Emanuele 124/B	0836 428008
MANDURIA (TA)	Viale Mancini 21	099 9738744
MARTINA FRANCA (TA)	Viale Leone XXXIII 2b	080 4838617
MOLFETTA (BA)	Piazza Garibaldi 7	080 3976420
NOCIGLIA (LE)	Via Oberdan 35	0836 936014
OSTUNI (BR)	Via Fogazzaro 74	0831 336656
PRESICCE (LE)	Via Roma 68	0833 726004
PUTIGNANO (BA)	Via N. Bixio 10/12	080 4059120
SALVE (LE)	Via Roma 192	0833 741001
SAN MICHELE SALENTINO (BR)	Via Vittorio Veneto	0831 966962
SPONGANO (LE)	Via Sant'Angelo 7	0836 945026
TRANI (BA)	Via A. Moro 60/62	0883 480531
TRICASE 07 (LE)	Via Leone XIII' 12	0833 545026
TARANTO	Via Solito 32	099 7302463

BANCA BOVIO CALDERARI

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Trentino Alto Adige		
BOLZANO 1	Via Leonardo da Vinci 4	0471 324354
BOLZANO 2	Via Milano 63	0471 204999
BOLZANO SEDE	Via Duca d'Aosta 49	0471 285544
BORGO VALSUGANA (TN)	Largo Dordi 1	0461 751233
CAMPITELLO (TN)	Via Pent de Sera 5	0462 751090
CLES (TN)	Via Trento 22	0463 424388
DIMARO (TN)	Via Campiglio 138	0463 970104
LAVIS (TN)	Via Matteotti 26	0461 242300
MERANO (BZ)	Via Portici 228	0473 239070
PEJO (TN)	Frazione Cogolo Via Roma 18	0463 746061
RAVINA (TN)	Via delle Masere 37	0461 922022

ROVERETO (TN)	C.so Rosmini ang. Via Paoli	0464 430030
TRENTO CORSO	Via Perini 18	0461 931914
TRENTO CENTRO EUROPA	Via Vannetti ang. Via J. Acconcio	0461 982475
TRENTO SEDE	Via Oss Mazzurana 63	0461 888111
TRENTO TOP CENTER	Via Brennero 306	0461 825800

Veneto

AFFI (VE)	Via Don Mazza 9	045 7238177
AGORDO (BL)	Via 4 Novembre 9	0437 62077
BASSANO DEL GRAPPA (VI)	Via Bastion 49	0424 220881
BELLUNO	Via Vittorio Veneto 90	0437 930133
COVOLO DI PEDEROBBA (TV)	Via Segusini 25	0423 648244
FELTRE - FARRA (BL)	Viale Pedavena 10	0439 310100
FELTRE (BL)	Largo P. Castaldi 7	0439 8841
MONTEBELLUNA (TV)	Via Montegrappa 72	0423 615171
QUERO (BL)	Via Nazionale 27	0439 788435
SOSPIROLO (BL)	Loc. Ponte Mas	0437 847032
SOVRAMONTE (BL)	Loc. Servo	0439 98444
TREVISO	Via Federici 2 (angolo Viale Luzzati)	0422 23636
TRICHIANA (BL)	Via Cavassico Inferiore	0437 555333

BANCA DI PALERMO

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info@bancadipalermo.it

Sicilia

AGRIGENTO	Viale Viareggio 456	0922 413533
CAMASTRA (AG)	Corso Vittorio Veneto 45	0922 950237
CATANIA	Via XX Settembre 41	095 7169353
LICATA (AG)	Rettifilo Garibaldi 76	0922 801640
MONREALE (PA)	Via Umberto I 14	091 6402592
NARO (AG)	Via Specchi 35	0922 956044
PALERMO 1	Via Boccadifalco 22	091 6680817
PALERMO 2	Via del Cigno 62	091 446514
PALERMO 3	Corso Calatafimi 981/c	091 6681624
PALERMO 4	Via Castellana 108/a	091 6733720
PALERMO 5	Viale Lazio 37	091 6701017
PALERMO 6	Via Villareale 2	091 6018219
PALERMO 7	Via A. De Gasperi 26/a	091 525594
PALERMO 8	Via C.A. Dalla Chiesa 3/b	091 7301777
PALERMO 9	Via L. Da Vinci 33	091 6827811
RAGUSA	Piazza Virgilio 13	0932 682239
ROCCAMENA (PA)	Via Vinci 6	091 8465544
SAN GIUSEPPE JATO (PA)	Via Umberto I 208	091 8576833
SIRACUSA	Via San Simeone 16	0931 445062
TRAPANI	Corso Piersanti Mattarella 37/39	0923 541061

BANCA PATRIMONI E INVESTIMENTI

Head office
 TORINO - Piazza C.L.N., 255
 Tel. 011 5607111 - Fax 011 5618245

* Financial promoters offices

** Offices

Piemonte

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

Lombardia		
BRESCIA*	Via F.lli Porcellaga 3	030 289045
MILANO	Via Giulini 2	02 806401
Veneto		
TREVISO	Via Federici 2	0422 218911
Liguria		
GENOVA	Piazza De Ferrari 24R	010 254761
SAVONA**	Via Dei Vegerio 6/R	019 838591
VENTIMIGLIA (IM)	Via Cavour 35/E	0184 236711
Emilia Romagna		
BOLOGNA	Via Farini 11, Palazzo Zambecari	051 2917311
Toscana		
SCANDICCI (FI)	Via Donizzetti 52	055 7373420
Lazio		
ROMA	Piazza Cavour 10	06 6810011
Umbria		
PERUGIA**	Piazza Piccinino 9	075 5755211
PESARO*	Via San Francesco 52	0721 30523
Campania		
NAPOLI**	Via Filangieri 36	081 4107411
Puglia		
FOGGIA	Corso Cairoli 68	0881 726919
Sicilia		
AGRIGENTO*	Via San Vito 19	0922 401770
CALTANISSETTA*	Via C. Pulci 9/15	0934 582951
PALERMO*	Piazzale Ungheria 51	091 6127128
SELLA BANK A.G. Head office ZÜRICH, Talstrasse 70 Tel. 0041 (0) 43 2103100 - Fax 0041 (0) 43 2103101		
GENEVE	Rue de la Croix d'Or 19	0041 (0) 22 3178800
LUGANO	Corso Elvezia 9	0041 (0) 91 9102800
ZÜRICH Head Office	Talstrasse 70	0041 (0) 43 2103100

SELLA BANK LUXEMBOURG S.A.
Head office
LUXEMBOURG - 4, Boulevard Royal
Tel. 00352 26200304 Fax 00352 26200131

OTHER SUBSIDIARIES

BIELLA LEASING S.p.A.
Head office
BIELLA - Via Montegrappa 18
Tel. 015 252881 - Fax 015 28826
Web site: www.biellaleasing.it

TORINO	C.so Re Umberto 129	011 3040242
VERCELLI	Via Solaroli 9	0161 294094

MILANO
TRENTO
TREVISO

Galleria Unione 1
Via Oss Mazzurana 63
Via Federici 2

02 72004556
0461 888207
0422 292453

BROSEL S.p.A.

Head office
BIELLA - Via XX Settembre 13
Tel. 015 2435111 - Fax 015 24351189
Web site: www.brosel.it

PALERMO

Via G. Leopardi 78

091 7300039

CBA VITA S.p.A.

Head office
MILANO - Via Cerva 30
Tel. 02 770721 - Fax 02 76015873

CONSEL S.p.A.

Head office
TORINO - Corso Matteotti 47
Tel. 011 5061111 - Fax 011 5061113
Web site: www.e-consel.it

TORINO

MILANO

GENOVA

PISA

ROMA

ROMA 2

MESTRE

PALERMO

PERUGIA

CATANIA

CAGLIARI

VERONA

AGENZIA DI MARSALA

VARESE

SASSARI

LECCE

Corso Matteotti 47
Piazzale Susa 4
Piazza della Vittoria 15
Via Gello 17
Via Latina 65
Via Pereira 194
Via C.Colombo 28
Via Sgiuti 87/E
Via Martiri del Lager 94/B
c/o BDP Viale XX Settembre 41/A
Viale Bonaria 28 int. 5A
Via Centro 22 A
Piazza Piemonte e Lombardo 25/D
Via Dei Carantani 1
Via Porto Torres 42
Via Cavour

011 5061115
800 179001
800 179001
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EASY NOLO S.p.A.

Head office
BIELLA - Via Italia 2

BIELLA

Via Serralunga 7/D

015 2526500

FIDUCIARIA SELLA S.I.M.p.A.

Head office
BIELLA - Viale Matteotti 2
Tel. 015 2525511 - Fax 015 2522402
Web site: www.fiduciarisella.com

TORINO

AOSTA

C.so Re Umberto 63
Via Vevey 5

011 591169
0165 31678

GESTNORD FONDI S.G.R. S.p.A.

Head office
MILANO - Via G.B.Pirelli 19
Tel. 02 6714161 - Fax 02 66980 715/562
Web site: www.gnf.it

SELFID S.p.A
Head office
BIELLA - Viale Matteotti 7 Tel. 015 23295

SELLA CAPITAL MANAGEMENT S.G.R.p.A.
Head Office
MILANO - Via G.B. Pirelli 19 Tel. 02 6773531

SELLA CONSULT SIM p.A.
Head Office
BIELLA - Via Dei Seminari 5
Tel. 015 2525311 - Fax 015 20977
Web site: www.sellaconsult.it

FINANCIAL SALES POINTS

Piemonte		
ALICE CASTELLO (VC)	P.za G. Crosio 19/21	0161 909806
BIELLA	Via Arnulfo 2	015 23781
BIELLA	Via Bona 8	015 2522609
BIELLA	Via Italia 2 c/o succ. 23	015 2529340
BURONZO (VC)	Via Roma	0161 871073
COSSATO (BI)	Via G. Marconi 76	015 9842123
SAVIGLIANO (CN)	Piazza del Popolo 27	0172 726150
TORINO	C.so De Gasperi 46	011 596883
TORINO	C.so Montegrappa 6	011 7715067
TORINO	C.so Sommeiller 25	011 5682168
TORINO	C.so Re Umberto 63	011 5096403
TORINO	Via Arsenale 27	011 5178075
Valle d'Aosta		
AOSTA	P.za Narbonne 16	0165 45988
Lombardia		
BRESCIA	C.so Palestro 40/40a	030 44852-905
MILANO	Galleria dell'Unione 1	02 72001579
MILANO	Via Parmigianino 13/15	02 36519050
MILANO	Piazza Cavour 2	02 72094547-539
Liguria		
GENOVA	Via XX Settembre 1	010 8604047-148
CHIAVARI	Via S. Giovanni 4 int. 2	0185 303083
Emilia Romagna		
BOLOGNA	Via Dé Musei 4	051 5884696
MODENA	Via Zucconi 88	059 2927288
Lazio		
LATINA	Via Carturan 40/42	0773 474215
ROMA	Via Medaglie d'Oro 210/212	06 35404585
ROMA	P.za di Spagna 31	06 6780337
ROMA	Via Bertoloni 9/c	06 8075778
ROMA	Via Calderini 68	06 32111035
Campania		
NAPOLI	Via Orazio 80	081 2424346-50
NAPOLI	Via dei Mille 40 interni 10 e 11	081 2512511
Sicilia		
PALERMO	Via Marchese di Villabianca 67/71	091 7309054

SELLA CORPORATE FINANCE S.p.A.

Head Office
BIELLA - Via Italia 2

**BIELLA - Corporate Finance
TORINO - Venture Capital**

Via Volpi 2/D
Piazza Castello 139

015 3501550
011 5172202

SELLA HOLDING BANCA S.p.A.

Head Office
BIELLA - Via Italia 2
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INTERNATIONAL CAPITAL HOLDING S.A.

Head Office
PARIS - 126, rue Réaumur
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INTERNATIONAL CAPITAL GESTION S.A.

Head Office
PARIS - 126, rue Réaumur
Tel. 0033 (1) 40137400 - Fax 0033 (1) 45084607
Sito Internet: www.icgestion.com

SELLA LIFE Ltd

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



STANDARD SETTLEMENT INSTRUCTIONS

Here below is the list of foreign correspondent banks for Sella Holding Banca and Banca Sella. Please note that, following the change of company name and transfer of activities which took place on 1 January 2006 (see also the "Remarkable facts after closing of the financial year" section at page. 65) Sella Holding Banca provides access to the financial markets (together with other centralized services) for the whole of our Group, therefore all payments related to financial markets activities shall be made through Sella Holding Banca (swift code SELB IT 22), while Banca Sella (100% controlled by Sella Holding Banca), being part of our Group's branches network, provides our customers with retail banking services, therefore commercial payments are channelled through Banca Sella (swift code SELB IT 2B).

Sella Holding Banca Standard Settlement Instructions (as from 1/01/06)

CURRENCY	BANK	TOWN	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	Zürich	SLBA CH ZZ
CZK	Ceskoslovenska Obchodni Banka as	Prague	CEKO CZ PP
DKK	Danske Bank Aktieselskab	Copenhagen	DABA DK KK
EUR	Direct via target		SELB IT 22
GBP	HSBC Bank plc	London	MIDL GB 22
HKD	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	HSBC HK HH
HUF	MKB Bank Rt	Budapest	MKKB HU HB
INR	Standard Chartered Bank	Bombay-Versova	SCBL IN BB BOM
JPY	The Bank of Tokyo-Mitsubishi Ltd	Tokyo	BOTK JP JT
MYR	HSBC Bank Malaysia Berhad	Kuala Lumpur	HBMB MY KL
NOK	DnB NOR Bank ASA	Oslo	DNBA NO KK
NZD	ANZ National Bank Limited	Wellington	ANZB NZ 22
PLN	Bank Handlowy w Warszawie SA	Warsaw	CITI PL PX
SEK	Skandinaviska Enskilda Banken AB (Publ)	Stockholm	ESSE SE SS
SGD	The Hongkong and Shanghai Banking Corporation Limited	Singapore	HSBC SG SG
SKK	HVB Bank Slovakia as	Bratislava	BACX SK BA
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

Banca Sella Standard Settlement Instructions (as from 1/01/06)

CURRENCY	BANK	TOWN	SWIFT CODE
AUD	Australia & New Zealand Banking Group Limited	Sydney	ANZB AU 2S
CAD	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
CHF	Banca Del Gottardo	Lugano	BDGL CH 22
CHF	Credit Suisse First Boston	Zurich	CRES CH ZZ 80A
CHF	UBS Ag	Zurich	UBSW CH ZH 80A
DKK	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
EUR	ABN Amro Bank N.V.	Amsterdam	ABNA NL 2A
EUR	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
EUR	Banco Bilbao Vizcaya Argentaria S.A.	Madrid	BBVA ES MM
EUR	Banco de Sabadell S.A.	Sabadell	BSAB ES BB
EUR	Banco Espirito Santo S.A.	Lisbon	BESC PT PL
EUR	Bank Austria Creditanstalt Ag	Vienna	BKAU AT WW
EUR	Bank of Ireland International Banking	Dublin	BOFI IE 2D
EUR	Banque Martin-Maurel	Marseille	BMMM FR 2A
EUR	Banque Nationale de Paris S.A.	Paris	BNPA FR PP
EUR	Commerzbank A.G.	Frankfurt Am Main	COBA DE FF
EUR	Deutsche Bank Ag	Frankfurt Am Main	DEUT DE FF
EUR	Fortis Bank Sa/Nv Bruxelles	Brussels	GEBABE BB 36A
EUR	Fortis Banque Luxembourg Sa	Luxembourg	BGLL LU LL
EUR	HSBC Bank Plc	London	MIDL GB 22
EUR	National Bank of Greece S.A.	Athens	ETHN GR AA
EUR	Nordea Bank Finland Plc	Helsinki	NDEA FI HH
EUR	Societe Generale	Paris	SOGE FR PP
GBP	Barclays Bank Plc	London	BARC GB 22
GBP	Lloyds TSB Bank Plc	London	LOYD GB 2L
GBP	National Westminster Bank Plc	London	NWBK GB 2L
HKD	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
JPY	American Express Bank Ltd	Tokyo	AEIB JP JX
NOK	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
NZD	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
PLN	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
SEK	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
SGD	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX
USD	American Express Bank Ltd	New York	AEIB US 33
USD	JP Morgan Chase Bank N.A.	New York	CHAS US 33
ZAR	American Express Bank Gmbh	Frankfurt Am Main	AEIB DE FX



■ ORDINARY SHAREHOLDERS' MEETING

CALLING FOR THE MEETING

Shareholders are called to attend the ordinary meeting at the head office of Banca Sella S.p.A. in Biella, via Italia 2, at 17:30 on 28th April 2006, as first calling and, if necessary, as second calling on 25th May 2006 same place and same hour, to discuss and deliberate on the following

agenda

- 1) Resolutions as per art. 2364, par. 1) of the Civil Code.
- 2) Resolutions as per art. 2364, par. 2) and 3) of the Civil Code.

According to the law, the deposit of shares to attend the meeting shall be made at the registered head office at least five days before the date of the meeting.

Biella, 18th April 2006

SELLA HOLDING BANCA
The Chairman



BOARD OF DIRECTORS' ANNUAL REPORT



CHAIRMAN'S STATEMENT

Shareholders,

in 2005 many blamable facts have arisen, which, in spite of involving only a few financial institutions, built up a negative feeling which reflected on the credit sector. It is our duty to underline, even though obvious, that fraudulent events must not be generalized and are strongly condemned by financial institutions at all levels.

Our Group has always had a strong tradition of putting correctness, transparency, moral duty and "love" towards customers at the core of its business and of its strategy. According to these principles and in order to make effectiveness of corporate governance all the more accurate and up-to-date we have set up the following:

- the Group's Audit Committee, by resolution of the Finanziaria Bonsel Board of Directors of 24 February 2005, which started its activity in the second quarter 2005. It includes three independent directors of high specific professional expertise and its task is to support the Board of Directors in its control activities. It directly reports to the Board of Directors and might ask for and obtain all information necessary to carry out its activity, it has the necessary staff to carry out its functions and may exceptionally avail itself of external consultants. Among its various activities we recall the monitoring of processes for the drawing up of the financial statements. It works on a regular basis and we are very satisfied with it;
- the Group's Ethics Committee, active since 2003, which has the task of fixing and spreading ethical principles for the Group and of verifying they are complied with.

Beyond and in addition to what is provided for by the new "law on savings", our commitment is to steadfastly keep to this road, to deserve and maintain the trust of our customers. To do so, we must continue in our "way of banking", highlighting personal relationships, based on trust but also on growing professional skills and on a punctual and clear communication, using a transparent language, suited to the interlocutor: it is a

commitment for all of us!

Our aim must be to keep controls at a higher and higher level and more and more efficient, following the changes in our job, to be more and more aware of the importance of ethics keeping our behaviour in line with it.

In order to answer the better to the continuous challenges of the market in 2005 we put in place a significant reorganization of the Group. The "evolution" of Banca Sella into Sella Holding Banca, on 1 January 2006, was part of this process.

The Group, according to this process that was started in February 2004, shall continue to grow and to stand out in the market: a structure is being set up more suited to its size and its more complex operations, both in order to reach primary objectives of quality services to customers and 100% service levels and in order to improve controls on activities, so as to allow for a thorough monitoring of operating risks, reducing the costs related to this, for the achievement of a reduction of operating expenses and consequently obtaining higher efficiency. The concentration at Sella Holding Banca, to the benefit of all Group companies, of the more specialized, expert and professional skills, so that these might be used by everyone, allows each company on one hand to use high quality and competitive products and services and on the other hand to concentrate more on its core business. Also, it contributes to costs reduction and to improve quality and efficiency. The Group, in order to achieve this, in the last two years has worked in order to carry out the following:

- simplification of the Group's company structure and ensuing reduction of operating and control expenses;
 - adoption of one and only model for the Group (in terms of software, organization, etc) to carry out common processes, improvement of the quality of services offered and achievement of uniformity;
 - centralization of some services and functions in order to avoid their duplication and the relevant costs.
- On 1 January 2006 Banca Sella transferred its Italian distribution network as well as asset management

and private banking activities to a newly established bank within the Group, which, in order not to change the existing relationships, took the historical name of Banca Sella. At the same time, the company until now known as Banca Sella changed its name to Sella Holding Banca and specialized in offering banking services both to all banks and companies of the Group and to external companies.

It is important to point out, and it was widely demonstrated in the first months of the financial year, that this reorganization does not involve any substantial changes for our customers as regards the services offered and the support of personal relationships built over time, moreover, our customers will benefit from the higher efficiency achieved in terms of cheaper services.

As well as keeping a strong local franchise, a strong interest in Italy and a focus on customers, we shall face the increasing global competition.

This calls for a coherent approach, and it also involves the need for an internationalization of means of communication and of services. This aim, which does not exclude traditional ways of being present, today can be realistically pursued using modern technologies.

The "broad band" is at the centre of this strategy and allows us to introduce our Group as a quick and effective partner to counterparts all over the world, both in order to catch outsourcing opportunities and in order to give services suited to our customers' requirements.

It is our tradition, I would say it is in our genes, to pay close attention to the opportunities offered by innovation.

It is my duty here to just record the satisfactory progresses in line with our plans, and I also wish to thank all staff for working with care and commitment, the which will surely continue in the future.

Maurizio Sella

Chairman

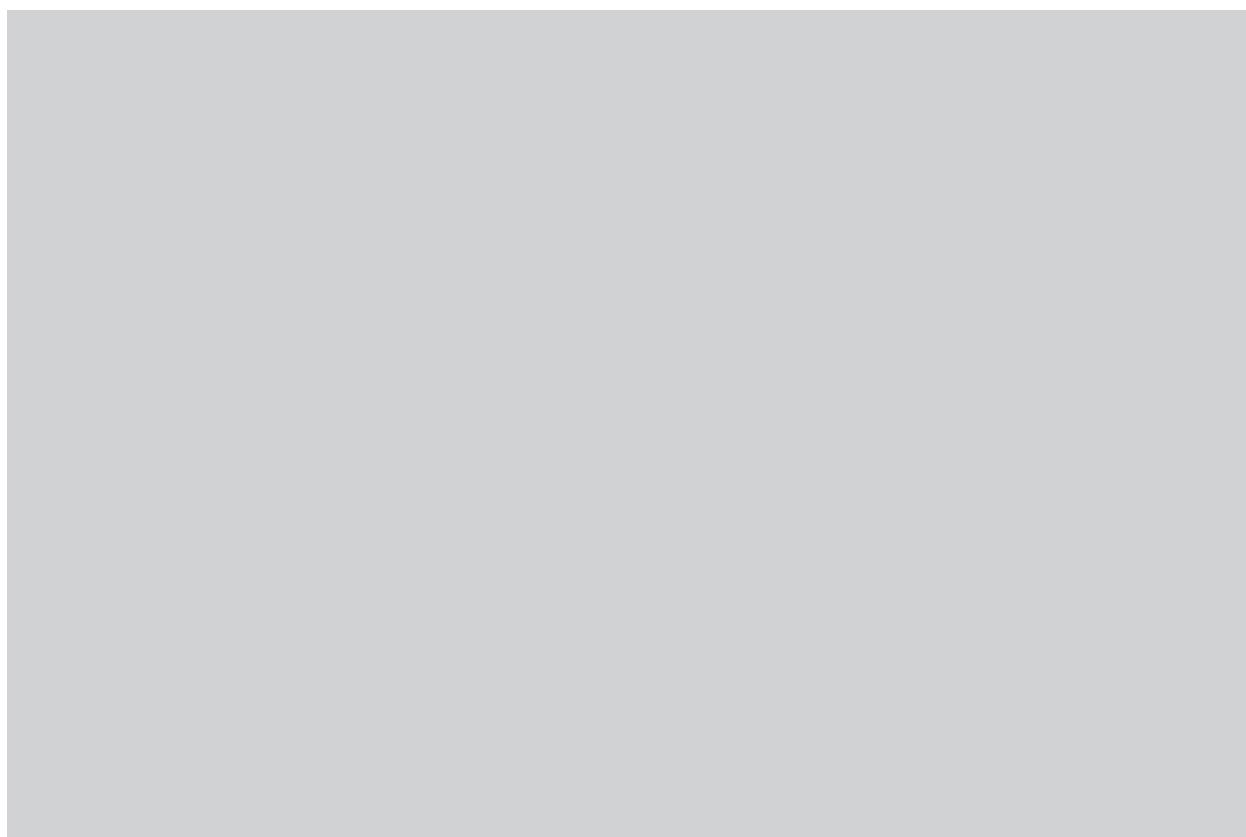
RATING

In January 2001 the Bank was assigned a rating by Moody's. The rating, on Moody's opinion, reflects the satisfactory financial profile of a long-established bank having a sound local franchise and expanding organically on the Italian market. The new structure of the Group (see also the "Remarkable facts after closing of

the financial year" section) should lead to economies of scale allowing for cost synergies and a diversification of the offer, in particular focussing on Asset Management and Private Banking, as well as for a continued attention towards investments in technologies and alternative distribution channels.

RATING

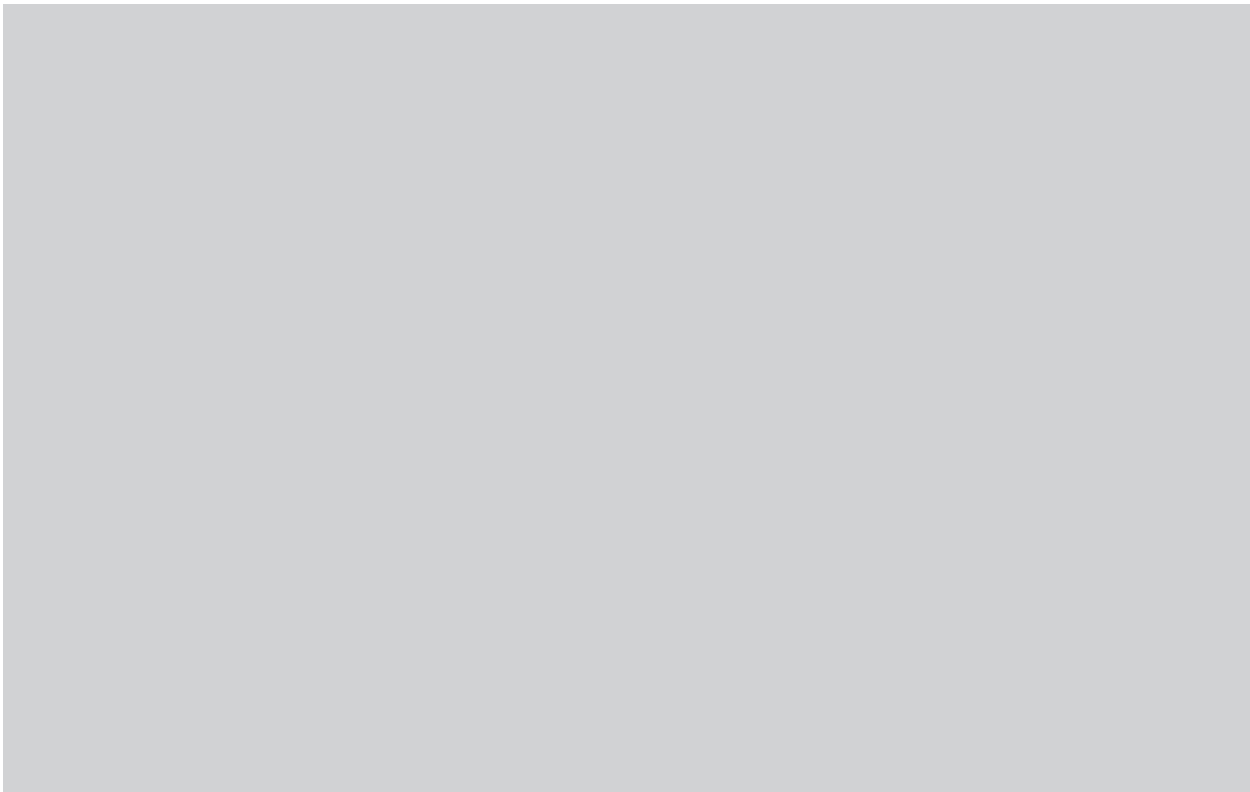
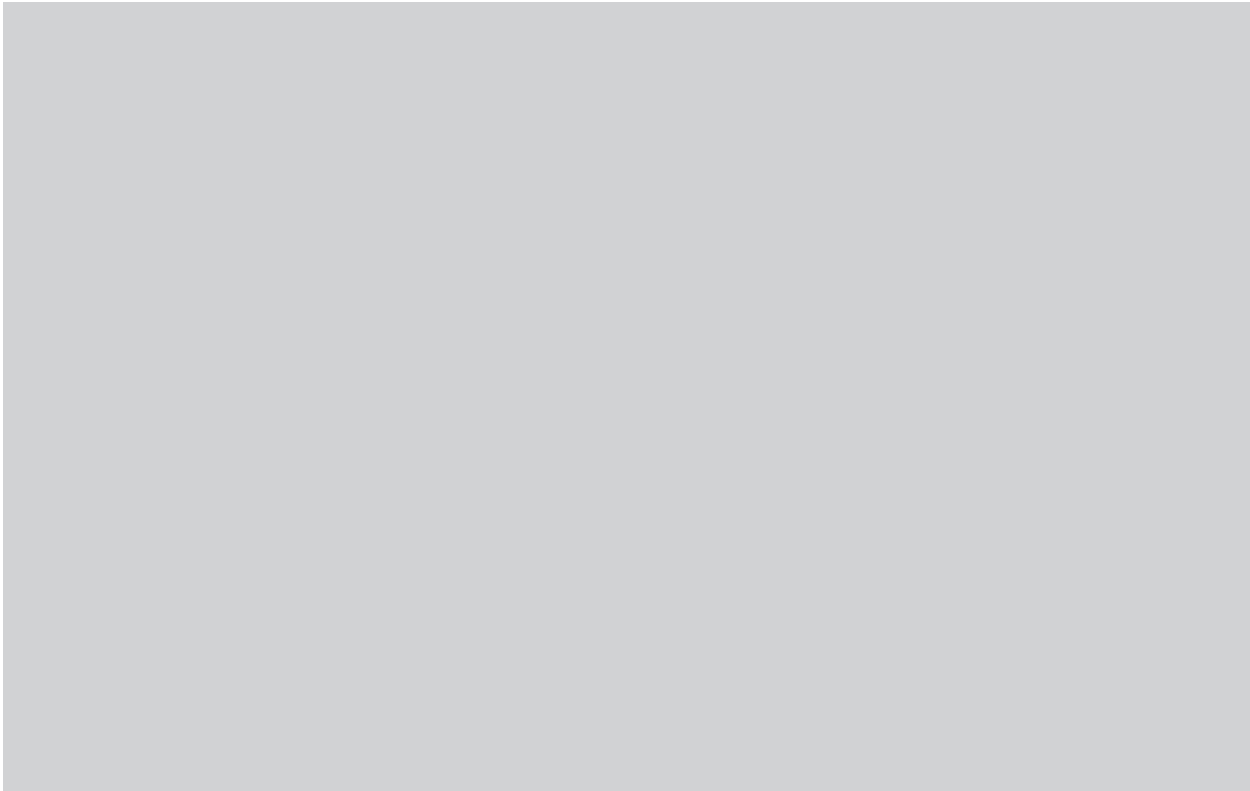
Long term	A3
Short term	P-1
Financial strength	C
Outlook	Stable



PRESIDENZA E DIREZIONE CENTRALE DI BANCA SELLA E FINANZIARIA BANSEL

In prima fila da sinistra: Franco Sella, Guido Bigiordi, Lodovico Sella, Maurizio Sella (Presidente), Pietro Sella (Amministratore Delegato), Federico Sella, Attilio Viola, Claudio Piglia.

In seconda fila da sinistra: Enzo Panico, Paolo Panico, Carlo Prina Della Tallia, Antonio Fortuna, Donato Valz Gen, Claudio Musiari



FINANCIAL HIGHLIGHTS BANCA SELLA

	(euro million)		% variation on 2004
	31/12/2005	31/12/2004	
BALANCE SHEET			
Total assets	7.384,1	6.891,2	7,2%
Cash loans	4.294,3	3.957,3	8,5%
Guarantees given	426,8	308,9	38,2%
Securities on hand	918,1	912,9	0,6%
Equity investments	315,8	310,0	1,9%
Tangible and intangible fixed assets	85,4	73,5	16,2%
Customer savings, current accounts and securities issued	5.354,6	5.055,3	5,9%
Customer savings, current accounts and securities issued net of repurchase agreements	4.695,6	4.514,6	4,0%
Assets under management and third party securities held in deposit ^{(1) (2)}	16.485,0	16.130,6	2,2%
Total deposits ⁽²⁾	21.839,6	21.185,9	3,1%
Capital for supervisory purposes ⁽³⁾	534,8	564,6	-5,3%

INCOME STATEMENT			
Net interest income net of dividends from equity investments	138,9	129,1	7,6%
Net other banking income	158,6	151,0	5,0%
of which: <i>Net fees</i>	125,8	115,6	8,8%
<i>Dealing profits (losses)</i>	11,3	18,0	-37,2%
<i>Other operating income</i>	26,0	20,2	28,7%
<i>Other operating charges</i>	4,5	2,8	60,7%
Net interest and other banking income net of dividends from equity investments ⁽⁴⁾	297,5	280,1	6,2%
Administrative expenses ⁽⁵⁾ and write-downs to tangible and intangible fixed assets	208,4	197,4	5,6%
Write-downs to loans net of write-ups	32,1	37,2	-13,7%
Provisions for risks and charges and for possible loan losses	18,9	6,3	200,0%
Income taxes ⁽⁶⁾	16,1	16,5	-2,4%
Net profit for the year	27,6	26,9	2,6%

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

⁽²⁾ The volume of the "securities in administration" component was influenced, in 2004, by the temporary transit of securities pertaining to the subsidiary Gestnord Intermediazione (amounting to about € 1,2 billion) due to the merge of the same company with Sella Investimenti Banca (now Banca Patrimoni e Investimenti). The figure for 2005 is not influenced by such operation.

⁽³⁾ The figures relevant to the two financial years are not comparable, as the component for 2005 includes the deduction of the participation in CBA Vita (insurance company of the Group), amounting to € 46,9 million, following the application of the regulations concerning precautionary actions issued by Banca d'Italia and in force starting from December 2005.

⁽⁴⁾ Including dealing profits (losses) and other operating income (excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries) and charges.

⁽⁵⁾ Excluding "recovery of stamp duty and other taxes" and "recovery of expenses for staff attached to subsidiaries", including the Regional Tax on Industrial Activities (IRAP) relevant to staff and attached staff net expenses.

⁽⁶⁾ Excluding the Regional Tax on Industrial Activities (IRAP) relevant to staff and attached staff net expenses.

STAFF AND BRANCHES (as at end of financial years)						
	2005	2004	2003	2002	2001	2000
Staff	2.290	2.264	2.174	2.191	2.193	2.062
Total branches (in Italy and abroad)	203	195	190	182	177	165

FINANCIAL RATIOS BANCA SELLA

	2005	2004	2003	2002	2001
PROFITABILITY RATIOS (%)					
R.O.E. (return on equity) ⁽¹⁾	7,8	7,9	8,4	8,1	10,4
R.O.A.A. (return on average assets) ⁽²⁾	0,39	0,41	0,43	0,40	0,49
Net interest income net of dividends from equity investments ⁽³⁾ / Net interest and other banking income	46,7	46,1	45,7	44,0	42,8
Net other banking income ⁽⁴⁾ / Net interest and other banking income	53,3	53,9	54,3	56,0	57,2
Administrative expenses ⁽⁵⁾ / Net other banking income ⁽⁴⁾	119,9	118,2	115,0	115,9	112,5
Administrative expenses ⁽⁵⁾ / Net interest and other banking income	63,9	63,7	62,5	64,9	64,3
Cost to income ratio ⁽⁶⁾	67,8	67,9	66,3	68,0	66,7
Staff expenses ⁽⁷⁾ / Net interest and other banking income	33,0	37,7	36,9	37,9	37,5
PRODUCTIVITY RATIOS (euro/thousand)					
Net interest and other banking income / Average No. of employees	129,9	123,7	123,3	118,8	223,8
Gross operating income / Average No. of employees	39,2	37,3	35,4	26,5	28,1
Cash loans ⁽⁸⁾ / No. of employees at year end	1.875,2	1.747,9	1.590,3	1.347,1	1.195,9
Customer savings, current accounts and securities issued ⁽⁹⁾ / No. of employees at year end	2.338,3	2.232,9	2.073,1	2.080,6	1.971,9
Total deposits / No. of employees at year end	9.537,1	9.357,7	8.880,2	8.245,0	8.340,1
BALANCE SHEET RATIOS (%)					
Cash loans ⁽⁸⁾ / Customer savings, current accounts and securities issued ⁽¹⁰⁾	91,5	87,7	84,3	74,9	75,7
Cash loans ⁽⁸⁾ / Total assets	58,2	57,4	55,0	48,6	44,4
Capital for supervisory purposes ⁽¹¹⁾ / Total assets	7,2	8,2	7,9	7,5	7,0
Customer savings, current accounts and securities issued ⁽⁹⁾ / Total assets	72,5	73,4	71,7	75,0	73,2
CREDIT RISK RATIOS (%)					
Net non-performing loans / Cash loans ⁽⁸⁾	1,0	0,9	1,2	1,2	1,5
Net non-performing loans / Capital for supervisory purposes ⁽¹¹⁾	7,8	6,3	8,1	7,7	9,3
Net write-downs to loans / Cash loans ⁽⁸⁾	0,6	0,9	0,7	0,6	0,7
CAPITAL ADEQUACY RATIOS (%)					
Tier 1 capital ratio ⁽¹¹⁾	7,0	7,8	7,9	7,9	7,6
Total capital ratio ⁽¹¹⁾	10,5	12,9	12,5	12,5	11,8

⁽¹⁾ Net profit (before provision to the reserve for general banking risks) over stockholders' equity and reserve for general banking risks before provisions, excluding "revaluation reserves" according to Law 342/2000.

⁽²⁾ Net profit (before provision to the reserve for general banking risks) over average total assets.

⁽³⁾ Net interest income including dividends and income from shares, quotas and other share capital securities and excluding dividends from equity investments.

⁽⁴⁾ Including dealing profits (losses), including other operating income (excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries) and charges.

⁽⁵⁾ Excluding recovery of stamp duty and other taxes, recovery of expenses for staff attached to subsidiaries and including the Regional Tax on Industrial Activities (IRAP) relevant to staff and attached staff net expenses.

⁽⁶⁾ Structural expenses (administrative expenses, write-downs to tangible and intangible fixed assets, other operating charges, excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries) over net interest and other banking income (including other operating income, excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries), as calculated for the ratios for the Deposit Guarantee Scheme.

⁽⁷⁾ Including the Regional Tax on Industrial Activities (IRAP) relevant to staff and attached staff net expenses and excluding recovery of expenses for staff attached to subsidiaries.

⁽⁸⁾ The figure as at 31/12/2001 does not include repurchase agreements with institutional counterparts amounting to € 256,2 million.

⁽⁹⁾ Including repurchase agreements.

⁽¹⁰⁾ Excluding repurchase agreements.

⁽¹¹⁾ Figures relevant to capital for supervisory purposes are not comparable, as the component for 2005 includes the deduction of the participation in CBA Vita (insurance company of the Group), amounting to € 46,9 million, following the application of the regulations concerning precautionary actions issued by Banca d'Italia and in force starting from December 2005.

ECONOMIC BACKGROUND

The world's economy in 2005 confirmed its strength: commercial exchanges continued to benefit from the growing globalization, which led to a change in the international geopolitical and economic balances and to the rising importance of emerging economies, in particular Asian economies.

USA economy, despite the slowdown if compared to 2004, which was above all palpable in the last quarter of 2005, closed the year with a remarkable growth of its GDP, in line with its potential, helped by the vigour of consumption, aided by the trend of the real estate market and by the recovery of companies' fixed investments.

The Eurozone, even though showing signals of a slight improvement of its economic growth, continued to record a lack of internal demand and an incapacity to exploit at best the opportunities offered by the development of international trade. Such a weakness is to be traced back to the inelasticity of some economic sectors and to the delays which piled up during the process of update and renewal of industry. Italy, even if on a background of economic stagnation, recorded a slight improvement of consumption and investments.

2005 was a remarkable year above all for Japanese economy: the more stable trend of the labour market, which supported the trust of consumers, favoured an upswing of internal demand. Japan, as a matter of fact, continued to benefit from the positive climate characterizing Asian economies. The problem for Japanese economy is still represented by deflation.

Consistently with the trend of monetary policy, with the growth of inflation in the USA and Europe, long-term interest rates showed slight increases in the USA and a decrease in the Eurozone. During 2005 stock markets capitalization grew by about 8% (MSCI World) and Japan was on top among developed countries' stock markets.

In Italy, at the end of 2005, the banking sector reached € 1,1 billion as regards deposits of customers resident in Italy, increasing by 8,3% if compared to the previous year. Foreign borrowings increased together with domestic borrowings, keeping stable the ratio over

total deposits to a 25% (as at October 2005, latest survey available).

Cash loans in 2005 grew by 8,3% if compared to 2004 and amounted to € 1,2 billion. Cash loans in other currencies have a minor weight as they amount to 1,5% of the total. Dissection by maturity of credit flows showed an increase in medium-long term loans (+11,7%), a slightly lower increase if compared to +14,2% of 2004. Short-term loans also increased by 2,7% on the previous year, reversing the decreasing trend that marked 2004 (-4,4%). As far as credit quality is concerned, as at December 2005 non-performing loans, net of write-downs, stood at € 15,1 billion (€ 22,6 billion as at end 2004), recording a variation over the previous year of -33,3%. Securitization operations remarkably contributed to reduce non-performing loans, especially in the last month of the year. The ratio of non-performing loans over total cash loans for the same period decreased from 2% to 1,2%.

Banks' securities in custody recorded a remarkable increase in 2005 passing from € 139 billion to € 175 billion (+25,6% if compared to the previous year). Securities weigh for a 15% on cash loans, increasing if compared to the 13% of 2004.

As regards Italian banks' profitability, taking into account non-consolidated provisional results for 2005, the operating income for the banking system would have grown by 7,5% (-1,5% in 2004). In fact, the growth of net interest income, growing by 5,9% thanks to the strong expansion of volumes traded, was followed by a remarkable increase of commissions and dividends (net of interbank ones) to balance the remarkable reduction of income from the trading of securities and currencies; net interest and other banking income during the year increased by 4,9%. Staff expenses grew by 3,4%, in line with the adjustment of salaries according to the national contract of the sector, while total operating expenses grew by 3,4%. The expected decrease of provisions on loans for the year, which was already noted in the first half of 2005, should lead to a double-digit growth of profit for the system, showing a remarkable improvement of banks' profitability.

The introduction of international accounting standards (IAS), the adoption of which is shortly to be completed, led to an increase in free capital. 2005 was marked by the consolidation of the Italian banking sector: the entry of foreign operators in our domestic market is justified by the margins offered both by the retail and asset management sectors if compared to the other European markets. With regard to the asset management sector, Italian regulations further raised the level

of transparency required for the companies of the sector, for example providing for the calculation of performance fees on annual basis and not on a monthly basis anymore. This law made the placement of products based in countries having less binding rules more advantageous for the companies; the market is characterized by many agents operating with small volumes and the competitiveness of which may be improved mainly by outsourcing their key profitable functions.

STRATEGIC ISSUES AND PROGRESS REPORT OF THE THREE-YEAR STRATEGIC PLAN

In March 2005 the three-year Strategic Plan for 2005-2007 was approved, confirming the strategic guidelines followed by the Bank in the past as regards geographical and business diversification, capital stability, focus on customer, product innovation and offer of high quality levels of service.

Meanwhile, such plan identifies the guidelines for the future development of the Group and of the Bank, for a more effective and efficient governance and control, coherently with the external environment evolution.

In particular, during the financial year, several initiatives were carried out to reach the following objectives included in the Strategic Plan:

1. to continue growing, according to a long-standing tradition of prudence and common sense within a context of a high quality offer and of a strong geographic and business diversification;
2. to update the methods and the organization of controls, in line with the changing size and with the more up-to-date layout of the Group;
3. to renew and strengthen the organizational architecture in order to support:
 - the improvement of efficiency, simplification and rationalization of the organizational architecture;
 - the improvement of efficiency and productivity standards, also taking into account the continued reduction of unit margins, to allow for a reduction of costs related to products and services.Actions therefore continued in order to review and refine procedures and work processes (in order to streamline, to automate and to standardize them as much as possible), as well as actions to review the organization of head office structures, in order to be able to transfer staff from administrative services to the distribution network in direct contact with customers;
4. to increase revenues at a higher rate than that of operating expenses, consequently increasing profitability and improving productivity ratios;
5. to continue improving levels of service to customers. Customer satisfaction still is the driver of all strategies of the Bank and is pursued through:

- quality of the whole range of products, offered to customers according to their specific and changing requirements, and high attention towards ethic values, first of all transparency;
- quality in the correct functioning of services;
- quality in the relationship with customers.

The above mentioned strategic objectives led to the following actions during the year:

1. the opening of 9 new branches in regions in which the Group already had a presence, together with the transfer of the branch in Luxembourg from Banca Sella to the subsidiary Sella Bank Luxembourg leads to a net variation of 8 branches in 2005;
2. increase of the number of new customers (+5,4%) and in the range of products offered. The development was carried out acting on the four fundamental values on which the relationship with customers is based (personal relationship, trust, innovation and quality), working on the improvement of expertise of human resources, thanks also to suitable training programs;
3. the system of controls of the Group was further enriched by a range of transversal projects;
 - the "Control Cycle", organizational process aimed at favouring an increase of quality and mitigation of operating risks, allows for an efficient management of anomalies arising during ordinary and extraordinary activity and aims to remove the causes leading to those events;
 - the "loss data collection" process, i.e. the gathering of data relevant to operating risks, including significant losses and the related recoveries, complying to one of the minimum compulsory requisites required by Basel II;
 - the "mapping of internal processes", in order to identify the areas exposed to risk and the following implementation of controls to mitigate the same;
 - internal processes were reorganized in order to monitor market risks at best;
 - the instruments for the control of credit risk were refined, in order to improve their efficiency and to become aware in advance of any situation involving

an increase of risk. In particular the new Credit Granting procedure, expected to be further developed during 2006, allows for a uniform management of the credit granting process for all Italian Banks of the Group, for an optimization of time in the processing of files and for the gathering of information in electronic format;

4. in the second quarter of 2005 the Audit Committee started its activity; the committee supports the Board of Directors in the control of risks and in monitoring control activities and it is composed by three independent directors of high specific expertise and professionalism;
5. during 2005 the Bank accomplished the realization of the Group Treasury project. Important results that were achieved include the management of Banca Patrimoni e Investimenti as indirect adherent and the funding of the growth of assets for the subsidiaries Consel and Biella Leasing. Moreover, the initiatives prepared during 2005 and carried out starting from January 2006 (management of treasury by Sella Holding Banca^(*) on behalf of Banca Sella, as well as joining of Bi-Rel/TARGET

as passive indirect members by all other Italian Banks of the Group, two of which were active indirect members) led to the natural accomplishment of the project. Since May 2005 the Bank has been a direct member of the Eurex, leader market for derivatives in Europe;

6. the pursuit of high levels of service together with a more and more transparent relationship with customers were strong drivers in the commercial choices of the Bank and are constantly evolving. In 2005 many processes were monitored and reviewed, leading to useful corrective interventions, thanks to which, in turn, the quality ratios of services improved.

Moreover, as regards levels of service, the following actions, which were already started in 2003-2004 and were improved in 2005, are to be recalled: the "Carta dei Servizi" (a "Service Charter" which fixes maximum time limits for the granting and carrying out of services, lacking the respect of which a specific reimbursement to the customer is provided for), the ABI (Italian Banking Association) project called "Patti Chiari" (initiative for transparency towards customers) and the "Termometro del Rischio" ("Risk Thermometer").

^(*) For details on the reorganization please refer to the "Remarkable facts after closing of the financial year" section.

OVERVIEW OF PERFORMANCE

RECLASSIFIED INCOME STATEMENT (euro million)

	2005	2004	% variation over 2004
10. Interest receivable and similar income	237,49	213,72	11,1%
20. Interest payable and similar charges	(102,08)	(86,78)	17,6%
30. Dividends and other income on shares, quotas and other share capital securities (net of "dividends and income from equity investments")	3,52	2,19	60,6%
NET INTEREST INCOME	138,92	129,13	7,6%
40. Fees and commissions receivable	195,38	176,06	11,0%
50. Fees and commissions payable	(69,58)	(60,48)	15,0%
60. Dealing profits (losses)	11,30	17,97	-37,1%
70. Other operating income (excluding "recovery of stamp duty and other taxes" and "recovery of expenses for staff attached to subsidiaries")	26,04	20,19	29,0%
110. Other operating expenses	(4,49)	(2,80)	60,2%
NET INTEREST AND OTHER BANKING INCOME	297,58	280,07	6,3%
80. Administrative expenses:			
a) Staff expenses	(111,83)	(106,81)	4,7%
IRAP relevant to staff and attached staff net expenses	(3,87)	(4,10)	-5,6%
Recovery of expenses for staff attached to subsidiaries	17,54	5,29	231,8%
b) Other administrative expenses	(108,15)	(85,99)	25,8%
Recovery of stamp duty and other taxes	16,16	13,13	23,1%
90. Write-downs to tangible and intangible fixed assets	(18,17)	(18,85)	-3,6%
GROSS OPERATING INCOME	89,27	82,73	7,9%
100. Provisions for risks and charges (excluding provision "to cover charges for claims by receivers of bankrupt customers " and "to cover charges for operating risks of Group companies")	(7,57)	(3,93)	92,5%
120. Write-downs to loans and to provisions for guarantees and commitments	(32,84)	(40,62)	-19,2%
Provisions for charges related to claims by receivers of bankrupt customers	(2,49)	(0,64)	285,9%
130. Write-ups to loans and to provisions for guarantees and commitments	7,34	5,00	46,7%
140. Provisions to the reserves for possible loan losses	(2,07)	(1,67)	24,1%
INCOME BEFORE RESULTS FROM EQUITY INVESTMENTS	51,64	40,87	26,4%
180. Extraordinary income (net of profit from the transfer of equity investments)	5,19	3,11	66,7%
190. Extraordinary expenses	(12,02)	(3,89)	208,7%
GROSS INCOME BEFORE RESULTS FROM EQUITY INVESTMENTS	44,81	40,09	11,8%
220. Income taxes for the year (excluding IRAP relevant to staff and attached staff expenses and taxation on income from equity investments)	(18,14)	(16,53)	9,7%
NET PROFIT BEFORE RESULTS FROM EQUITY INVESTMENTS (A)	26,67	23,56	13,2%
Dividends from equity investments	3,70	2,31	60,4%
Provisions for operating risks of Group companies	(6,75)	-	-
150. Write-downs to financial fixed assets	(6,57)	(2,57)	155,9%
160. Write-ups to financial fixed assets	-	0,65	-100,0%
Profit from the transfer of equity investments	8,54	2,92	192,2%
Taxation on income from equity investments	2,05	-	-
PROFIT (LOSS) FROM EQUITY INVESTMENTS (B)	0,97	3,31	-70,8%
NET PROFIT FOR THE YEAR (A) + (B)	27,64	26,86	2,9%

FINANCIAL RESULTS

The net profit for year 2005, standing at € 27,6 million (+2,9% with respect to the previous financial year), allowed R.O.E. to reach 7,8%, with respect to 7,9% of 2004.

In general, year 2005 was marked by a satisfactory increase of income, thanks also to the fact that costs on the whole grew at a slightly lower pace.

In order to provide a more homogeneous comparison with the previous financial year, in the Reclassified Income Statement income from equity investments that influenced in a remarkably different way the two financial years in exam was broken up.

The following comments therefore refer to the Income Statement items stripped from the components relevant to equity investments.

NET INTEREST INCOME

Net interest income recorded an increase of 7,6% on an annual basis and represented 46,7% of net interest and other banking income (46,1% in 2004).

The trend of this item was influenced by:

- a growth in volumes, both of loans and of customer savings, current accounts and securities issued;
- an interest spread, which, excluding assets generated by the centralization of the Group Treasury, was basically stable on the levels recorded in 2004. A slight move of profitability from mark up in favour of mark down was recorded, following the increase of interest rates in the last months of the year.

NET INTEREST AND OTHER BANKING INCOME

The margin on the management of money, together with that on the administration of services, led to a global result of € 297,6 million, growing by 6,3% with respect to a year earlier.

Net other banking income

The total of net other banking income (commissions receivable, operating income, dealing profits or losses excluding commissions payable, other operating char-

ges, recovery of indirect taxes and recovery of expenses for staff attached to subsidiaries) recorded a positive trend (+5,1%).

The weight of other banking income on net interest and other banking income stood at 53,3% (53,9% in 2004).

Other banking income is mainly composed by:

- net income from Payment Services: this business line showed a good trend, recording a growth of 10,7% on annual basis, thanks to an increased demand of customers for electronic payments and in particular the development of e-commerce;
- net commissions from dealing on behalf of third parties and orders collection: this component increased by 14,8%, mainly thanks to the greater contribution of the trading online sector;
- income from asset management (asset management and administration of funds fees): increased by 9,7% with respect to the previous financial year, thanks to a positive trend of deposits in this field;
- income from the placement of insurance products: the 32% growth witnesses the greater boost of the sector;
- dealing profit or losses: this component recorded a decrease of 37,1% if compared to the previous financial year, due to a less positive performance of own account trading.

ADMINISTRATIVE EXPENSES

Staff expenses (including the IRAP - Regional Tax on Industrial Activity relevant to the same)

Staff expenses, taking into account the growth of average staff (+2,6%) and the rise in wages provided for by the recent renewal of the national contract and by promotions (according to merits or the length of service), stood at € 115,7 million, showing an increase if compared to 2004 (+4,3%).

Recovery of expenses for staff attached to subsidiaries

During the year, the Bank attached part of its staff to Finanziaria Bonsel; this involved a recovery of "expenses

for staff attached to subsidiaries" amounting to € 16,3 million. Recovery of expenses for the total of staff attached to subsidiaries stood at € 17,5 million.

Other administrative expenses

Other administrative expenses (net of recovery of stamp duty and other taxes) amounted to € 91,6 million, € 20,8 million of which paid to the Parent Company for services outsourced by the same (please also refer to the "Relationship with Group companies" section). The increase, net of such item, was equal to 3,7% with respect to the previous financial year.

Write-downs to tangible and intangible fixed assets

The item, at € 18,2 million, showed a decrease of 3,6% if compared to the previous financial year.

During 2005 investments for € 18,8 million were made, mainly in Electronic Payment Systems, Virtual Banking, Traditional Distribution Channels (following the opening of new branches) and Information Technology.

GROSS OPERATING INCOME

Following the above mentioned trend of items, a gross operating income of € 89,3 million was recorded, with an increase of 7,9% over 2004.

WRITE-DOWNS AND PROVISIONS

Provisions for risks and charges

Provisions for risks and charges for the year amounted to a total of € 7,6 million.

Write-downs to loans net of write-ups

The item, amounting to € 25,5 million, decreased by 28,4% due to:

- as regards internal organization, the setting up of more and more refined instruments for the granting and management of credit, in order to constantly improve the ability to control risks;
- as regards the economic background, the continued low level of interest rates, which favoured the po-

tential for credit redemption of families and corporate customers.

The ratio of net write-downs to loans over cash loans passed from 0,9% as at end 2004 to 0,6% in 2005.

Provision for possible loan losses

It is a provision made on the prudence principle, in excess with respect to the evaluation of the non-existence of assets, and it refers to the provision for default interest (for the part likely to be collected). It amounts to € 2,1 million.

INCOME BEFORE RESULTS FROM EQUITY INVESTMENTS

Income before extraordinary items including the Regional Tax on Industrial Activity (IRAP) related to staff expenses (amounting to € 3,9 million) recorded an increase of 26,4%, if compared to the previous financial year and amounts to € 51,6 million.

Extraordinary profits and expenses

The negative balance between extraordinary profits and extraordinary expenses amounted to € 6,8 million, showing a remarkable increase if compared to 2004 (€ 0,8 million). The result was mainly influenced by the increase of the effect of losses from operating risks.

Income taxes

The percentage weight of income taxes (excluding IRAP relevant to staff expenses reclassified with an increase of the amount) on gross income before results from equity investments decreased from 41,1% to 40,4%. The total tax rate of the company, calculated not taking into account the IRAP part on staff expenses decreased from 34,9% to 33,8%, notwithstanding the new and damaging regulations in force since 2005, which made write-ups on loans non-deductible. The decrease of taxation is mainly due to an increase of income from shares and equity investments, which the IRES reform has made extensively not taxable.

Banca Sella, being a controlled company, joined the

national consolidated tax return, having as controlling and consolidating company the Parent company Finanziaria Bonsel.

A more detailed analysis of the meaning and impact of deferred taxation can be found in the Explanatory Notes to the Financial Statements.

NET PROFIT FOR THE YEAR (BEFORE RESULTS FROM EQUITY INVESTMENTS)

The profit for the year reached € 26,7 million, showing a 13,2% increase if compared to the previous financial year.

RESULTS FROM EQUITY INVESTMENTS

Results from equity investments reached about € 1 million, showing a decrease with respect to 2004 (€ 3,3 million). The result was mainly influenced by the following:

- capital gains from the transfer of participations for € 8,5 million, mainly related to the transfer of part of the participation in MTS;
- write-downs to financial fixed assets for € 6,6 million, mainly related to the depreciation of the foreign participation Sella Holding N.V., necessary to adjust the purchase price of the holding following the decrease in value of some of the participations controlled by the above mentioned holding;
- provisions made on the prudence principle for operating risks related to Group companies for € 6,8 million.

NET PROFIT FOR THE YEAR

The profit for the year reached € 27,6 million, showing a 2,9% increase if compared to the previous financial year.

CAPITAL AND OTHER ASSETS

The total capital for supervisory purposes of the Bank, as at 31 December 2005, amounted to € 534,8 million and it included Tier 1 capital (subscribed capital and equity reserves, excluding intangible fixed assets) for an amount of € 361,3 million, Tier 2 capital (revalua-

tion reserves and subordinated liabilities) for an amount of € 220,7 million and prescribed deductions for € 47,2 million relevant to equity investments in financial entities for more than 10% of the capital of the same (this figure includes the deduction of the participation in the insurance company of the Group CBA Vita for an amount of € 46,9 million, which in previous years was not deducted, in compliance with the regulations in force at the time).

Risk weighted assets, taking into account market risks, amounted to € 5.157,1 million, including off-balance sheet items.

The total capital adequacy ratio (capital for supervisory purposes over risk weighted assets valued on the basis of their risk level) stood at 10,5%, at end 2005, against the 7% required by the regulations in force for banking institutions being part of banking groups.

Equity capital surplus amounted to € 181,2 million, a level which grants a remarkable potential for development, taking into account solvency risks and absorption of equity capital for € 2,1 million due to the securitization operation made by the Bank in the past and for € 3,5 million related to the new securitization that was completed in October 2005.

As regards market risks, the third level bond issued by Banca Sella on 18 March 2005 for a nominal value of € 20 million wholly covered their absorption of equity capital, which amounted to € 7,3 million.

The position of the Bank as at 31 December 2005 with regard to the ratios provided for by the Deposit Guarantee Scheme stood at a "normal" level, which represents the best level.

REVALUATION OF PROPERTY

According to art. 1, par. 469 and following of Law No. 266 of 2005 (financial act for 2006), the Bank has decided to adhere to the possibility, provided for by the above mentioned law, of revaluing properties already belonging to the Bank on 31 December 2004, on the basis of their current value as at 31 December 2005, as resulting from expert reports made by professionals. The

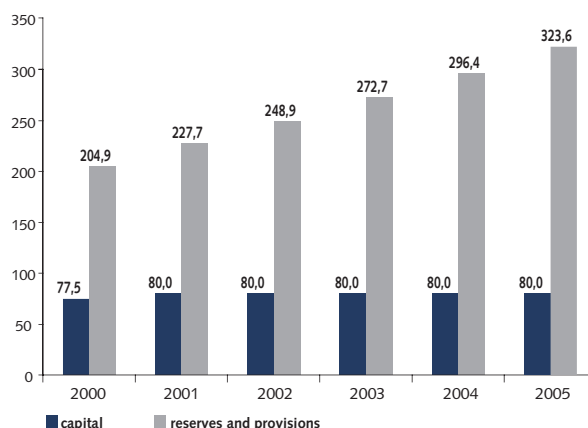
use of the current value is well-grounded on the need for objectivity and transparency.

The value given to real estate following the revaluation, net of amortizations, does not exceed the value attributable to the same with regard to their current value realizable on the market.

As far as concerns the capital aspects of the revaluation, please refer to the Explanatory Notes to the Financial Statements, part B, sections 4, 7 and 8.

CAPITAL, RESERVES AND PROVISIONS

(figures in EUR million)



RECLASSIFIED BALANCE SHEET (euro million)

	31/12/2005	31/12/2004	% variation over 2004
ASSETS			
Cash and deposits with central banks and post offices	62,5	80,1	-22,0%
Loans:			
- due from customers	4.294,3	3.957,3	8,5%
- due from banks	1.357,6	1.244,3	9,1%
Trading securities	847,7	851,2	-0,4%
Fixed assets:			
- investment securities	70,4	61,7	14,1%
- equity investments	315,7	310,0	1,8%
- tangible and intangible fixed assets	85,4	73,5	16,2%
Other assets	350,5	313,1	11,9%
TOTAL ASSETS	7.384,1	6.891,2	7,2%
LIABILITIES			
Payables:			
- due to customers	4.569,1	4.200,7	8,8%
- securities issued	769,8	836,9	-8,0%
- due to banks	1.007,2	919,6	9,5%
- third parties funds in administration	15,7	17,7	-11,3%
Provisions with a specific aim	88,2	63,2	39,6%
Other liabilities	305,2	244,4	24,9%
Reserves for possible loan losses	6,5	9,0	-27,8%
Subordinated liabilities	218,8	223,4	-2,1%
Shareholders' equity:			
- capital, share premium account, reserves and reserve for general banking risks	376,0	349,4	7,6%
- net profit	27,6	26,9	2,6%
TOTAL LIABILITIES	7.384,1	6.891,2	7,2%

REALIGNMENT OF DIFFERENTIALS BETWEEN BOOK VALUE AND TAX VALUE OF PROPERTY

According to art. 1, par. 469 and following of Law No. 266 of 2005 (financial act for 2006), the Bank has decided to adhere to the possibility, provided for by the above mentioned law, of realigning the tax value of some properties with the higher book value of the same. These differentials between book value and tax value were produced by the contribution of assets in fiscal neutrality made in 1991 according to art. 7 Law No. 218 of 1990 (known as Amato law), which saw the Bank as conferring subject.

The amount of the realignment, even if it does not involve any increase of the value of property as per civil law, led to a provision to reserves in suspension of taxation.

As far as concerns the capital aspects of the realignment, please refer to the Explanatory Notes to the Financial Statements, part B, sections 7 and 8.

SECURITIES PORTFOLIO

The securities portfolio of the Bank as at 31 December 2005 amounted to € 918,1 million, showing a slight increase if compared to € 912,9 million as at end of the previous financial year.

During the year, the average securities portfolio was kept on a constant level; as proof of the extremely pru-

dent policy of portfolio management, V.A.R. as at 31 December 2005, calculated according to the method of the historical simulation game, taking into account a three-month period and confidence interval of 99%, was € 5,3 million (the average V.A.R. of the year was € 8 million). Portfolio management was oriented by a constant diversification strategy. The larger part of the portfolio is invested in floating rate Italian Government Securities and on fixed rate short-term securities; nevertheless, highly rated bonds are more and more growing on the total.

TRADING SECURITIES

As at 31 December 2005, the book value of trading securities portfolio amounted to € 847,7 million, mainly represented by bonds. During the year a strategy of gradual diversification of investments from Italian government bonds (which however still make up for the main part of the portfolio) to securities of other euro-in countries and highly rated banking and corporate bonds was carried out.

As at year end investments were split as follows:

- government bonds of euro-in countries for 68,3%;
- banking and corporate bonds for 29,9%;
- corporate bonds for 1,2%;
- mutual funds and stocks for 0,6%.

As to interest rate risk, trading securities portfolio included about 78% of floating rate securities, 10% short-

SECURITIES PORTFOLIO (euro million)			
	31/12/2005	31/12/2004	% variation on 2004
Trading securities	847,7	851,2	-0,4%
Investment securities	70,4	61,7	+14,1%
Total	918,1	912,9	+0,6%

term fixed rate securities and the remaining 12% of medium/long term fixed rate securities.

The Bank continued in its strict prudence principle as regards country risk and credit quality of issuers: therefore, excluding one only speculative grade bond issued by an emerging markets country for an amount of about € 0,3 million, neither securities issued by emerging markets countries nor issued by companies based in those countries were held in the securities portfolio as at 31 December 2005 nor were during the whole year

Moreover, no foreign currency positions were held.

Trading securities are stated in the financial statements as described in the accounting principles.

INVESTMENT SECURITIES

The Bank's investment securities portfolio is held as a lasting and stable investment and it complies with the size fixed by resolution of the Board of Directors.

As at 31 December 2005, investment securities amounted to € 70,4 million and mainly included Long-term Treasury Bills (BTP) for € 59,8 million, with maturity between two and four years. The remaining € 10,6 million included:

- € 2,1 million of tranche equity issued by Secursel s.r.l. (special purpose vehicle company of Gruppo Banca Sella established according to law 130/99 for the securitization of performing mortgage

loans and landed property loans in 2000-2001);

- € 3,5 million of tranche equity issued by Mars 2600 (special purpose vehicle company established according to law 130/99 and used by Gruppo Banca Sella for the securitization of performing mortgage loans and landed property loans in 2005);
- € 5 million of a floating rate subordinated loan issued by the subsidiary Sella Bank Luxembourg.

In 2005 investment securities increased of € 8,7 million; mainly due to the purchase of the above mentioned bonds issued by Mars 2600 and Sella Bank Luxembourg and for the remaining part to discounts on bonds issues and on trading transactions accrued during the year.

The difference between book value and market value, calculated on the basis of the arithmetic mean of prices observed in the second half of 2005, highlighted, at end of period, capital gains for € 4,2 million.

OTHER ASSETS

For notes on the trend of loans, deposits, equity investments and tangible and intangible fixed assets, please refer to the relevant sections in this Report and to the relevant Explanatory Notes to the Financial Statements.

COMMERCIAL AND DISTRIBUTION POLICIES

The commercial activity of the bank in 2005 was focussed on customers' requirements. Therefore, a survey on customer satisfaction was again completed involving about 20.000 customers all over Italy, as already done in 2004. The survey allowed for a comparison with the previous year and was useful to check the effects of actions taken following the first survey.

EXTERNAL COMMUNICATION

As regards advertising campaigns, besides the usual promotion of all products offered to the public, communication was particularly focussed on the insurance sector and on products directed to immigrants and to young people.

To this purpose both usual communication channels were used (branches, counters, written communication, web site) and other external channels setting up advertising campaigns, for example on ethnic magazines (for products dedicated to immigrants).

Moreover, the Bank advertised, as planned, its trading online services, focusing on the "senses of the trader", which appeared on the major Italian newspapers and economic magazines.

During the year direct marketing methods proved to be very useful in the commercial development of products such as, for example, credit cards.

Thanks to the selling initiatives of the branches network, cross selling recorded a 0,2% increase if compared to 2004, showing a greater penetration of products on customers.

In 2005 Banca Sella took part in the "Internet Trading Forum" in Rimini, in the "D-Day" and "Tol expo" in Milan, fairs dedicated to trading online services, with the aim of confirming the franchise of the Sella.it brand in the sector and of carrying out a further activity of commercial development.

The activity of the Press Office contributed to strengthen the franchise of the brand, both in terms of quality and quantity. Contacts with the press were improved thanks to an increase in the number of interviews, press

releases, press handouts and the start of regular cooperation involving asset managers and financial analysts of the Group. Also, great attention was put in the relationship with local newspapers, to strengthen the image of a Bank strongly rooted in its areas of presence.

TRANSPARENCY OF BANKING OPERATIONS AND SERVICES

Sample controls on sale transparency, made through phone contacts with customers aimed at assessing the coherence between the selling activity at the counter and the long-standing transparency guidelines continued to be carried out.

In 2005 as well, as already done in 2004, according to the CICR (Interministerial Committee for Credit and Savings) Deliberation of 4 March 2003, the Bank provided for a further refinement and update of contract documentation, communications to customers and advertising, in order to comply with the regulations in force; in particular monitoring homogeneity of communications to customers, by web site, e-mail and paper documentation.

Moreover, fee schedules were no more printed on paper in those branches having an "internet point", thus contributing to the improvement of productivity for cashiers. In 2005 the following actions continued to be carried out:

- actions aimed at complying with the new regulations on the placement of government bonds;
- actions involving IT procedures in order to make communication to customers more complete and clearer;
- the introduction of information on money transfers made or received by customers;
- a new contract structure for current accounts, time deposits and payment cards;
- the review of internal controls to be made by heads of branches according to transparency rules.

Attention was as usual paid to the training of staff by setting up special courses on Transparency laws in-

volving new members of staff and staff with apprenticeship contracts, so that employees might get to know the main aspects of this regulations and might acquire the specific skills needed to put them into practice. In-depth training courses were also offered to employees with open-ended contracts.

SAFETY OF INFORMATION AND PROTECTION OF PRIVACY

On 31 March 2006 the "Programmatic Note on the Safety of Information" was updated for its 2006 version. To comply with rule No. 26 of Technical Disciplinary Measures (annex B) of the Personal Data Protection Code (Law by Decree No. 196 of 30/06/03), the Bank has adopted the "Programmatic Note on the Safety of Information" for a long time. The note fixes all organizational, physical and logic safety measures in order to comply with Law by Decree 196/03 on the safety and protection of personal data and with the Regulations for the identification of minimum safety measures on personal data treatment (President of the Republic Decree 318/99).

SERVICE LEVELS

During 2005 the following activities took place:

- more than 1.000 processes were monitored, checking again all items under control, all criteria with which anomalies are measured and the way they are weighed by each business area, in order to make them as much homogeneous as possible;
- careful attention was paid to the survey of abnormal events, the follow-up of which led to reach 99,5% of availability of processes (99,4% in 2005);
- the "culture of quality" was promoted among staff, in order to reach a "zero faults" goal and reduce to a minimum costs related to non-conformity, through meetings attended by all heads of service levels of the Group;
- the analysis of service levels passed from being area

centred to being customer centred. Thanks to this change of view a new monitoring instrument was created, the so-called "service level dashboard", currently being tested;

- in August the "Anomalies Report" procedure was released, for the survey of anomalies and the control on their follow-up. The above mentioned procedure allowed for remarkable advantages in terms of use, uniformity of data and reports, but above all it allows to follow up operating anomalies in order to see to the actual removal of the causes that produced them.

Banca Sella was one of the 20 banks obtaining the renewal of the Patti Chiari certification, initiative for transparency towards customers measuring specific quality standards, such as the time needed for the disbursement of a loan, the availability of ATMs, the time needed to pay a cheque on one's account, etc.



DISTRIBUTION POLICIES

2005 was marked by the evolution and growth of the distribution network of the Bank, which strengthened its expansion policies and supported the placement of products and services answering to the specific requirements, needs and demands of customers.

Therefore, in 2005 the following actions were carried out:

- the network of corporate private bankers was strengthened, so as to cover almost all the areas in which the Bank has branches and give corporate customers a better assistance;
- the insurance savings business of the Group was enlarged thanks to the creation of insurance counters within branches, to a wider and more and more complete offer of products, to thorough internal and external communication and to the reinforcement of professionals, such as heads and responsables for insurance savings matters within business and geographic areas;
- assistance to customers in their investment choices, by means of expert staff that could to use new instruments to carry out risk measurement and in-depth analysis;
- new roles for geographic and territorial areas were identified, to develop and to pay attention to immigrant customers, leading to the creation of new products and services and to the opening, during 2006, of special dedicated counters within branches;
- the role of the geographic and territorial responsables for Sella.it/self-operated transactions was reinforced, in order to better and more promptly assist customers in their requests for information and/or activation of new products/services coming from the telematic channels and in order to better spread the culture and advantages of using banking services through channels other than the branch but complementary, such as internet banking, mobile banking and phone banking;
- the analysis of customers' behaviour and in-depth knowledge of them continued, with the aim of laun-

ching campaigns and commercial initiatives targeted to the customers' actual potential requirements.

The distribution network of Banca Sella in 2005 was composed as follows, according to the principles of giving a multi-channelled and customized offer. In 2006 will be constantly developed to efficiently follow all market requirements:

- Branches;
- Private Bankers;
- Corporate Customers Service;
- Financial Promoters and Financial Sales Points (of the subsidiaries Sella Consult and Banca Patrimoni ed Investimenti);
- Portal and Internet Banking;
- Mobile Banking;
- Corporate Remote Banking;
- Phone Banking;
- ATMs;
- Sales;
- Sales specialized by target of customers (retail, small business operators, immigrants, etc).

TRADITIONAL CHANNELS

BRANCHES

The 9 new branches were opened in those areas in which the presence was to be consolidated or developed and in which the best results were recorded, or in those areas in which the best opportunities for growth were identified, for example in Emilia, Toscana and Liguria.

In June the Luxembourg branch was transferred to Sella Bank Luxembourg, subsidiary of the Group already operating in the Grand Duchy. This operation, part of the current reorganization plan of the Group, was mainly aimed at improving efficiency, in particular of controls.

PRIVATE BANKERS

After the rationalization of investment products and services and the reorganization of the commercial

BRANCHES SUBDIVISION BY REGION AND GEOGRAPHICAL AREA

Regions	2005		2004	
	No. of branches	% weight of region on the total	No. of branches	% weight of region on the total
Piemonte	131	64,5%	132	67,7%
Sardegna	3	1,5%	3	1,5%
Toscana	3	1,5%	1	0,5%
Valle d'Aosta	6	2,9%	6	3,1%
Veneto	8	3,9%	8	4,1%
Campania	4	1,9%	3	1,5%
Emilia Romagna	11	5,4%	9	4,6%
Lazio	15	7,3%	15	7,7%
Liguria	7	3,4%	4	2,1%
Lombardia	14	6,9%	12	6,2%
Lussemburgo	0	0,0%	1	0,5%
Miami (USA)	1	0,5%	1	0,5%
TOTAL	203	100,0%	195	100,0%
ITALIA				
North	177	87,2%	171	87,7%
Centre	18	8,9%	16	8,2%
South and islands	7	3,4%	6	3,1%
Foreign branches	1	0,5%	2	1,0%
TOTAL	203	100,0%	195	100,0%

network of Private Bankers, carried out in 2003-2004, during 2005 assets of customers in the care of Private Bankers increased as follows:

- private banking assets under management by 8,9%;
- private banking assets in administration by 7,3%.

The total amount of both items stood at € 265,9 million.

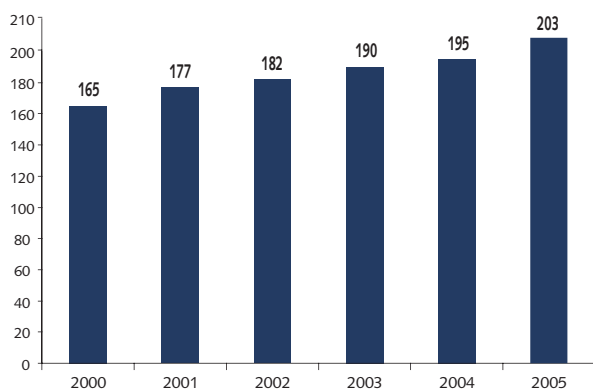
Private Banking in Banca Sella is organized following the Business Unit model. Private Bankers are expert staff of the distribution network dedicated to satisfy the complex requirements of private banking customers.

The range of services offered to customers to optimize the management of their family assets was widened thanks to the support of Sella Corporate Finance, a subsidiary of the Group.

CORPORATE CUSTOMERS SERVICE

The Corporate Customers Service is organized through a central coordination and local teams and involves the direct responsibility of Territorial Area Chiefs. Its guidelines and commercial strategies aim at giving better assistance and attention to small-medium enterprises, at cross selling of Group products and at a better management of credit and pricing. In 2005 the Corporate Customers Service, which was born during the previous year, was further strengthened to cover all territorial areas and to guarantee the best possible assistance to the customers on target.

BANCA SELLA - BRANCHES



FINANCIAL PROMOTERS AND FINANCIAL SALES POINTS

The financial promoters employed by the Bank for the distribution of its products and services belong to Sella Consult and Banca Patrimoni ed Investimenti.

Financial Sales Points of Sella Consult passed from 33 as at 31 December 2004 to 32 as at 31 December 2005, due to the opening of 2 new financial sales points and the closure of 3 of them.

The rationalization process started in 2004 continued in 2005, also involving financial promoters: these amounted to 304 as at 31 December 2005, while as at 31 December 2004 they were 363. The severance of 69 financial promoters, as against the drawing up of 10 new financial promoters contracts, involved promoters having a low turnover.

Banca Patrimoni ed Investimenti witnessed a decrease in the number of its financial promoters, amounting to 151 as at 31 December 2005 (175 as at 31 December 2004); during the year two financial promoters offices were closed, therefore the total number of offices now amounts to 9.

VIRTUAL BANKING CHANNELS

PORTAL AND INTERNET BANKING

In 2005 virtual banking channels recorded an increa-

se of their activity through the internet and e-mail messages were increasingly used to directly propose and offer products and services to customers and non customers. In order to keep up competitiveness and innovation and to offer a service that really meets the different requirements of customers, the Bank decided to periodically review and update the information and commercial section of the portal as regards layout, communication and navigation.

The policies underlying the management of the Sella.it multi-bank portal were focussed on innovation but also continued to:

- represent the Bank's and the Group's franchise in the Italian and international web world;
- offer customers the quickest and easiest means to operate on their current accounts, benefiting of discounts on costs of products and services with respect to branch costs;
- keep its role as informative channel;
- kept its role as commercial channel, thoroughly integrated with the branch network. During 2005, the commercial activity of the portal for the Group mainly focussed on the sale of current accounts, payment systems, mutual funds, POS and e-commerce.

Internet Banking, the home banking service of Gruppo Banca Sella for retail customers, recorded an increase of 20% of total operations if compared to 2004. The positive trend was achieved thanks to the increase in the number of customers and the enrichment of the offer of services, which can be described as operating (especially the payment of consumption rates) or informative (infos on mortgage loans, the Family Balance Sheet and the electronic diary notice services). Thanks to these initiatives, the internet channel positively contributed to the improvement of self-operated transactions levels.

Moreover, during the year the service was enlarged to Banca Patrimoni ed Investimenti customers, as proof of being the common online platform for the whole of the Group.

MOBILE BANKING

In 2005 the range of SMS services was enlarged, adding the antitheft Memo Shop SMS service to receive on the mobile phone notice of payment transactions and withdrawals from ATMs made by means of credit card, pre-paid card or Visa Electron and Cirrus Maestro (these two used on international circuits). This new service allowed for an increase in the number of customers using SMS services and in the volume of SMS sent.

CORPORATE REMOTE BANKING

The Corporate Remote Banking service, which enables corporate customers to operate on their current accounts via the internet, directed its activity as follows:

- to enlarge the activity of customers that are already operating through this service;
- to search for new corporate customers;
- to strengthen internal technological infrastructures in order to properly manage the growing transaction volumes and improving service levels.

During the financial year, volumes of transactions made through this product grew by 27% if compared to the previous year.

PHONE BANKING

An important review of the offer of the Phone Banking service was completed, based on the following changes:

- offer of new services by means of IVR - automatic answer system;
- new methods for the identification of customers (authentication is wholly made through IVR - automatic answer system);
- direct and quick way to access, in order to make the use of phone banking services quicker;

- review of pricing by the creation of two new services:

- Linea Diretta Basic (via the number 015-24.34.600): free annual subscription;
- Linea Diretta Plus (via the free toll number 800.328.328): payment of annual subscription required.

For both options fees are to be paid when fixed monthly thresholds for informative services (quotations, balance and movement of current accounts, residual credit and transactions of payment cards) are exceeded, both by operator and automatic answer system.

Therefore, productivity and automation of the service were improved and the Phone Banking offer was uniformed for all the banks of the Group.

As regards the borsino Sella.it (trading desk service on sella.it portal), in 2005 its activity increased thanks to the centralization of some trading services for institutional customers of the Group and to the growth in the number of customers and in volumes. Dealing profits recorded an increase of 30%, thanks to the growth in the number of executed transactions and in the average amount of fees.

Commercial activity (offer of credit cards to customers by phone contact) increased and the quality of customer care services was satisfactory. Customer care services achieved positive results both in terms of quality and in terms of reduction in their use by customers of the Group.

Moreover, the "Gestione Reclami entro le 48 ore" project ("Management of Complaints within 48 hours") allowed for an improved and synchronized cooperation between the different customer care services and the Complaints Department aimed at the solution of complaints of virtual banking customers.

MAIN BUSINESS AREAS - OPERATING VOLUMES

COMMERCIAL BANKING

CUSTOMER SAVINGS, CURRENT ACCOUNTS, SECURITIES ISSUED AND FUNDING POLICIES

In 2005 customer savings, current accounts and securities issued continued to grow, reaching € 5,354,6 million as at 31 December 2005, recording a 5,9% increase with respect to the previous financial year. This result is all the more positive if we consider that the amount is calculated excluding the volumes of the branch in Luxembourg, the assets of which were transferred to Sella Bank Luxembourg during the year.

Sight deposits showed a growth of 6,9%, thanks to the increase of current accounts: to the growth contributed in particular virtual banking current accounts and in general all package accounts, created to grant fixed costs to customers and liquidity to corporate customers on the basis of their transactions and annexed services.

The increase of repurchase agreements was very satisfactory, recording a growth of 21,9%.

Bond issues showed a decrease of 10,1%: only some of the bonds at maturity dedicated to retail customers were in fact substituted with new issues.

The offer of structured bonds continued to be mar-

ginal, aimed solely at satisfying specific needs of customers.

LOANS

Loans reached € 4,294,3 million, growing by 8,5% if compared to the previous year.

This very satisfactory result is calculated excluding a securitization of performing mortgage loans completed in October 2005, for an amount in the line of capital of about € 260 million, and excluding the branch in Luxembourg, which transferred its assets to Sella Bank Luxembourg during the year.

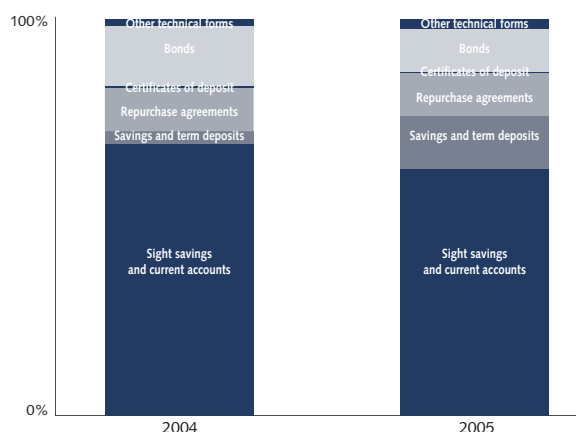
Loans increased also thanks to the financial support to subsidiaries, which used the centralized treasury service for their funding.

Guarantees reached € 426,8 million, increasing by 38,2% if compared to the previous year. As is the Bank's custom, financial support to customers was focussed on small business operators, small medium sized businesses and families, both in zones of traditional presence and new ones, paying particular attention to the subdivision of credit and to the diversification of economic sectors. The first 20 borrowers, excluding subsidiaries, as at 31 December 2005 amounted to 13% of the total of loans.

In 2005 the Bank, thanks to the positive trend of the

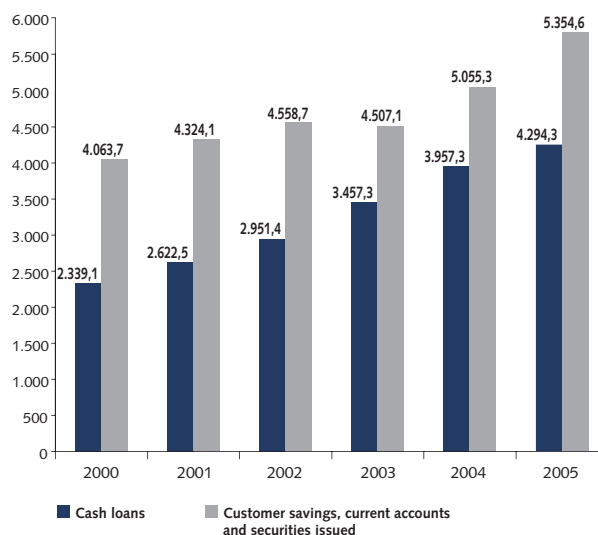
CUSTOMER SAVINGS, CURRENT ACCOUNTS AND SECURITIES ISSUED: TECHNICAL FORMS

(figures in percentage)



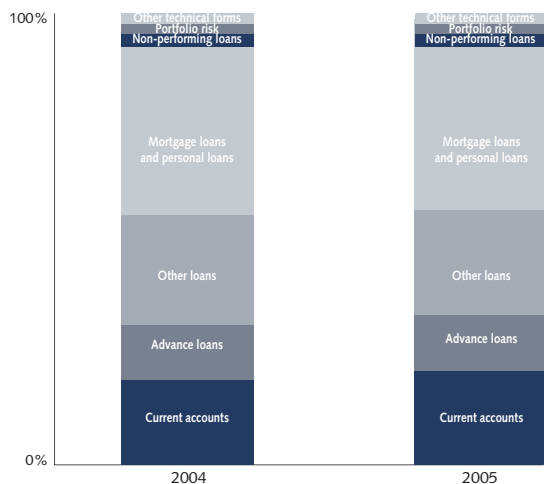
CUSTOMER SAVINGS, CURRENT ACCOUNTS, SECURITIES ISSUED AND CASH LOANS

(figures in EUR million)



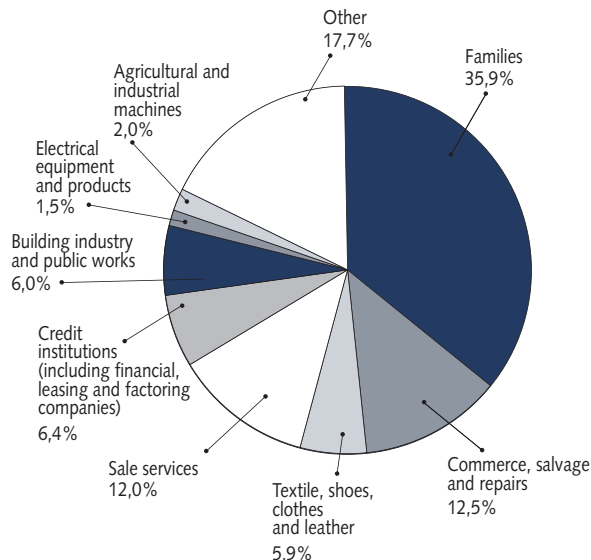
CASH LOANS: TECHNICAL FORMS

(figures in percentage)



TOTAL LOANS BY INDUSTRY

(figures in percentage)



sector, continued in its activity of granting of house mortgage loans to families, also financing building companies and subsequently placing the debit on the final buyer.

New disbursement of loans in 2005 amounted to a total of € 314 million.

The Bank continued to study and create new forms of mortgage loans to allow the new requirements of customers as for conditions and length in time; insurance products were added to mortgage loans products so as to cover also the risk related to loan losses.

As regards families, the Bank disbursed loans and issued revolving credit cards both directly and indirectly by means of Consel (subsidiary specialized in consumer credit facilities).

Moreover, the Bank in 2005 also stipulated agreements to finance university courses and masters, both in Italy and abroad, by way of loans with especially favourable rates, providing for the reimbursement of capital only at the completion of course studies.

Corporate demand involved both short-term loans for cash and medium-term loans for investment, research and the rescheduling of short-term debt.

A profitable cooperation for the financial support to

small-medium sized companies continued to take place with Guarantee Syndicates operating in the regions where the Bank is present, with Artigiancassa (the craftsmen association) for its sector of competence and with Mediocredito Centrale for the granting of loans to finance production investments, technological and product innovation, research for new markets and the management of environmental impact (in application of facilitations as provided for by law). Corporate customers investment demands were also supported cooperating with the subsidiary Biella Leasing.

In 2005 the activity of attribution of an internal rating to borrower companies was further enlarged and refined; this activity was also explained to customers both individually and by means of the organization of and attendance to seminars on the purpose.

The Parent company gave remarkable contribution to the creation of new technological supports for the activity of analysis, disbursement and management of credit, with the aim of achieving a better efficiency in the management of risk.

In 2005 staff was trained on risks and on the management and granting of loans.

LOANS PORTFOLIO QUALITY

Non-performing loans

Net non-performing loans, increased if compared to 2004, passed from € 35,6 to € 41,9 million; mainly due to the unfavourable economic situation of the whole of 2005, which influenced the results thereof. The ratio of net non-performing loans over cash loans grew from 0,9% to 1%. New inflows to non-performing loans reached the amount of € 44,8 million as against € 39,2 million of 2004. Collections for non-performing loans amounted to more than € 13 million, while in 2004 these reached € 17,7 million, € 5,9 million of which related to the closing of one position.

Among the 7.439 non-performing loans files, the positions up to € 50.000 accounted for 92,5% of the total number (amounting to 39% of total volumes), while positions up to € 5.000 represent 52,4% of the total number.

Watchlist loans

Net watchlist loans (i.e. loans to subjects whose temporary difficulty is deemed to be recovered in a suitable period of time), including the settlement of interest, recorded a remarkable decrease (46,5%), passing from € 67,3 million to € 36,0 million. The strict and incisive policy of risk monitoring continued both by the aid of automated instruments and by the system of analysis and application of the internal rating. The volume of inflows to watchlist loans showed a 14,6% reduction pas-

sing from € 53,6 to € 45,8 million.

Restructured loans

In the second quarter of 2005, three positions belonging to the same group were recorded for a total amount of € 13,9 million. These companies are active in the textile field, for which a plan for the rescheduling of credit was agreed, including the medium-long term settlement of part of the debit, a three-year financing involving pre-amortization and the reconfirmation of credit discount lines. The plan also includes the project for the transfer of activities and of property.

As to today pre-amortization interest was regularly paid.

The only two positions for year 2004, amounting to € 4,2 million, belonging to another group, during 2005 were entered at non-performing loans due to the failure of the plan for the rescheduling of credit agreed with banks and the following proceedings by which assets are shared out fairly among creditors.

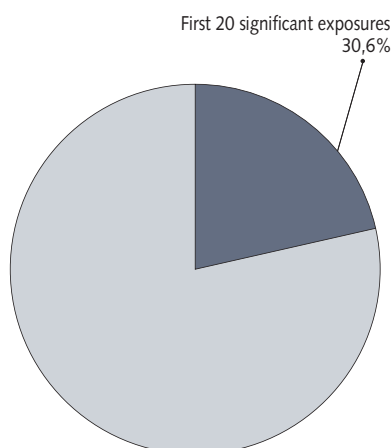
ASSETS UNDER MANAGEMENT AND SECURITIES HELD IN DEPOSIT

At the end of the financial year, assets under management and securities held in deposit, which include the various forms of managed assets (excluding cash relevant to assets under management) and customers' securities in administration reached € 16.485 million, showing an increase of 2,2% over 2004.

LOANS PORTFOLIO QUALITY (euro million)			
	31/12/2005	31/12/2004	% variation over 2004
Cash loans	4.294,3	3.957,3	8,5%
Net non-performing loans	41,9	35,6	17,7%
Net non-performing loans/cash loans	1,0%	0,9%	0,1%
Net watchlist loans	36,0	67,3	-46,5%
Net watchlist loans/cash loans	0,8%	1,7%	-0,9%
Net restructured loans	11,4	3,0	285,3%
Non guaranteed loans exposed to country risk	2,8	3,3	-15,2%
Write-downs to loans (item 120 of the income statement)	32,8	40,6	-19,2%
Write-ups to loans (item 130 of the income statement)	7,3	5,0	46,0%
Net write-downs to loans	25,5	35,6	-28,4%
New inflows to non-performing loans	44,8	39,2	14,2%
New watchlist loans	45,8	53,6	-14,6%

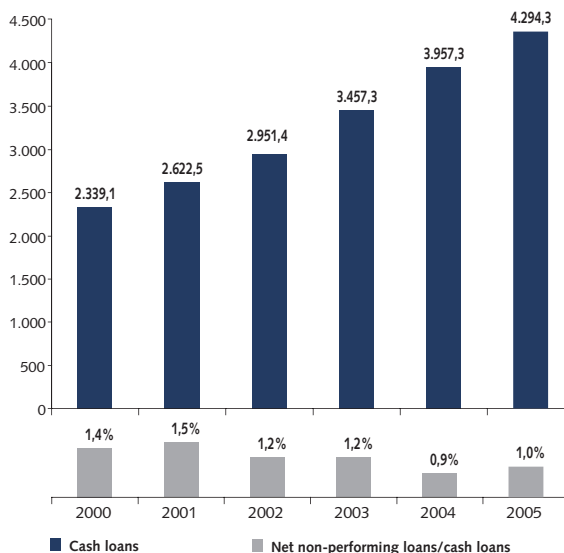
IMPACT OF THE FIRST 20 SIGNIFICANT EXPOSURES ON TOTAL LOANS

(figures in percentage)



CASH LOANS AND NON-PERFORMING LOANS

(figures in EUR million)



ASSETS UNDER MANAGEMENT AND SECURITIES HELD IN DEPOSIT (euro million)

	31/12/2005	31/12/2004	% variation over 2004
Centralized assets under management ⁽¹⁾	1.823,6	1.552,9	17,4%
<i>of which: mutual funds and sicavs</i>	1.433,3	1.127,5	27,1%
Private banking assets under management ⁽¹⁾	2.011,3	2.024,2	-0,6%
<i>of which: mutual funds and sicavs</i>	333,7	273,7	21,9%
Mutual funds and sicavs ⁽²⁾	2.481,3	2.317,1	7,1%
TOTAL ASSETS MANAGED	6.316,2	5.894,3	7,2%
Securities in administration ⁽³⁾	7.646,1	7.561,8	1,1%
Securities issued by the Bank	403,4	573,2	-29,6%
Securities in deposit related to custodian bank services	2.282,5	2.241,5	1,8%
TOTAL ASSETS UNDER MANAGEMENT AND SECURITIES HELD IN DEPOSIT (including cash related to assets under management)	16.648,2	16.270,7	2,3%
Cash related to assets under management	163,2	140,2	16,4%
TOTAL ASSETS UNDER MANAGEMENT AND SECURITIES HELD IN DEPOSIT (excluding cash related to assets under management)⁽⁵⁾	16.485,0	16.130,6	2,2%
Insurance savings (stock)	606,5	555,2	9,2%
TOTAL ASSETS UNDER MANAGEMENT, SECURITIES HELD IN DEPOSIT AND INSURANCE SAVINGS (excluding cash related to assets under management)	17.091,5	16.685,8	2,4%

⁽¹⁾ Including cash (current accounts and deposits) and mutual funds and sicavs units.

⁽²⁾ Excluding mutual funds and sicavs included in centralized and Private Banking assets under management.

⁽³⁾ The sum of this amount and the amount of mutual funds and sicavs not included in centralized and Private Banking assets under management and of securities in deposit related to custodian bank services is shown at Section 12 of the Explanatory Notes to the Financial Statements, Part B, item "Third parties securities held in deposit (excluding assets under management)".

⁽⁴⁾ The volume of securities in administration for 2004 was influenced by the temporary transit of securities pertaining to the subsidiary Gestnord Intermediazione (amounting to about € 1,2 billion) due to the merger of the same company with Sella Investimenti Banca (now Banca Patrimoni ed Investimenti) completed at end of 2004 (net of this amount securities in administration amounted to € 6,3 billion). The figure for 2005 is not influenced by such operation.

⁽⁵⁾ The amount is the sum of the following items of Section 12 of the Explanatory Notes to the Financial Statements, Part B: table 12.2 item "Assets managed on behalf of customers" and table 12.3 item "Third-party securities held in deposit (excluding assets under management)".

ASSETS UNDER MANAGEMENT

Total assets under management (centralized assets under management, Private Banking, mutual funds and sicavs) passed from € 5.894,3 million as at end 2004 to € 6.316,2 million at end of year 2005, with an increase of 7,2%.

The trend confirms what was already highlighted for 2004:

- reduction of volumes of mutual funds and sicavs under Italian law;
- growth of volumes of mutual funds and sicavs under Luxembourg law;
- decrease of traditional assets under management;
- growth of "total return" asset management products and of those products involving a yield objective;
- slight decrease of traditional private banking assets under management.

The market highlights that customers mainly tend towards maintaining their assets, even though products bringing the best returns are total return ones, both collective and individual; this confirms the need to delegate the management of assets to professional managers.

The new "multi-line" asset management product was positively received by those private banking customers having a stronger need for personalization of the service.

In 2005 the aim was to keep on improving the quality of performance of managed assets and to rationalize management products and lines, data of which were encouraging, both on individual and collective products.

Centralized assets under management

As at 31 December 2005 the volumes of centralized assets under management stood at € 1.823,6 million, recording a 17,4% increase, thanks to the successful new products involving a yield objective. The remarkable development of such type of assets management, exclusively including mutual funds and sicavs, allowed for the component invested in mutual funds and sicavs to increase by 27,1%, reaching € 1.433,3 million.

Since September, the new range of individual assets

management, uniform for retail and private banking customers, has been active, therefore simplifying and reducing to 23 the lines that may be underwritten. In 2006 the rationalization process will be completed and all private banking asset management poles will be united in one only asset management team.

Private Banking assets under management

The volume of Private Banking assets under management recorded a decrease of 0,6% if compared to 2004, reaching € 2.011,3 million, € 333,7 million of which of mutual funds and sicavs units (+21,9% with respect to 2004).

Private banking customers as well tended towards total return products, which showed an increase of individual asset management of private banking customers of 8,9%, passing from € 2.087,5 million of 2004 to € 2.274 million of 2005.

Mutual funds and sicavs

During the year Gestnord Fondi^(*) and Sella Global Strategy Sicav (two of the main asset management companies the products of which are distributed by the Bank) carried out a rationalization of the range of products by means of merging and which involved 8 mutual funds, 1 fund of funds section and 5 sicav units. Sella Global Strategy Sicav also started the liquidation of 5 units.

Sella Sicav Lux on the other hand enlarged its range of products with 6 new units.

Gestnord Fondi^(*) may now place in Italy a range of 30 products, including mutual funds and open funds, Sella Global Strategy Sicav 8 units and Sella Sicav Lux 14 units.

As at end 2005 the value of assets invested in mutual funds and sicavs grew from € 3.718,2 million of 2004 to € 4.248,3 million.

The percentage of net inflows on the growth of the portfolio in 2005 was equal to 7,6% if compared to the 1,4% of the system.

Inflows were mainly concentrated on money market

^(*) From 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merger of Fiduciaria Sella S.I.M.p.A into Gestnord Fondi SGR S.p.A.

and bond related mutual funds and sicavs, showing also a good recovery of stock related ones.

Online asset management

The total value of online transaction (investments and disinvestments made by customers) reached € 390 million. Net inflows were damaged, contrary to the trend of the latest three-year period, by the negative results of mutual funds.

The number of online transactions made by retail customers grew by 14% if compared to 2004 and was in particular influenced by the increase of transactions on mutual funds and sicavs (+25,4%).

The interest of customers was mainly directed towards those asset management products that showed a good quality of results.

INSURANCE SAVINGS

In 2005 the Bank continued in its policy of offering quality products, in line with the strategies of the new "Sella Sicurezza e Protezione" (i.e. Sella Safeguard and Protection) brand characterizing policies marked by transparency and quality. During the year the main events involving insurance savings were the following:

- in 2005 collection reached € 108,4 million (€ 72,5 million in 2004), due to the maturity of € 73,9 million of index linked policies, which contributed to the increase of the new production. The best sale products were index linked policies and, to a lesser degree, traditional policies issued by the subsidiary insurance company C.B.A. Vita;
- the sale of protection policies was boosted: whole life policies, permanent disability and job loss policies were a great success;
- the impact of CPI (Creditor Protection Insurance), meaning more guarantees (death, disability, job loss) related to mortgages passed from 6% of 2004 to 18% of 2005 on stipulated mortgages;
- the Credit Protection Insurance line, launched in November 2004, allowed for the level of guarantees sold to reach 63% of the total number of insurable personal loans in 2005;

- the marketing of social security products (FIP), of health insurance policies and policies covering situations of non self-sufficiency (LTC), of policies for the safeguard of property and of civil liability policies was stable with respect to the previous financial year;
- Sella Life, the Irish insurance company of the Group, continued to place Unit Sella Personal Life, with satisfactory results, reaching a production of € 21 million.

ASSET ADMINISTRATION AND INVESTMENT SERVICES

The aggregate of third party securities held in administration (excluding assets under management, mutual funds and sicavs, securities in deposit related to custodian bank services and securities issued by the Bank) reached, at end of year 2005, € 7.646,1 million, increasing by 1,1% on annual basis.

In order to support the quality of customer care services related to investments, during the year the following activities continued to be carried out:

- the development of activities and initiatives aimed at improving the knowledge of customers on the characteristics and risks of investments in financial instruments and products;
- update of customers' profiles, in order to have complete and updated information on the characteristics of customers as regards risk propension, knowledge of financial instruments, expertise in investments and investment objectives: these information are taken into account in the relationship with customers, so as to optimize the quality of the sale process;
- training of staff on financial instruments, on risks and on principles and rules provided for by the Asset Management Internal Regulations;
- alerting of the distribution network (and consequently of customers) on the trend of securities for which, following the economic/financial trend of the related issuing companies, an increase of risk was identified;
- further improvement of the so-called "Termometro

del Rischio" ("Risk Thermometer"), a tool devised to enable customers to easily and immediately understand the degree of risk related to the various financial products and instruments. Rules and processes were fixed to achieve a measurement of the degree of risk of individual assets management;

- improvement of new instruments to better assistance to customers in their decisions on investments;
- study for the offer of new services for the information/statement of account were devised, to offer customers higher quality and more complete information to customers on their securities deposits;
- participation to the work group working on the "Patti Chiari" initiative (association for transparency towards customers) relevant to the IX initiative, involving all levels in the decision making chain.

CUSTODIAN BANK AND CORRESPONDENT BANK SERVICES

In 2005 volumes related to custodian bank services increased by 3,5%. Nevertheless a reduction of fees for custodian bank services applied by the Bank to mutual funds of Gestnord Fondi^(*), to the advantage of the total performances of mutual funds and therefore of customers of the asset management company, led to a decrease of income by 15,6%.

On 30 November 2005 the "Archivio Unico" (i.e. "Unique Archive") project was completed, which allows for the sharing (among the asset management companies, Group investment dealers and Custodian Bank) of data and of applications for the underwriting and distribution of mutual funds of Gestnord Fondi^(*).

As regards services to mutual funds and sicavs under foreign law (for which the Bank carries out the payment activity and the placement in Italy), income grew by 80,9% if compared to the previous year, thanks to the enlargement of the range of mutual funds and sicavs

(from 4 to 10) and of subjects placing them, also outside of Gruppo Banca Sella, to which the service was offered. This process will continue in 2006 together with a strengthening of the offer by adding new services to investment dealers.

FINANCIAL MARKETS

DEALING AND TRADING ON FINANCIAL MARKETS

The dealing and trading activity of the Bank on the financial markets on own's account and on behalf of third parties (including Trading On Line) recorded, as at 31 December 2005 and 31 December 2004, the following domestic market shares:

	2005	2004
MTA	3,98%	4,15%
(in after hours trading)	(6,96%)	(6,09%)
SeDeX	0,48%	1,10%
IDEM - S&P/MIB Future	6,48%	5,77%
IDEM - MINIFuture	21,79%	19,76%
IDEM - S&P/MIB Option	12,80%	11,47%

(Source of data: Assosim)

These market shares, if compared to 2004, show a slight decrease on the SeDeX and MTA (Italian Telematic Stock Market) markets, and a remarkable growth as regards IDEM - S&P/MIB Option, S&P/MIB Future and MiniFuture circuits.

SECURITIES DEALING ON BEHALF OF THIRD PARTIES

Securities traditional dealing

The financial year closed with a growth of income of about 2,5% and of volumes of about 10%, if compared to a year earlier.

These results were obtained mainly thanks to an

^(*) From 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merger of Fiduciaria Sella S.I.M.pA into Gestnord Fondi SGR S.p.A.

increase of institutional customers' transactions, as in 2004, and to the achievement of objectives fixed for the distribution network.

The main increase of volumes was recorded on stock markets, in particular on the domestic and then on foreign ones, particularly influenced by the changed external economic background, thanks to the rise of the main international stock exchanges.

The process for the centralization of trading activities allowed for:

- one only access to the Italian stock exchange of the Bank, providing for costs saving and better efficiency at a Group level;
- recovery of resources within each single Bank of the Group.

A good profitability was kept thanks to initiatives for branches and interventions to support the maintaining of the average commission, in a context of strong competition and growing downward pressure on commissions.

The Bank carried out its activity of control on operating risks, in particular through the creation of procedures aimed at reducing the manual character of the work of operators and at improving efficiency and productivity.

Trading On Line

In 2005 this business area continued in its development strategy based on:

- the growth of market shares and of trading volumes;
- the strengthening of the direct relationship with customers and of the franchise;
- the technological improvement of trading platforms and services.

The positive effects of this strategy were in particular recorded on the trend of income, which increased by 20,6% as regards stocks and by 3,3% as regards derivatives, if compared to 2004. Market shares grew as regards Italian stocks and options, while a slight decrease was recorded on futures, mainly due to the low volatility that reduced the opportunities of the typical activity of

traders on these products.

Among the projects that were achieved we recall: the offer of Trading On Line services to Banca Patrimoni ed Investimenti (a subsidiary of the Group), the homogenization of the offer of trading services to all banks of the Group by means of the Tol Plus and Sella Extreme platforms, the IT and organizational activities necessary to grant the company's reorganization of 1 January 2006.

The development of the professional Sella Extreme platform continued with the introduction of advanced functions on the trading book.

The trading of derivatives was enriched with the introduction of 12 new products which may be traded on the foreign Eurex and CME markets and of the margins simulator, which allows customers to get to know beforehand the amount of the initial margins required for a real or fictitious portfolio. Moreover, a system for the real time management of margins on the CME market was set up, which repeats the methods used by the clearing house, as was already done in 2004 for the IDEM and Eurex markets. The real time information on prices on foreign markets was improved both on stock and derivatives markets. Following the positive feedbacks of past years the Trading On Line division has increased training activity directed to customers and attendance to events.

The trading online section on the Sella.it portal and the handbooks on platforms were completely reviewed according to communication methods studied for the web.

The policy of franchise strengthening was carried out through an advertising campaign on the main national financial newspapers using the "trader instinct" brand to advertise the opportunities offered to traders by the Sella.it TOL service, created to develop at best their skills.

TRADING ON OWN ACCOUNT AND TREASURY ACTIVITY

During 2005, trading activity on own account gave a positive contribution to Income Statement in terms of profit, even though recording a slight decrease if com-

pared to the previous year. The Bank maintained its presence as Primary Dealer on the Italian Telematic Government Bonds Market (MTS), showing a 1,6% market share (1,2% in 2004) and growing profits if compared to the previous financial year.

Volumes traded on own's account on the Italian Telematic Stock Market (MTA) allowed for a 2,1% market share (2,9% in 2004). Profits, even though positive, recorded a decrease.

As regards trading activity on own account on stock markets, in 2005 the Bank still carried on a moderate activity on European stock markets, while the trading of derivatives was mainly centred on instruments listed on the regulated markets IDEM (Italian Derivatives Stock Market), Eurex (of which in May 2005 the Bank became a direct member) and, to a lesser degree, Liffe. Direct membership to the Eurex favoured an increase in the trading of debt instrument derivatives, while activity on stock index derivatives was substantially unvaried.

As regards the IDEM market, the Bank kept its role of Primary Market Maker on the S&P/MIB Stock Exchange Index options and on MiniFuture on the same stock exchange index. This activity confirmed the excellent profits and excellent compliance to the parameters fixed by Borsa Italiana S.p.A., as always done in 2004.

In 2005, 62 series of covered warrants indexed to the S&P/MIB Stock Exchange Index were issued, also carrying out its market maker role. Activity on the spot and forward markets confirmed its orientation towards the former, on which it traded about € 61,9 billion.

As regards Money Market activity, the Bank strengthened its activity both on interbank deposits (trading a total of € 142,7 billion on the e-MID and OTC markets) and on the repurchase agreements market (for a total volume of € 212,6 billion traded on the MTS and PCT markets). Activity on the short-term rates derivatives market was small (together OTC and e-MIDER circuits totalled volumes for € 1,2 billion), influenced by the low volatility of short-term rates. On the whole, the Forex and Money Market desks recorded positive results, showing an increase if compared to 2004.

The Group Treasury project was fully achieved, including all Group subsidiaries relevant to this activity, allowing for a better and more effective management of liquidity, a better control and management of exchange rate and of interest rate risks on a consolidated level, as well as a more careful asset & liability management activity for the Group.

PAYMENT SYSTEMS

Traditional payment systems

The year was marked by an average growth of volumes and profits of 8% with respect to the previous financial year.

During the year, in order to assure customers greater transparency in the offer of cross border payment systems, the pricing was completely reviewed and the commercial offer was updated adding new products exclusively dedicated to immigrant customers (Money Transfer). Cooperation agreements with major institutions in Ecuador, Morocco, Tunisia, Albania, Brasil, Argentina, Sri Lanka, Philippines and Senegal were signed in order to offer this service at extremely competitive prices.

Electronic payments system

The Acquiring and P.O.S. (Points Of Sale) services in 2005 recorded an increase of volumes, thanks to the increase in the number of P.O.S. devices installed and to the offer of innovative products such as the Multicurrency service. Moreover, thanks to the positive contribution of Easy Nolo (a subsidiary of Gruppo Banca Sella developing innovative solutions for payments), value added services were implemented on P.O.S. in addition to the service for the acceptance of payments: phone recharges, electronic luncheon vouchers, fidelity cards and cheques guarantee.

Activity related to debit and credit cards recorded a fairly good increase in the number of cards issued, a satisfactory growth of volumes generated by the use of cards and a remarkable increase of phone recharges and

credit card withdrawals from ATMs. Commercial development was carried out by the different distribution channels, aimed at growing in the sector of products dedicated to corporate customers (business, corporate and travel credit cards) and to retail customers, in particular revolving credit cards and rechargeable pre-paid cards.

The marketing of co-branded credit cards continued, in cooperation with the relevant commercial partners aiming at the acquisition of new customers for the banks

of the Group.

The launch of the antitheft SMS "Memo Shop" service is to be pointed out, aimed at reducing frauds to customers in case the card was stolen or cloned.

E-commerce reached satisfactory results in the growth of volumes and income, thanks to the success of the Server to Server Gestpay platform, especially appreciated by customers being easy to use and complete in its functions.

OPERATING STRUCTURE

RISK MANAGEMENT AND INTERNAL CONTROLS

According to Law by Decree 231/2001 on "regulation of administrative responsibility of juridical persons, of companies and of associations even if lacking legal status", the Supervising and Control Committee continued its activity of supervising on the functioning and compliance to organizational and management models as provided for by the decree in object, as well as taking care of their update.

In 2005 the Bank outsourced the following services to the Parent company:

- arrangement of all that is necessary in order to grant customers the possibility of calculating the capital requirements relevant to operating risks using the standard method instead of the basic one, under the terms that the customer is exclusively responsible for a correct, prompt and complete loss collection;
- supplying and maintenance of the line controls platform in order to reduce the exposure to risk of the specific activities;
- supplying and maintenance, from the second half of 2005, of the line controls dashboard, which functions as Key Risk Indicator of the residual risk related to line controls activity;
- supplying of reports summarizing the analysis and the anomalies that might be identified: serious anomalies are promptly communicated to customers.

For details on this item please refer to the internal controls section of the consolidated annual report.

In 2006, subject to authorization by Banca d'Italia, Finanziaria Bonsel S.p.A. will merge into Sella Holding Banca, which will become the new Parent company. Therefore Risk Management activity, after the merger, will be offered by Sella Holding Banca as Parent company.

INFORMATION TECHNOLOGY AND ORGANIZATION

During the year, the Information Technology and Organization activity of the Bank continued to be focused on the in-house development of applications, paying constant attention to the improvement of organizational expertise of staff, to the availability of software development resources and to the flexibility of the informative system architecture.

Among the activities we recall the following:

- creation of operational architectures in view to the company's reorganization of 1 January 2006, described in the following chapter "Remarkable facts after closing of the financial year";
- setting up of the infrastructures and supplying of the multi-bank IT system to Banca Patrimoni ed Investimenti from 1 January 2005;
- review of the procedures for the centralization of specific businesses, in particular related to electronic and traditional payment systems and to the custodian bank service;
- improvement and enrichment of the instruments necessary to offer a better information to customers and a better control of portfolios managed;
- completion of disaster recovery technological infrastructures of the central engine rooms and continuation of the business continuity project;
- total review of the central infrastructures of the data center in order to adjust them from a technological point of view and to support the growth in volumes;
- setting up of the electronic loan files production procedure and of the first package of the purchasing process in the new IT system;
- carrying on of the migration process of the IT system software to the new "open" technology, structured on a three levels architecture;
- increase of cooperation between the Bank and the companies of the Group for the centralization of IT and control systems and coordination of the same.

RESEARCH AND DEVELOPMENT

The Bank does not carry out a proper research and development activity, while it focuses its innovation activity on new products and new channels, as well as on technological update.

The introduction of an open source software in operating production environments was completed, both as regards the management of software development instruments and instruments for the monitoring of systems.

The Bank joined work and research groups organized by the Italian Banking Association (ABI), among which:

- the ABILAB Committee (aimed at “technological research in a pre-competitive environment within the banking world”, within the work group on IT security and business continuity);
- the Customer Retention and Commercial Performance of Banks work group: retail, methodology and Small Business.

IMPROVEMENT OF PRODUCTIVITY

The Bank in 2005 aimed at optimizing operating processes, in order to diminish the time devoted to administrative tasks and favour business activities and the relationship with customers.

Particularly important was the review of the loan granting process, by means of the electronic management of loan files.

The project for the review of technological structure and of the layout of branches was set up: during the year a plan for the substitution of old hardware was carried out, together with an increase of the number of printers and internet points and the installation in

8 branches of new devices for the management of cash (cash-in/cash-out) that speeded up cashiers work and eliminated unguarded cash.

The adoption of these devices, removing entrance barriers and the subdivision into independent operating areas (transactions area, advisory area, 24h self area), introduced the idea of “open” branch, at the same time keeping the levels of security inside the branches unchanged.

HUMAN RESOURCES

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

As at 31 December 2005, total staff of the Bank amounted to 2.290 employees, showing a net increase of 26 people with respect to the previous financial year, 80 of which on leave of absence or maternity leave.

Variation in the number of staff was influenced by:

- the employment of specialized resources at head office structures;
- the constant attention paid to the reduction of pure administrative and low value added jobs, thanks to processes which automated and reorganized standard procedures; to this purpose the minutes of the meeting of 1 September 2005 between the Parent Company and the Trade Unions were signed, containing the decision to identify other administrative tasks to be outsourced to Selir, Romanian company of the Group, in addition to those deliberated in the meeting of 28 June 2004;
- the employment of professionally qualified and expert staff in commercial and distribution structures.

During the year 190 people were employed (of which 7 with apprenticeship contracts, 55 with introduction contracts – a new kind of apprenticeship contract, 59 with temporary contracts and 69 with open-ended

contracts), while 164 contracts expired (including 3 for retirement and 44 for transfers to other companies of the Group).

At the end of the year, the staff's average age reached 35 years and 1 month, while average seniority was 8 years and 6 months, both showing a slight increase with respect to the previous year.

On 27 June 2005, the Parent Company and the company's Trade Unions stipulated agreement, acknowledged by Banca Sella, for the voluntary use of the extraordinary benefits of the "Income, employment and

re-training fund for staff in the banking industry"; 14 people accepted the proposal, 5 of which will have access to the fund from 1 January 2006 and the remaining 9 during 2006 and within 1 January 2007.

The total of staff expenses amounted to € 111.8 million (+4,7% with respect to 2004). In 2005 also, the Bank linked part of the wages to meritocratic and objectively measurable parameters such as income, volumes, respect of service levels and deadlines in the accomplishments of projects.

2006 OUTLOOK

ECONOMIC BACKGROUND

The development of the Bank is strongly influenced by the macroeconomic background, the forecasts on which are based on the following assumptions:

- the growing globalization led to a change in international geopolitical and economic balances, confirming the increased importance of emerging economies on the international scenario.

Expectations on the development of the Asian area should remain high, even though to a lesser degree with respect to the latest three-year period, as this area is damaged by the trend of prices of energetic products as well. It is deemed likely that USA economy might record only a decrease in its growth in 2006-2008, in spite of a potential negative effect of the trend of energy prices and the possible slowdown of the real estate market. The Eurozone, even though showing signals of an improvement of its economic growth, continued to record a weak internal demand and structural inelasticity of some economic sectors; these are negatively influenced by the delays which piled up during the process of update and renewal of industry, necessary in order to answer at best to the higher pressure of competition, mainly due to the rising of new economies. In the next three years a positive contribution to growth might come from investments, needed to adjust processes and increase profitability, and stimulated by especially favourable financial conditions, by the high amount of cash owned by companies and by the better forecasts on export. The positive figures on the growth of GDP for 2005 confirm the improved forecasts on Japan's economic development; this country continues to benefit from the positive climate surrounding Asian economies. Still, a solution to deflation has not been found, even if it is likely that a slow recovery of the trend of consumer prices might take place in the next three-year period. Development expectations for China and India, even though a slowdown is forecasted in the three years under exam, remain at a good level;

- the expected scenario shows all the dangers influencing the expectations on Italian economy, which will remain weak and with a small increase of its GDP growth rate, probably lower than the average of EU. Growth forecasts for Italy, for the 2006-2008 period, even though improved if compared to the recent past, continue to be weak. The lack of a structural improvement of the labour market might again lead to delay a definite recovery of private consumption. The remarkable increase of the price of commodities is to be seen in this context, inevitably influencing production costs and the purchasing power of families;
- short-term interest rates, taking into account the latest increases of the official discount rate decided by the FED, should limit a further growth in the USA: within a context in which inflation pressure is under control and growth forecasts are slowing down, the restrictive monetary policy period is likely to be over in a short time. In the Eurozone, after the two official rate increases decided in the meetings of December 2005 and March 2006, a period of heavy restrictive interventions from the ECB is not likely to begin, this should reduce pressures for an increase on short-term rates. Therefore, long-term interest rates are not likely to show remarkable increases, and a substantial stabilization of the differential between yields on the USA market and the Eurozone should take place;
- the likely although gradual improvement of the USA twin deficits in the next three years and the gradual although slow modification of the exchange system by Chinese authorities should allow for a stabilization of the US currency in terms of real exchange rates, that is towards the main commercial partners.
Strongly influenced by the above mentioned scenario, the following trends are forecasted for the Italian banking and financial system on the whole:
- feeble expectations for a growth of profits, as against the reduction of unit margins and the economic trend of the country;

- worsening of credit risk in the above mentioned three-year period. If in the next few years, corrective actions to boost the competitiveness of the Italian industry will not be identified, it is likely that the quality of assets might worsen in spite of the limited increase of interest rates;
- beginning of a period of changes as far as companies structures are concerned and as regards further mergers, in particular cross border operations within Europe, which might gradually change the competitive context;
- constant increase of compliance costs deriving from more pressing regulations and related to the necessary control structures side by side with the more and more complex organizational architectures;
- growing influence of technological innovation as decisive factor for the banking and financial sector as regards the offer of services (together with their quality), as regards the impact on corporate organization, on the efficiency of processes and on economies of scale and as regards the means of relationship with customers (multi-channel approach);
- increase of the various components of operating risk (legal, franchise, from external events such as terrorism, from the bad functioning of technologies), also due to the increased critical attention paid by the public opinion on the banking system, followed by growing compliance costs and an increase of regulations;
- increase of the interest towards the offer of banking services for "over-50" customers, considering the current demographic trends of Europe;
- critical state of the relationship with customers. The low trust of the public opinion on the work of banks as regards transparency of behaviour and of conditions will potentially make the relationship with customers weaker: those banks that will be able to recover in a shorter period of time clearness and trust in the relationship with customers, will obtain a competitive advantage in comparison with institutions that are weaker from this point of view.

STRATEGY, VOLUMES AND PROFITABILITY OF THE BANK - EXPECTATIONS ON THE TREND OF THE 2006-2008 STRATEGIC PLAN

In connection with the above mentioned macroeconomic background, to face up the challenges of the changing market and to improve profitability and competitiveness, the Bank shall continue to observe the guide lines included in the Group Strategic Plan, insisting on a high quality offer and on a culture of strong ethic and behavioural values. In particular wagering on:

- the continuation of growth in size and in the number of customers, in a context of high quality and competitiveness of the offer by means:
 - opening of new branches and development of new customers, pursuing geographical diversification so as to avoid the negative effects of depending on local economies, to diversify risks and to catch the opportunities related to the fluctuation of saving and development dynamics;
 - continuing to carry out the policy of multi-channel approach and cross selling, by further strengthening the synergies and mechanism of mutual cooperation among the various banks and specialized companies of the Group;
 - constantly searching for new businesses and diversification of the same;
 - developing those sectors showing a higher growth;
 - continuing the development on strategic targets of customers, such as immigrants, companies in the agricultural sector, insurance sector in general and consumer credit;
- the renewal and strengthening of the organizational architecture to support enhanced controls and an improvement of efficiency, by means of:
 - the refinement and automation of controls, to curb operating risks;
 - a careful analysis of complaints to improve services, products and the process of sales organization;

- a constant monitoring of branches processes, in order to put in place the necessary interventions to increase productivity and have more time to dedicate to the customer relationships;
- pushing for a further increase in the use of telematic services by customers, especially as regards low value added operations;
- pursuing increasingly better levels of service as regards the bank-customer relationship, the quality of products and services offered and yields of asset management products;
- great attention to credit risk, keeping up subdivision policies in terms of size, sector and duration; completion of the process for the attribution of a rating to customers; strengthening of the organization of the Corporate Customers Service;
- improvement of cost to income ratio, so as to reach and maintain the levels of profitability and capital ratios comparable to those of the best competitors of the banking sector;
- investment in staff training and the growth of human resources, increasing their skills, professionalism and motivation, as they are the main driver of development, and strengthening training on products and services to support commercial campaigns.

REMARKABLE FACTS AFTER CLOSING OF THE FINANCIAL YEAR

- On 1 January 2006, a new bank was established within the Group, which took the name of Banca Sella and substitutes the entity until then known by the same name as regards the relationship with customers, the network of Italian branches, loan granting activity, investment and private banking services. Starting from 1 January 2006, account holders will be in relationship with the new Banca Sella and their banking codes, account numbers and personal identification numbers (codes related to credit cards, to the access to internet banking and phone services, etc) will not be subject to any variation. The banking codes of the previous Banca Sella were transferred to the new bank, i.e. the ABI code 03268 and swift code SELB IT 2B, while the new tax and VAT number 02224410023 was assigned to it. At the same time, the company until then known as Banca Sella changed its name into Sella Holding Banca specializing in the offer of banking services to the other banks and companies of the Group and to external companies.

Among the services supplied by Sella Holding Banca to customers of Banca Sella, with no changes as to quality of the offer and of conditions, we recall for example payment cards, POS and services related to the placement of sicavs. All communication related to those services will bear the new Sella Holding Banca brand.

Sella Holding Banca, having legal continuity with the previous Banca Sella, acquires the new ABI code 03311 and swift code SELB IT 22, while it maintains the tax and VAT number 01709430027. The Group therefore has a new Bank, reaching the total number of 8 companies authorized to carry out banking activity.

- In January the purchase of 500.000 shares of CartaLis IMEL (electronic money institution, a company issuing and managing electronic payment instruments) was completed; this operation involved the increase of the participation in the company from 10% to 15%.
- In January the participation in shares of MTS was reduced from 2,45% to 0,1%.

OWN SHARES AND CONTROLLING COMPANY SHARES

During the financial year the Bank has not held, nor it currently holds, any own share or any share of the

controlling company Finanziaria Bansel.

EQUITY INVESTMENTS AND RELATIONSHIPS WITH GROUP COMPANIES

The architecture of Gruppo Banca Sella as at 31 December 2005, together with the identification of the main participation relationships, is shown in the chart of the Group at the beginning of this Annual Report.

At year end, the value of equity investments of the Bank amounted to € 315,8 million (increased by € 5,8 million with respect to 2004), of which € 285,4 million

in companies belonging to the Group.

The most significant movements in the Bank's equity investment portfolio up to 31 December 2005 were the following:

- merger of Insel – participation holding of Gruppo Banca Sella, following which the acquisition of/increase in the participations here below took place:

Company acquired with the merger	Percentage acquired with the merger	Percentage owned after the merger
C.B.A. Vita S.p.A.	30,00%	78,27%
Gestnord Fondi SGR S.p.A. ^(*)	5,00%	86,05%
Sella South Holding S.p.A.	25,00%	100,00%
Sella Holding N.V.	4,90%	100,00%
B.C. Finanziaria S.p.A.	4,01%	82,81%
Immobiliare Lanificio Maurizio Sella S.p.A.	0,05%	100,00%
Immobiliare Sella S.p.A.	0,99%	100,00%
Selsoft Direct Marketing S.p.A.	0,10%	100,00%
Sella Capital Markets SIM (in liquidation)	8,34%	80,01%
Banca Passadore & C. S.p.A.	0,01%	0,01%
Finpiemonte S.p.A.	0,62%	0,62%
Istifid S.p.A.	1,41%	1,41%
S.I.A. – Società Interbancaria per l'Automazione S.p.A.	2,25%	3,56%
CIM Italia S.p.A.	0,98%	0,98%
S.S.B. – Società per i Servizi Bancari S.p.A.	1,16%	1,16%
Centrale dei Bilanci S.r.l.	1,00%	1,00%
SACE Aeroporto di Cerrione S.p.A.	5,80%	5,80%
Biella Intraprendere S.p.A.	11,95%	11,95%
Città Studi S.p.A.	0,57%	0,57%
Centro Sviluppo S.p.A.	6,00%	6,00%

^(*) From 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merge of Fiduciaria Sella S.I.M.pA into Gestnord Fondi SGR S.p.A.

- merger of Gestnord Intermediazione in Sella Investimenti Banca, which in turn changed its name into Banca Patrimoni ed Investimenti; so that the participation in the above mentioned bank passed reached 56,1% of the new subscribed capital;
- acquisition of a participation of 23,6% in Sella Bank Luxembourg by the underwriting of the increase in capital of the same through the transfer of Banca Sella branch in Luxembourg; subsequently a further increase in capital of the above men-

tioned Luxembourg bank was underwritten and paid in for the amount due;

- sale to third parties of the whole of the participation in Sella Trust Lux;
- establishment, as sole partner, of Sella Distribuzione. Company established with the purpose of receiving, after being transformed into a bank, the Italian distribution network of Banca Sella (from 1 January 2006 Sella Holding Banca), as well as its asset management and private banking activities,

as better explained in the "Remarkable facts after closing of the financial year" section;

- reduction of the participation in MTS from 5,0% to 2,5%, following the underwriting of the increase in capital of the above mentioned company reserved to a company participated by Borsa Italiana S.p.A. and to Euronext; this participation was then further reduced to 2,4% of the capital, following the completion, before 31 December 2005, of some of the expected transfers, which will reduce the participation in the capital of MTS to 0,1%;
- sale to third parties of the whole of the participation in Unicredit Banca Mediocredito;
- sale to third parties of the whole of the participation in Mobilmat;
- sale to third parties of the whole of the participation in Finanza World;
- purchase from third parties of 541 shares of SI.TE.BA., so that the participation in the company increased from 0,3% to 0,4%;
- purchase from third parties of 20.000 shares of Asteimmobili.it, amounting to 1,1% of the capital of the same company;
- underwriting of 10% of the capital of the newly established CartaLis, company which asked for and obtained, during the month of January 2006, authorization to become an Electronic Money Institution (IMEL).

As regards Sella Bank Luxembourg claims might arise following supposed responsibilities related to activities carried out with some counterparts; therefore controls were made in order to identify the potential risk thereof.

Sella Holding Banca, which directly and indirectly controls the above mentioned company, is committed to indemnify the same against any charges that might arise, giving it the necessary financial support in order to comply with the minimum capital limits necessary to carry out the company's activity.

Following the controls made by resources belonging to the Group, by the auditors appointed by the local supervisory authority and according to the opinion of

external legal consultants, further remarkable charges are not expected to arise in addition to what already earmarked.

Relationships with Group companies

According to art. 2497 bis of the Civil Code, here below are stated infragroup relationships, details of which may be found in the Explanatory Notes to the Financial Statements, Part B, Section 3 "Equity Investments".

Relationships of Banca Sella with the Parent company Finanziaria Bansel which had a significant economic impact included:

- payment to the Parent company of a total amount of € 20,8 million for outsourced services. According to the Strategic Plan the Parent company has centralized administrative, coordination and control activities, among which:
 - strategy and management advisory services;
 - general secretary activity;
 - legal and fiscal services;
 - auditing control, control on brokerage companies and credit quality control;
 - management services of legal disputes concerning impaired loans;
 - staff administration and management;
 - budgetary control services;
 - credit policy;
 - organization;
 - marketing and communication;
 - accountancy;
 - administration and technical services;
- payment of staff attached to subsidiaries expenses for € 0,3 million;
- recovery of charges, mainly related to staff attached to Finanziaria Bansel for a total amount of € 16,3 million.

Relationships of Banca Sella with the other companies of the Group which had a significant economic impact included:

- fees receivable by the Bank for a total amount of € 25,3 million to supply mainly the following services:

- marketing of financial instruments (mutual funds, sicavs, policies, etc.) at its branches and related activities, mainly on behalf of Gestnord Fondi^(*) (€ 16 million), Sella Capital Management (€ 2,7 million), Fiduciaria Sella^(*) (€ 0,6 million), CBA Vita (€ 3 million), Brosel (€ 0,4 million), Sella Life (€ 0,3 million), Banca Patrimoni e Investimenti (€ 0,3 million);
- payments and collections mainly on behalf of Consel (€ 0,9 million) and Biella Leasing (€ 0,3 million);
- fees payable by the Bank for a total amount of € 12,2 million mainly for the supply of the following services:
 - management, brokerage, advisorship and dealing of securities, mainly carried out by Fiduciaria Sella^(*) (€ 0,5 million) and Banca Patrimoni e Investimenti (€ 0,4 million);
 - securities products and services placement/offer mainly carried out by Sella Consult (€ 8,2 million);
 - payments and collections (acquiring and issuing) mainly carried out by Banca Bovio Calderari (€ 0,7 million), Banca Ardit Galati (€ 0,7 million), Banca di Palermo (€ 0,5 million), Sella Capital Management (€ 0,4 million), Selsoft (€ 0,4 million);
- dealing profits and losses (€ 0,6 million) for transactions on financial derivatives, which were carried out by Group companies for hedging purposes, mainly by Biella Leasing (€ 0,6 million), Consel (€ 0,2 million) and Banca di Palermo (€ -0,3 million);
- other operating income for € 17,6 million, collected by the Bank for fees and outsourced software services, recovery of charges for staff attached to other companies and rents receivable, mainly

on behalf of Secursel (€ 7,1 million), Banca Patrimoni e Investimenti (€ 2,9 million), Banca Ardit Galati (€ 1,4 million), Banca Bovio Calderari (€ 1,4 million), Banca di Palermo (€ 1 million), Sella Consult (€ 1 million), Easy Nolo (€ 0,5 million), Gestnord Fondi^(*) (€ 0,4 million), Sella Bank Luxembourg (€ 0,3 million), Sella Corporate Finance (€ 0,3 million), Fiduciaria Sella^(*) (€ 0,3 million), Selfid (€ 0,3 million), Biella Leasing (€ 0,2 million), Sella Capital Management (€ 0,4 million).

The Bank also bore administrative expenses for a total amount of € 7 million, mainly due for fees relevant to services supplied by Easy Nolo and related maintenance changes (€ 3,7 million) and for rents paid to Immobiliare Lanificio Maurizio Sella (€ 1 million).

The Bank, moreover, cashed interest receivable for a total of € 22,6 million relevant to current account interest and loans mainly granted to Biella Leasing (€ 11,8 million), Consel (€ 8,6 million), Sella Holding N.V. (€ 0,5 million), Sella South Holding (€ 0,5 million) or for securities issued, mainly concerning Banca Bovio Calderari (€ 0,5 million).

The Bank paid interest payable on due to banks and companies of the Group and on securities loaned for a total of € 15,8 million, mainly to Sella Bank Luxembourg (€ 6,4 million), Banca Patrimoni e Investimenti (€ 5,7 million), Banca Ardit Galati (€ 1,9 million), Banca di Palermo (€ 0,7 million), CBA Vita (€ 0,5 million) and Banca Bovio Calderari (€ 0,2 million).

Banca Sella collected dividends for a total amount of € 1,4 million, mainly from B.C. Finanziaria (€ 0,5 million) and Biella Leasing (€ 0,4 million).

All the above mentioned services were purchased and settled in market terms.

^(*) From 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merge of Fiduciaria Sella S.I.M.pA into Gestnord Fondi SGR S.p.A.

PROPOSAL FOR THE ALLOCATION OF THE PROFIT FOR THE YEAR

Shareholders,
the Balance Sheet and Income Statement as at 31
December 2005, drawn in euro units according to the
regulations in force, following the usual prudence

principles, after all necessary amortizations and provi-
sions, highlight a profit for the year of € 27.638.809,64
that we propose to allocate as follows:

Net profit for the year	euro	27.638.809,64
- to "Legal Reserve", according to Articles of Association	euro	3.316.657,16
- to "Statutory Reserve"	euro	11.055.523,86
residual	euro	13.266.628,62
to Shareholders:		
- dividend of 2,50 eurocent to each one of the 160.000.000 shares	euro	4.000.000,00
to the "Fund for charity and various disbursements"	euro	140.000,00
and the residual to "Extraordinary Reserve"	euro	9.126.628,62

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



BOARD OF STATUTORY AUDITORS' REPORT

on the financial statements as at 31 December 2005



BOARD OF STATUTORY AUDITORS' REPORT

on the financial statements as at 31 December 2005

Shareholders,

on 1 January 2006 your company transferred its Italian distribution network as well as asset management and private banking activities to a newly established bank of the Group, which took the historical name of Banca Sella S.p.A.

Your company, which on 1 January 2006 changed its name into Sella Holding Banca, will continue in its activity of offering payment systems, custodian bank, financial and virtual banking services to all the banks and the other companies of the Group, as well as to other companies.

* * *

During the year 2005, the Board of Statutory Auditors performed its activity of supervision and control on the trend of the Bank's business, in particular as regards matters related to the correct enforcement of the various rules regulating the complex issues of company law, and received notice - from the Auditors in charge of accountancy controls according to art. 2409 bis of the Civil Code - of the correctness in accountancy and in representing operations into book entries, as well as of the conformity of financial statements figures with accounting results.

The annual report and financial statements for 2005, which were submitted to us at the end of the Meeting of the Board of Directors of 3 April 2006, were prepared in compliance with the dispositions of Law by Decree No. 87 of 27 January 1992 and with the provision issued by Banca d'Italia No. 100 of 15 July 1992 and subsequent amendments. The financial year closed with a net profit of € 27.638.810.

* * *

We examined the annual report and financial statements and found them drawn up with clearness; they give a truthful and correct representation of the financial position of the Company and of the economic results for 2005, in compliance with the civil law rules.

The annual report and financial statements were certified by Reconta Ernst & Young s.p.a.

In the Explanatory Notes to the Financial Statements

the Board of Directors gives all information as provided for by the law, as well as any other information necessary according to the characteristics of the company and of its business. In our opinion, the Board of Directors has drawn up the annual report and financial statements accordingly to informative requirements, adequately highlighting the operations originating book entries, as well as their impact on the liquidity and solvency of the Company.

In its Report, the Board of Directors illustrates the Company's management during the financial year and the outlook for the future, taking into account all known facts and those that may be rationally assumed, as well as all other information according to the law.

As far as infragroup and related companies relationships, adequately described in the Board of Directors' Report, it is to be pointed out that these are all set up according to the relevant specializations and to the laws in force, on the basis of an evaluation of reciprocal economic benefits.

During the financial year closed on 31 December 2005, we have carried out our supervisory activity as provided for by law, taking into account, among others, the principles ruling the behaviour of the Board of Statutory Auditors as recommended by the National Boards of Professional Accountants and of Certified Accountants. In particular:

- we attended the meetings of the Board of Directors which took place in 2005. We also received from the Directors, usually on a monthly basis, information on the Bank's activity and on the major economic, financial and capital operations, making sure that all activities deliberated and carried out were compliant to the law and to the articles of association and were not openly imprudent, hazardous, in potential conflict of interest or contradicting the resolutions of the Shareholders' Meeting;
- as already mentioned, we controlled that infragroup exchanges be adequately supported by the relevant

contracts, drawn up respecting the parties to the case and that the compensations agreed upon be adequate to the tasks carried out by the parties;

- we became acquainted with and supervised, for the part of our competence, on the adequacy of the organizational structure of the company and on the respect of the principles for a correct administration, by way of direct observation and gathering information from the persons in charge of functions and from meetings with the Auditors and the Internal Auditing, in order to achieve a reciprocal exchange of data and of important information;
- we evaluated and supervised the adequacy of the internal controls system and of the administration-accountancy system, as well as the reliability of the latter in correctly representing operations, by way of asking for information and examining company documents;
- we verified the compliance to the laws in force related to the drawing up and layout of the annual report and financial statements by way of direct verifications;
- we acknowledge that the auditors, as well as related companies, as far as we know, have not had any engagement for continuative collaboration by the Bank, besides their auditing activity;
- we inform that during the year no complaints pursuant art. 2408 of the Civil Code were received;
- it is our opinion that the structure and contents of the Balance Sheet, Income Statement and Explanatory Notes to the Financial Statements are adequate, according to the dispositions of Law by Decree No. 87 of 27 January 1992 and to the instructions given by the Governor of Banca d'Italia by the provisions of 16 January 1995;
- we take note that the capital for supervisory purposes was calculated according to the dispositions issued by Banca d'Italia;

- we gave our approval to enter deferred charges at assets in the Balance Sheet, substantially agreeing with the reasons and amortization schedules illustrated by the Directors in the Explanatory Notes.

No remarkable issues emerged from the activity of the Bank so as to require any reporting to the Regulatory Authorities or to be mentioned in this report.

According to art. 1, par. 469 and following of Law No. 266 of 2005 (financial act for 2006), the Bank has decided to adhere to the possibility, provided for by the above mentioned law, of revaluing properties already belonging to the Bank on 31 December 2004, on the basis of their current value as at 31 December 2005, as resulting from expert reports made by professionals.

The use of the current value is well-grounded on the need for objectivity and transparency.

The value given to real estate following the revaluation, net of amortizations, does not exceed the value attributable to the same, as far as the undersigned know.

* * *

Having reported the above, we believe that the annual report and financial statements represent truthfully and correctly the economic and financial situation of the Holding.

We therefore express our opinion in favour of approving the annual report and financial statements as at 31 December 2005 according to the text presented to your attention, as well as in favour of approving the Board of Directors' proposal for the allocation of profit.

Our mandate has expired and we thank you for the trust put in ourselves until now.

Biella, 7 April 2006

The Statutory Auditors

Alberto Rizzo

Vittorio Bernero

Alessandro Rayneri



**FINANCIAL STATEMENTS OF BANCA SELLA
AS AT 31 DECEMBER 2005**



BALANCE SHEET

ASSETS (euro)	31-12-2005	31-12-2004	% variation
10. Cash and deposits with central banks and post offices	62.500.249	80.066.659	-21,94%
20. Treasury bills and other bills eligible for refinancing with central banks	163.276.183	171.732.483	-4,92%
30. Due from banks:	1.357.573.012	1.244.324.736	9,10%
a) at sight	257.101.869	96.841.237	165,49%
b) other deposits	1.100.471.143	1.147.483.499	-4,10%
40. Due from customers	4.294.270.628	3.957.261.452	8,52%
of which:			
- third party funds in administration	15.681.679	17.677.023	-11,29%
50. Bonds and other debt securities:	749.680.310	739.283.784	1,41%
a) issued by public bodies	475.640.510	545.067.363	-12,74%
b) issued by banks	178.527.290	126.342.655	41,30%
of which:			
- own securities	3.583.251	9.861.947	-63,67%
c) issued by financial institutions	81.671.127	61.400.895	33,01%
d) issued by other issuers	13.841.383	6.472.871	113,84%
60. Equity shares, quotas and other share capital securities	5.118.635	1.867.016	174,16%
70. Equity investments	30.425.280	33.248.626	-8,49%
80. Investments in subsidiaries	285.357.368	276.754.860	3,11%
90. Intangible fixed assets	18.015.462	18.644.572	-3,37%
of which:			
- start-up costs	-	-	-
- goodwill	2.480.845	3.128.171	-20,69%
100. Tangible fixed assets	67.386.459	54.928.459	22,68%
130. Other assets	309.901.571	277.997.861	11,48%
140. Accrued income and prepayments:	40.642.019	35.090.913	15,82%
a) accrued income	35.647.720	30.010.029	18,79%
b) prepayments	4.994.299	5.080.884	-1,70%
of which:			
- discounts on bond issues	508.255	303.896	67,25%
Total assets	7.384.147.176	6.891.201.421	7,15%

LIABILITIES (euro)	31-12-2005	31-12-2004	% variation
10. Due to banks:	1.007.158.698	919.639.627	9,52%
a) at sight	433.146.908	324.413.276	33,52%
b) time deposits or with notice period	574.011.790	595.226.351	-3,56%
20. Due to customers:	4.569.056.564	4.200.669.763	8,77%
a) at sight	3.767.984.136	3.466.022.213	8,71%
b) time deposits or with notice period	801.072.428	734.647.550	9,04%
30. Securities issued:	769.845.078	836.895.312	-8,01%
a) bonds	719.984.520	800.594.855	-10,07%
b) certificates of deposit	3.182.053	3.252.170	-2,16%
c) other	46.678.505	33.048.287	41,24%
40. Third party funds in administration	15.689.328	17.680.096	-11,26%
50. Other liabilities	289.873.176	227.872.955	27,21%
60. Accruals and deferred income:	15.332.816	16.529.475	-7,24%
a) accruals	11.130.825	12.286.656	-9,41%
b) deferred income	4.201.991	4.242.819	-0,96%
70. Staff severance provision	29.065.244	26.747.256	8,67%
80. Provisions for risks and charges:	59.108.260	36.414.197	62,32%
a) retirement and similar commitments	-	-	-
b) taxation	34.419.820	23.097.979	49,02%
c) other	24.688.440	13.316.218	85,40%
90. Reserve for possible loan losses	6.458.134	8.975.592	-28,05%
100. Reserve for general banking risks	54.744.431	54.744.431	0,00%
110. Subordinated liabilities	218.828.000	223.425.000	-2,06%
120. Subscribed capital	80.000.000	80.000.000	0,00%
130. Share premium account	49.413.513	49.413.513	0,00%
140. Reserves:	171.687.365	156.435.366	9,75%
a) legal reserve	25.442.675	22.218.969	14,51%
b) reserve for own shares	-	-	-
c) statutory reserves	84.808.917	74.063.231	14,51%
d) other reserves	61.435.773	60.153.166	2,13%
150. Revaluation reserves	20.247.759	8.894.624	127,64%
170. Profit for the year	27.638.810	26.864.214	2,88%
Total liabilities	7.384.147.176	6.891.201.421	7,15%

GUARANTEES AND COMMITMENTS (euro)	31-12-2005	31-12-2004	% variation
10. Guarantees given	426.812.328	308.895.678	38,17%
of which:			
- acceptances	1.572.742	3.187.589	-50,66%
- other guarantees	425.239.586	305.708.089	39,10%
20. Commitments	260.644.094	330.551.872	-21,15%
of which:			
- for sales with repurchase engagement	-	-	-

INCOME STATEMENT

ITEMS (euro)	2005	2004	% variation
10. Interest receivable and similar income	237.491.477	213.720.142	11,12%
of which:			
- from due from customers	176.216.938	162.806.401	8,24%
- from debt securities	27.099.395	24.336.691	11,35%
20. Interest payable and similar charges	(102.084.541)	(86.774.746)	17,64%
of which:			
- on due to customers	(45.051.786)	(40.486.104)	11,28%
- on securities issued	(17.384.211)	(17.037.566)	2,03%
30. Dividends and other income:	7.214.403	4.494.996	60,50%
a) from equity shares, quotas and other share capital securities	3.515.298	2.189.916	60,52%
b) from equity investments	2.263.033	1.268.513	78,40%
c) from equity investments in subsidiaries	1.436.072	1.036.567	38,54%
40. Fees and commissions receivable	195.384.365	176.057.213	10,98%
50. Fees and commissions payable	(69.576.443)	(60.482.865)	15,03%
60. Dealing profits (losses)	11.303.243	17.971.624	-37,11%
70. Other operating income	59.737.449	38.601.129	54,76%
80. Administrative expenses:	(219.977.258)	(192.795.593)	14,10%
a) staff expenses	(111.825.574)	(106.808.158)	4,70%
of which:			
- wages and salaries	(82.699.913)	(79.088.830)	4,57%
- social security charges	(21.755.603)	(20.844.913)	4,37%
- staff severance	(4.297.878)	(3.980.093)	7,98%
- retirement and similar commitments	(2.703.680)	(2.611.339)	3,54%
b) other	(108.151.684)	(85.987.435)	25,78%
90. Write-downs to tangible and intangible fixed assets	(18.169.235)	(18.852.865)	-3,63%
100. Provisions for risks and charges	(16.801.338)	(4.575.114)	267,23%
110. Other operating expenses	(4.488.356)	(2.801.137)	60,23%
120. Write-downs to loans and provisions for guarantees and commitments	(32.837.768)	(40.620.346)	-19,16%
130. Write-ups to loans and provisions for guarantees and commitments	7.335.937	5.001.305	46,68%
140. Provisions to the reserves for possible loan losses	(2.067.624)	(1.666.925)	24,04%
150. Write-downs to financial fixed assets	(6.567.848)	(2.566.660)	155,89%
160. Write-ups to financial fixed assets	-	647.000	-100,00%
170. Profit on ordinary activities	45.896.463	45.357.158	1,19%
180. Extraordinary income	13.724.542	6.033.122	127,49%
190. Extraordinary expenses	(12.022.544)	(3.894.420)	208,71%
200. Extraordinary profit (loss)	1.701.998	2.138.702	-20,42%
210. Variation of general banking risks reserve	-	-	-
220. Income taxes for the year	(19.959.651)	(20.631.646)	-3,26%
230. Profit for the year	27.638.810	26.864.214	2,88%



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS





PART A - ACCOUNTING POLICIES



FORM AND CONTENTS OF THE FINANCIAL STATEMENTS

The statement for the financial year ended as at 31 December 2005, which includes the Balance Sheet, the Income Statement and the Explanatory Notes to the Financial Statements, was prepared in accordance with the regulations in force and it also contains the Board of Directors' Annual Report, as published in the present volume in the relevant section.

The Balance Sheet and the Income Statement are shown in euro units, while the Explanatory Notes in euro thousands.

In accordance with specific laws in force it also contains the table of revaluations made (art. 10 Law No.72

of 19/3/1983).

For a better understanding of the Bank's financial position, the statement of changes in shareholders' equity and the statement of cash flow are annexed to the Explanatory Notes to the Financial Statements.

The financial statements of the Bank were audited by Reconta, Ernst & Young S.p.A.

The consolidated financial statements were not prepared by Banca Sella, as they were prepared, according to the regulations in force, by Finanziaria Bansel S.p.A., parent company of the banking group.

SECTION 1 - ACCOUNTING POLICIES

The rules adopted to prepare the financial statements are in accordance with Law by Decree No.87 of 27 January 1992, Law by Decree No.213 of 24 June 1998 and to the instructions issued by Banca d'Italia (Provision of 30/07/1992 and following modifications and supplements), and are consistent with those used in the previous financial year.

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

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

Such transactions showed a higher value of the conferred assets the residual value of which, as at 31 December 2005 (relevant to properties and equity investments) of € 34,8 million, is regulated for fiscal purposes by the provisions as by art.7 Law No. 218/90.

The Bank has also assented to the possibility according to art. 1, par. 469 Law No. 266/05 of redeeming the

differential between tax value and book value of property as at 31 December 2004, for an amount of € 21,3 million. The fiscal acknowledgement thereof will take place starting from 1 January 2008.

1. LOANS, GUARANTEES AND COMMITMENTS

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

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

Estimated losses are determined on a case-by-case evaluation of non performing cash loans and guarantees given and are integrated with evaluations of other loans not likely to be recovered.

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

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

No provisions were made for country risk, the amount of which is very limited, being it carefully taken care of so that no losses are expected.

As regards the main forms of credit risk, commercial strategies, in-house control systems and accountancy policies, please refer to what stated in the Annual Report.

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

Investment securities

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

Junior bonds relevant to the securitization operations of performing loans started in years 2000 and 2005 are stated at the lower between original cost and the expected realizable value, determined following the recovery rate of the credit portfolio subjected to the securitization.

Trading securities

Securities not held as investment securities are valued as follows:

- securities listed on organized markets are valued at market value, understood as the price of the last day of quotation (including accrued issue discounts);
- securities unlisted are valued at the lower between purchase price and normal value, this being the value of listed securities with same characteristics and/or calculated on the basis of other objective factors, such as the discounting of cash flows at market rates (including accrued issue discounts);
- mutual funds are valued at market value, understood

as the price observed in the last working day of the year.

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

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

Loan securities transactions are stated as the combination of two functionally linked active and passive loan transactions as counterbalance of deposit or loan financial operations. The latter are assimilated to repurchase agreement transactions.

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

Cost value of securities is calculated according to the weighted average cost accountancy method.

Derivative contracts

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

The calculated values are separately entered into the Balance Sheet, without offsetting assets and liabilities.

Hedging derivative contracts

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

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

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

Should one only of the above mentioned conditions

cease to apply, the contract is requalified as non-hedging derivative contract.

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

They are stated in the Financial Statements as follows:

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

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

Non-hedging derivative contracts.

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

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

They are entered in the financial statements as follows:

- *Balance Sheet*: the values relevant to the valuation

of non-hedging contracts are entered at items "Other assets" or "Other liabilities";

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

3. EQUITY INVESTMENTS

Equity investments, which are considered as investment securities, are stated at underwriting value and/or at acquisition cost, considered consistent with the capital of participated companies and with the strategic and economic value determined, at the moment of contribution of capital in 1991, by special appraisals, excluding equity investments for which write-downs have been made following a lasting loss of value.

The original value of equity investments is reinstated in case the lasting loss of value shall cease to apply.

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

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

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

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

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

- for hedging transactions, the forward engagement is valued at year end spot exchange rates applied at the end of the period and the difference with respect to contract value was stated at Income Statement; the differential between spot exchange rate at the date of underwriting and forward exchange rate is stated among "interests" for the part relevant to the financial year;
- for trading transactions the forward engagement is

valued at the forward exchange rate observed on the closing day of the financial year.

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

5. TANGIBLE FIXED ASSETS

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

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

Amortization rates are reduced by half in the financial year in which the asset was acquired.

Besides some particular classes, fixed assets with value smaller than € 516 are wholly amortized in the financial year in which the same asset was acquired.

Amortizations so calculated are deemed suitable to represent the residual useful duration of fixed assets and to face obsolescence of high tech fixed assets.

In previous years, further write-downs were made to those fixed assets which suffered a lasting loss of value following exceptional natural events.

6. INTANGIBLE FIXED ASSETS

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

Start up, extension costs, goodwill and the other long-term charges are stated among assets as approved by the Board of Statutory Auditors.

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

Amortization quotas relevant to the other fixed assets are entered according to the foreseen residual period of assets, in any case not exceeding the five years, excluding renovation costs for branch premises not be-

longing to the Bank, the residual period of benefit of which is related to the duration of the relevant rent contracts and to the cost for the registration of trademarks, the value of which is amortized in ten years.

7. OTHER ITEMS

Loans

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

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

The original value of loans is determined as follows:

- bills discounted and advances on bills subject to collection are entered at nominal value; interests to be accrued are entered in "Deferred income";
- current accounts: balances include interests and expenses related to the annual closing of accounts (even if due in the following year) as well as outstanding transactions at year period end if relevant to the accounts in object;
- mortgage loans, deposits, financings and other grants are entered for their residual value of principal, besides any interest on arrears accrued and not paid.

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

Securities

"Treasury bills and other bills eligible for refinancing with central banks", "Bonds and other debt securities" and "Shares, equity investments and other capital securities" are stated with reference to their settlement date. As regards debt securities, settlement date is con-

ventionally represented by the date of the calculation of interest and as regards capital securities by the contract settlement date.

Payables

Payables are stated at their nominal value.

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

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

"Debt securities" show the value of funds collected through the issue of certificates of deposit and unsubordinated bond loans, in addition to the value of own cheques and banker's drafts.

Prepayments and accrued income

Prepayments and accrued income are calculated for the whole of their value on an accrual basis, proportionally with the accrued amount, taking into account settlement rules concerning the various specific relationships and the various specific technical forms.

Staff severance

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

Provisions for risks and charges

Provision for taxes and fees

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

The provision for indirect taxation (stamp duty, tax on stock exchange contracts and substitute tax on loans) was calculated on the basis of a precise determination of the amounts due.

The provision for income taxes on companies (IRES)

and for the regional tax on industrial activities (IRAP) was calculated on the basis of a prudently forecasted present and deferred fiscal charge, in accordance with the current fiscal legislation and taking into account the applicable tax exemptions and exclusions.

The Bank is compliant with the measure of Banca d'Italia of 3/08/1999, stating that all subjects issuing a banking-financial statement of accounts, besides "current" taxation, must also calculate deferred taxation, both on assets and on liabilities. The calculation of deferred taxation follows the need of taking into account any differences existing between tax rules regulating the calculation of income and civil law rules, and therefore the differences between fiscal value and book value that may add up to the calculation of income. The above mentioned differences may be lasting (i.e. producing irreversible charges and benefits) or temporary (destined to be reabsorbed): the latter generate deferred taxation. In particular, "temporary taxable differences" are those leading to an increase of future taxable income, against a reduction of the current taxable income (for example, owing to deferred capital gains resulting from the transfer of tangible and financial fixed assets); "temporary deductible differences" are those leading to a reduction of future taxable income against an increase of the current taxable income (for example, as a consequence of the deferral in ninths of deductibility of loans depreciation in excess of the percentage fiscally allowed for or as a consequence of the deferral to the year of payment of the deductible remunerations to be paid to directors). "Temporary taxable differences" generate liabilities for deferred taxation entered into the provision for taxes, while "temporary deductible differences" are stated at item 130 "Other assets" of Balance Sheet assets.

Please note: assets for taxes paid in advance are stated in the Balance Sheet if their reimbursement is deemed to be very likely, and it is verified in relation to the availability of future foreseen taxable income; such evaluation is made both on the basis of the analysis of the Bank's strategic plans for the next financial years and on the trend of past taxable income realized by Banca Sella SpA. Deferred taxation is stated in the Balance Sheet,

except if it is deemed not likely to be born in the future. The offsetting between liabilities for deferred taxation and assets for taxes paid in advance is done when these refer to the same tax and fall due in the same period. Deferred taxation related to assets and liabilities in suspension of taxation was not entered in the financial statements, as it is not likely that in the near future these could be used so as to determine their taxation.

Other provisions

“Other provisions” include the reserve for costs, for which the amount will be definitely assessed in subsequent years. They also include reserves for risks and charges, certain or likely to intervene, the amount of which cannot be determined at the closing of the financial year.

Provisions related to “unfavourable lawsuits and complaints of customers” and “operating risks of Group subsidiaries” also include the effects of the period of time in which the amounts are likely to be paid.

Reserve for possible loan losses

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

Reserve for general banking risks

The reserve, created in accordance with art. 11 Law by Decree No.87 of 27 January 1992, is set aside to cover the general business risks of the Bank’s activity.

Subscribed capital, share premium account, reserves and revaluation reserves

These items show the subscribed capital, fully paid in, the share premium account paid in on contribution in 1991 in accordance with Law No. 218 of 30 July 1990, and the reserves created during the years following the resolutions of the shareholders’ meetings and in accordance with the law.

As regards “Equity reserves” in suspension of taxation, no reserve has been created to cover fiscal charges, as, at the moment, no operations are foreseen so as to determine their taxation.

Guarantees and commitments

This item includes the guarantees and commitments described in section 10 of the Explanatory Notes to the Financial Statements, which also includes assets lodged to guarantee the Bank’s debts, margins usable on credit lines and forward transactions and derivative contracts which are not shown, in accordance with the dispositions, in the Balance Sheet.

“Guarantees given” are entered at contract value of the commitment undertaken towards the beneficiary.

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

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

Premiums paid and collected for “securities and currency options” are capitalized up to the exercise or expiry date of the transaction.

The premium represents the value of the option contract.

Administration and dealing on behalf of third parties

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

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

Interest payable and receivable

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

Dividends

Dividends in favour of the Bank are stated in the financial year in which they are deliberated by the rele-

vant shareholders' assemblies and which usually coincides with that of collection.

Equity investments

Following the above mentioned accounting principles, the value of significant investments as entered in the financial statements is, in some cases, higher than the relevant fraction of shareholders' equity due to capital gains included in their purchase price.



PART B – INFORMATION ABOUT BALANCE SHEET

(all figures are shown in euro thousand)



SECTION 1 LOANS

1.1 Caption 30 "Due from banks". Detailed items

	2005	2004
a) due from central banks	204.198	218.302
b) bills eligible for refinancing with central banks	-	-
c) repurchase agreements	484.768	578.282
d) securities loaned	263	-

The amount of the Compulsory Reserve (R.O.B.) with Banca d'Italia, as shown in the table, reflects the Bank's year-end position and amounts to € 200,8 million. For completeness, please note that the average amount related to the "maintenance period" (from 6/12/2005 to 17/01/2006) of the above mentioned reserve amounted to € 88,4 million.

1.2 Situation of cash loans to banks

Items/Values	Gross value	Total write-downs	Net value
A. Doubtful loans	231	-	231
A.1 non-performing loans	-	-	-
A.2 watchlist loans	-	-	-
A.3 past due loans	-	-	-
A.4 restructured loans	-	-	-
A.5 non guaranteed loans exposed to country risk	231	-	231
B. Performing loans	1.357.342	-	1.357.342
Total	1.357.573	-	1.357.573

1.3 Movements in doubtful loans to banks

Description	Non-performing loans	Watchlist loans	Past due loans	Restructured loans	Non guaranteed loans exposed to country risk
A. Gross value as at 1 January 2005	-	-	-	-	46
A.1 of which: for default interest	-	-	-	-	-
B. Additions	-	-	-	-	185
B.1 inflows from performing loans	-	-	-	-	71
B.2 default interest	-	-	-	-	-
B.3 transfers from other categories of doubtful loans	-	-	-	-	-
B.4 other additions	-	-	-	-	114
C. Reductions	-	-	-	-	60
C.1 outflows to performing loans	-	-	-	-	60
C.2 write-offs	-	-	-	-	-
C.3 collections	-	-	-	-	-
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loans	-	-	-	-	-
C.6 other reductions	-	-	-	-	-
D. Gross value as at 31 December 2005	-	-	-	-	231
D.1 of which: for default interest	-	-	-	-	-

1.5 Caption 40 "Due from customers". Detailed items

	2005	2004
a) bills eligible for refinancing with central banks	16.105	18.070
b) repurchase agreements	-	-
c) securities loaned	5.795	7.789

1.6 Secured loans to customers

	2005	2004
a) mortgages	979.778	1.082.685
b) pledged assets:		
1. cash deposits	7.158	17.474
2. securities	82.796	57.540
3. other instruments	20.182	28.656
	110.136	103.670
c) guarantees given by:		
1. governments	-	-
2. other public bodies	327	374
3. banks	12.060	16.935
4. other operators	673.322	672.266
	685.709	689.575
Total	1.775.623	1.875.930

1.7 Situation of cash loans to customers

Items/Values	Gross value	Total write-downs	Net value
A. Doubtful loans	218.358	107.449	110.909
A.1 non-performing loans	133.444	91.508	41.936
A.2 watchlist loans	49.419	13.441	35.978
A.3 restructured loans	13.941	2.500	11.441
A.4 past due loans	18.757	-	18.757
A.5 non guaranteed loans exposed to country risk	2.797	-	2.797
B. Performing loans	4.183.362	-	4.183.362
Total	4.401.720	107.449	4.294.271

Non-performing loans to insolvent subjects or subjects in similar situations (gross value before write-downs) reached € 133,4 million (+32,8% if compared to 2004). The possible recovery value deriving from such credits (evaluated on analytical basis), the so-called book value, was equal to € 41,9 million, net of estimated losses, for capital and interest. Net non-performing loans over cash loans, net of write-downs, which passed from 0,9% in 2004 to 1%, shows a slight increase.

1.8 Movements in doubtful loans to customers

Description	Non-performing loans	Watchlist loans	Restructured loans	Past due loans	Non guaranteed loans exposed to country risk
A. Gross value as at 1 January 2005	104.267	83.512	4.288	-	3.270
A.1 of which: for default interest	15.866	-	-	-	-
B. Additions	52.552	63.642	15.031	18.756	1.107
B.1 inflows from performing loans	-	45.836	-	18.756	485
B.2 default interest	5.870	-	-	-	-
B.3 transfers from other categories of doubtful loans	44.825	4.293	14.208	-	-
B.4 other additions	1.857	13.513	823	-	622
C. Reductions	23.375	97.735	5.379	-	1.580
C.1 outflows to performing loans	-	4.116	-	-	1.141
C.2 write-offs	11.470	-	-	-	-
C.3 collections	11.798	34.587	-	-	-
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loans	5	59.032	4.289	-	-
C.6 other reductions	102	-	1.091	-	439
D. Gross value as at 31 December 2005	133.444	49.419	13.941	18.756	2.797
D.1 of which: for default interest	15.866	-	-	-	-

1.9 Movements in total write-downs to customers

Description	Non-performing loans	Watchlist loans	Restructured loans	Past due loans	Non guaranteed loans exposed to country risk	Performing loans
A. Total write-downs as at 1 January 2005	68.714	16.169	1.330	-	-	-
A.1 of which: for default interest	9.036	-	-	-	-	-
B. Additions	38.916	12.270	2.500	-	-	-
B.1 write-downs	25.201	10.936	-	-	-	-
B.1.1 of which: for default interest	4.269	-	-	-	-	-
B.2 use of reserve for possible loan losses	-	-	-	-	-	-
B.3 transfers from other categories of loans	13.715	1.334	-	-	-	-
B.4 other additions	-	-	2.500	-	-	-
C. Reductions	16.122	14.998	1.330	-	-	-
C.1 write-ups from valuations	2.261	594	-	-	-	-
C.1.1 of which: for default interest	83	-	-	-	-	-
C.2 write-ups from collection	2.358	689	-	-	-	-
C.2.1 of which: for default interest	295	-	-	-	-	-
C.3 write-offs	11.470	-	-	-	-	-
C.4 transfers to other categories of doubtful loans	4	13.715	1.330	-	-	-
C.5 other reductions	29	-	-	-	-	-
D. Total write-downs as at 31 December 2005	91.508	13.441	2.500	-	-	-
D.1 of which: for default interest	9.036	-	-	-	-	-

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

	Euro-in currencies	Other currencies	Total
Cash (coins and banknotes)	58.554	3.883	62.437
Postal orders	-	-	-
Other instruments with cashier	8	-	8
	58.562	3.883	62.445
Deposits with post offices	-	21	21
Deposits with central banks	34	-	34
	34	21	55
Total	58.596	3.904	62.500

Caption 30 "Due from banks". Composing items

	Euro-in currencies	Other currencies	Total
At sight			
Cash balances on current accounts for services rendered	24.271	23.742	48.013
Sight deposits	193.909	-	193.909
Other technical forms	15.180	-	15.180
	233.360	23.742	257.102
Other credits			
With Banca d'Italia and local central banks	200.808	3.390	204.198
Term deposits	150.000	261.241	411.241
Repurchase agreements	470.916	-	470.916
Securities loaned	263	-	263
Repurchase agreements on securities loaned	13.853	-	13.853
	835.840	264.631	1.100.471
Total	1.069.200	288.373	1.357.573
of which: residents	763.477	223.231	986.708
non residents	305.723	65.142	370.865

Caption 40 “Due from customers”. Composing items

	Euro-in currencies	Other currencies	Total
Current accounts	1.031.804	950	1.032.754
Advances	451.589	37.026	488.615
Other loans not settled in current account	802.234	57.485	859.719
Other loans (personal loans, mortgage loans)	1.818.213	171	1.818.384
Loans using third parties funds in administration	15.682	-	15.682
Repurchase agreements	-	-	-
Securities loaned	5.795	-	5.795
Risk on portfolio	22.973	-	22.973
Non-performing loans	41.936	-	41.936
Other technical forms	8.405	8	8.413
Total	4.198.631	95.640	4.294.271
of which: residents	4.139.383	87.340	4.226.723
non residents	59.248	8.299	67.547

Number of loan customer accounts, including personal loans

	2005	2004
Euro-in currencies	210.642	194.705
Other currencies	687	744
	211.329	195.449
Number of outstanding repurchase agreements	46	62

SECTION 2 SECURITIES

2.1 Investment securities

Items/Values	Book value	Market value
1. Debt securities	70.372	74.576
1.1 Government securities	59.820	64.024
listed	59.820	64.024
unlisted	-	-
1.2 Other securities	10.552	10.552
listed	-	-
unlisted	10.552	10.552
2. Equities	-	-
listed	-	-
unlisted	-	-
Total	70.372	74.576

The comparison between book value and market value (calculated on the basis of the arithmetic mean of the prices of the second half of 2005) shows capital gains for an amount of € 4,2 million. The comparison between book value and market value on maturity shows capital gains for an amount of € 0,5 million.

2.2 Changes in investment securities during the year

A. Opening balance	61.709
B. Additions	8.663
B.1 Purchases	8.500
B.2 Write-ups and revaluations	-
B.3 Transfers from trading securities portfolio	-
B.4 Other changes	163
C. Reductions	-
C.1 Sales	-
C.2 Redemptions	-
C.3 Write-downs	-
C.4 Transfers to trading securities portfolio	-
C.5 Other changes	-
D. Closing balance	70.372

The Bank's investment securities portfolio as at 31/12/2005 amounted to € 70,4 million and is almost exclusively made up of Long-term Treasury Bills (€ 59,8 million). These are held as a lasting and stable investment. The remaining part of the aggregate, amounting to € 10,6 million, is composed by: € 2,0 million tranche equity issued by Secursel s.r.l. (SPV of Gruppo Banca Sella used within a securitization operation of performing landed property loans and mortgage loans made in 2000/2001); € 3,5 million tranche equity issued by Mars 2600 (SPV of Gruppo Banca Sella used within a securitization operation of performing landed property loans and mortgage loans made in 2005); € 5,0 million of a floating rate subordinated bond loan issued by the Group's subsidiary Sella Bank Luxembourg.

The maximum size of investments fixed by resolution of the Board of Directors is complied with.

During 2005 investment securities portfolio increased by € 8,7 million; € 8,5 million of which were related to the purchase of the above mentioned Mars 2600 and Sella Bank Luxembourg bonds, while the remaining € 0,2 million is due to discounts on bonds issue and on trading transactions accrued during the financial year.

No sales or transfers were made from the investment securities portfolio to the trading securities portfolio or viceversa.

2.3 Trading securities

Items/Values	Book value	Market value
1. Debt securities	842.585	842.596
1.1 Government securities	512.394	512.394
listed	512.394	512.394
unlisted	-	-
1.2 Other securities	330.191	330.202
listed	291.037	291.037
unlisted	39.154	39.165
2 Equities	5.119	5.119
listed	2.838	2.838
unlisted	2.281	2.281
Total	847.704	847.715

Capital gains as at 31/12/2005 on the whole amounted to € 11.498.

2.4 Changes in trading securities during the year

A. Opening balance	851.175
B. Additions	65.077.008
B.1 Purchases	65.060.234
- Debt securities:	38.769.844
- government securities	36.168.530
- other securities	2.601.314
- Equities	26.290.390
B.2 Write-ups and revaluations	929
B.3 Transfers from investment securities portfolio	-
B.4 Other changes	15.845
C. Reductions	65.080.479
C.1 Sales and redemptions	65.075.114
- Debt securities:	38.782.720
- government securities	36.246.968
- other securities	2.535.752
- Equities	26.292.394
C.2 Write-downs	2.962
C.3 Transfers to investment securities portfolio	-
C.4 Other changes	2.403
D. Closing balance	847.704

Trading securities are held for treasury or for customers' trading purposes and are stated in Balance Sheet assets for an amount of € 847,7 million, substantially unvaried with respect to 31/12/2004 (€ 851,2 million).

During the year, a strategy of gradual diversification of investments from Italian Government bonds (decreased by € 78,4 million) to highly rated banking and corporate bonds (increased by € 65,6 million) was realized; equities decreased by € 2,0 million.

In 2005 again investment policies were marked by prudence both with regard to interest rate risks and issuer risks. As at 31 December 2005 the main categories of investment were the following: Italian Government bonds for the 60,4% of the total, other euro-zone Government bonds for the 7,9%, banking and financial bonds for the 29,9% and corporate bonds for the 1,2%; the remaining 0,6% was composed by mutual funds and stocks.

Subcaption B.4 "Increases - Other changes" and subcaption C.4 "Decreases - Other changes" show profits and losses on trading transactions and on foreign exchange transactions, positive and negative foreign exchange differences on securities denominated in foreign currency and discounts on issues (including profits and losses).

SECTION 3 EQUITY INVESTMENTS

3.1 Significant investments

Name of company	Head office	Shareholders' equity ^(A)	Net profit /loss ^(B)	Percentage ownership	Book value
A. Subsidiary companies					
1. B.C. FINANZIARIA S.p.A.					
Capital € 34.008.000 in shares of € 0,52	BIELLA	36.902	661	82,8103%	44.951
2. IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.					
Capital € 10.400.000 in shares of € 5,20	BIELLA	11.321	(54)	100,0000%	15.083
3. BIELLA LEASING S.p.A.					
Capital € 15.000.000 in shares of € 0,60	BIELLA	40.157	6.209	76,8409%	15.718
4. BROSEL S.p.A.					
Capital € 300.000 in shares of € 1,50	BIELLA	1.541	495	60,5000%	499
5. SELLA CAPITAL MARKETS SIM S.p.A. in liquidation					
Capital € 11.000.000 in shares of € 1,00	MILANO	9.347	132	80,0060%	7.373
6. FIDUCIARIA SELLA SIMpa^(C)					
Capital € 1.040.000 in shares of € 0,52	BIELLA	5.212	586	43,0500%	551
7. SELLA CONSULT SIMpa					
Capital € 7.000.000 in shares of € 1,00	MILANO	5.728	1.007	79,0081%	6.536
8. GESTNORD FONDI SGR S.p.A.^(C)					
Capital € 7.000.000 in shares of € 0,50	MILANO	19.551	781	86,0519%	24.424
9. SELLA DISTRIBUZIONE S.p.A.					
Capital € 6.500.000 in shares of € 0,50	BIELLA	6.499	(1)	100,0000%	6.500
10. SELLA CAPITAL MANAGEMENT SGR S.p.A.					
Capital € 5.200.000 in shares of € 0,52	MILANO	5.943	519	85,9261%	4.561
11. IMMOBILIARE SELLA S.p.A.					
Capital € 3.380.000 in shares of € 0,52	BIELLA	3.339	(76)	100,0000%	3.357
12. SELLA CORPORATE FINANCE S.p.A.					
Capital € 520.000 in shares of € 1,00	BIELLA	1.332	113	99,5000%	514
13. SELSOFT DIRECT MARKETING S.p.A.					
Capital € 310.000 in shares of € 0,31	BIELLA	327	(2)	100,0000%	543
14. C.B.A. VITA S.p.A.^(C)					
Capital € 39.000.000 in shares of € 0,52	MILANO	41.724	2.794	78,2667%	46.851
15. SELLA SOUTH HOLDING S.p.A.					
Capital € 51.000.000 in shares of € 0,51	BIELLA	56.007	3.187	100,0000%	51.659
16. SELLA HOLDING N.V.					
Capital € 43.196.809 in shares of € 1,00	THE NETHERLANDS	7.847	(7.615)	100,0000%	27.274
17. CONSEL S.p.A.					
Capital € 7.650.000 in shares of € 0,51	TORINO	14.711	2.517	76,8409%	5.547
18. BANCA PATRIMONI E INVESTIMENTI S.p.A.					
Capital € 23.000.000 in shares of € 1,00	TORINO	29.790	327	56,1144%	19.156
19. EASY NOLO S.p.A.					
Capital € 900.000 in shares of € 100,00	BIELLA	1.863	295	84,4444%	782
20. SELLA BANK LUXEMBOURG S.A.					
Capital € 22.729.000 in shares of € 100,00	LUXEMBOURG	14.017	(5.924)	23,6552%	3.479

^(C) From 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merge of Fiduciaria Sella S.I.M.p.A into Gestnord Fondi SGR S.p.A.

Name of company	Head office	Shareholders' equity ^(A)	Net profit /loss ^(B)	Percentage ownership	Book value
B. Companies under significant influence					
1. SELCRE S.p.A.					
Capital € 100.000 in shares of € 0,50	BIELLA	21	(17)	10,0000%	-
Total					285.358

^(A) Taken from the relevant drafts of the financial statements as at 31/12/2005 before profit distribution and taking into account all equity transactions performed within such date.

^(B) Amount already included in "Shareholders' equity" as referred to in the relevant column.

^(C) Controlled at a group level.

According to art. 18 par. 2 Law by Decree 87/92, it is to be pointed out that, as regards significant investments, the differences between book value and the part of shareholders' equity resulting from the latest financial statements of the subsidiary show the following nature:

- revaluation of equity investments according to art. 7 Law 218/90;

- goodwill paid during the phase of acquisition of the control;

- losses of the subsidiaries which are not deemed to have long term effects.

During 2005, the following transactions within significant equity investments took place:

- merger of INSEL S.r.l. – participation holding of Gruppo Banca Sella, following which the acquisition/increase of/in the participations here below took place:

Company acquired with the merger	Percentage acquired with the merger
C.B.A. Vita S.p.A.	30,00%
Gestnord Fondi SGR S.p.A. ^(*)	5,00%
Sella South Holding S.p.A.	25,00%
Sella Holding N.V.	4,90%
B.C. Finanziaria S.p.A.	4,01%
Immobiliare Lanificio Maurizio Sella S.p.A.	0,05%
Immobiliare Sella S.p.A.	0,99%
Selsoft Direct Marketing S.p.A.	0,10%
Sella Capital Markets SIM in liquidation	8,34%
Chancery PLC ^(**)	1,91%

^(*) from 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merger of Fiduciaria Sella S.I.M.pA into Gestnord Fondi SGR S.p.A.

^(**) wholly depreciated participation

- merger of Gestnord Intermediazione SIM p.A. into Sella Investimenti Banca S.p.A., which at the same time changed its corporate name into Banca Patrimoni e Investimenti S.p.A.; following the above mentioned operation the participation in the same bank stood at 56,11% of the new capital of the company;

- acquisition of a 23,66% participation in Sella Bank Luxembourg S.A. by the underwriting of a capital increase of the same via the transfer of Banca Sella's branch in Luxembourg; subsequently a further increase in capital of the same bank was underwritten and paid-in for the relevant quota;

- transfer to other shareholders of the whole of the participation in Sella Trust LuxS.A.;

- establishment, as sole shareholder, of Sella Distribuzione S.p.A., a company established for the purpose of acquiring, after obtaining authorization to carry out banking activity, the activities of the Italian distribution network of Banca Sella (which on 1 January 2006 changed its name into Sella Holding Banca), as well as its asset management and private banking activities, as better explained in the Annual Report section concerning remarkable facts after closing of the financial year.

Following the loss for the financial year realized by the subsidiary Sella Bank Luxembourg, the book value of the participation was written down for € 1,8 million, equal to the capital share directly owned by Sella Holding Banca.

The results of the Luxembourg subsidiary also affects the evaluation of Sella Holding N.V., which holds the majority of its capital; therefore, the value of the participation in the Dutch holding company was written down for € 4,7 million.

Other equity investments

Name of company	Activity	Ownership %	2005	2004
Unicredit Banca Mediocredito S.p.A.	banking	0,00%	-	8.427
Bancapulia (ordinary shares)	banking	4,73%	4.396	4.396
Banca Passadore & C. S.p.A.	banking	0,01%	8	-
Finpiemonte S.p.A.	banking	0,62%	287	-
Private Wealth Management SGR S.p.A.	finance	14,74%	334	334
Corporate Finance Ponti S.p.A.	finance	5,00%	7	2
Mobilmat S.p.A.	finance	0,00%	-	570
CartaLis IMEL S.p.A.	finance	10,00%	1.000	-
Sella Sicav Lux	finance	variable	50	50
Sella Global Strategy Sicav	finance	variable	34	34
Sella Capital Management Sicav	finance	variable	36	36
Borsa Italiana S.p.A.	non finance	6,16%	14.143	14.143
Istifid S.p.A.	non finance	1,40%	21	-
Consorzio Pattichiaro	non finance	0,58%	5	5
Consorzio Abi Energia	non finance	3,85%	1	1
Asteimmobili.it S.p.A.	non finance	1,12%	20	-
E-MID S.p.A.	non finance	2,00%	121	121
Finanza World S.p.A.	non finance	0,00%	-	37
FO.R.UM. S.c.a r.l.	non finance	0,00%	-	5
Idroenergia	non finance	0,03%	1	1
Interporto dell'Area Ionico Salentina S.p.A.	non finance	3,35%	29	39
Le Ciminiere S.r.l.	non finance	3,33%	21	21
M.T.S. - Soc. per il Mercato Titoli Stato S.p.A.	non finance	2,41%	2.398	2.575
S.I.A. - Soc. Interbancaria per l'Automazione	non finance	3,56%	6.313	2.380
Pallacanestro Biella S.p.A.	non finance	3,13%	13	9
S.W.I.F.T.	non finance	0,04%	49	29
SI.TE.BA. S.p.A.	non finance	0,36%	19	16
S.S.B. Società per i Servizi Bancari S.p.A.	non finance	1,20%	58	-
Centrale dei Bilanci S.r.l.	non finance	1,00%	465	-
CIM Italia S.p.A.	non finance	0,98%	127	-
S.A.CE. - Società Aeroporto di Cerrione S.p.A.	non finance	5,80%	198	-
Centro Sviluppo S.p.A.	non finance	6,00%	62	-
Biella Intraprendere S.p.A.	non finance	11,95%	108	-
Città Studi S.p.A.	non finance	0,61%	101	7
Total			30.425	33.238

During year 2005 the following transactions on other equity investments took place:

- merger of INSEL S.r.l. – participation holding of Gruppo Banca Sella, following which the acquisition of/increase in the participations here below took place:

Company acquired with the merger	Percentage acquired with the merger
Banca Passadore & C. S.p.A.	0,01%
Finpiemonte S.p.A.	0,62%
Istifid S.p.A.	1,41%
S.I.A. – Società Interb. per l'Automazione S.p.A.	2,25%
CIM Italia S.p.A.	0,98%
S.S.B. – Società per i Servizi Bancari S.p.A.	1,16%
Centrale dei Bilanci S.r.l.	1,00%
S.A.CE. Aeroporto di Cerrione S.p.A.	5,80%
Biella Intraprendere S.p.A.	11,95%
Città Studi S.p.A.	0,57%
Centro Sviluppo S.p.A.	6,00%

- sale of the whole stake in Unicredit Banca Mediocredito S.p.A.;

- sale of the whole stake in Mobilmat S.p.A.;

- sale of the whole stake in Finanza World S.p.A.;

- purchase from other shareholders of 541 shares of SI.TE.BA. S.p.A., so that the participation in the company passed from 0,35% to 0,36%;

- purchase from other shareholders of 20.000 shares of Asteimmobili.it S.p.A., equal to 1,12% of the ordinary capital of the same company;

- underwriting of 10% of the capital of the newly established CartaLis S.p.A., company which asked for and obtained, during the month of January 2006, authorization to become an Electronic Money Institution (IMEL);

- underwriting of 50 new shares of Pallacanestro Biella S.p.A. within the increase in capital deliberated by the company;

- underwriting of 9 new shares of S.W.I.F.T. in order to adapt the participation to the actual use of the services of the same company;

- reduction of the participation in MTS S.p.A. from 5,00% to 2,45% following the underwriting of the increase in capital of the same company reserved to a company participated by Borsa Italiana S.p.A. and Euronext S.A.; the amount of € 124.954.676 cashed by the company as share premium account was then distributed to the "old" shareholders in proportion

to the participation held by each of them. Such participation was then further reduced to 2,41% of the capital, following the completion, before 31/12/2005, of some of the expected transfers, which will reduce the participation in the capital of MTS S.p.A. to 0,10%;

- lodgement of the remaining tenths relevant to the increase in capital of Corporate Finance Ponti S.p.A. .

Due to the permanent loss in value, the value of the following participations was written-down:

- Pallacanestro Biella S.p.A. for € 5.600;

- Interporto dell'Area Ionica Salentina S.p.A. for € 10.617;

- FO.R.U.M. Scarl for € 5.164.

3.2 Assets and liabilities towards Group companies ^(*)

	2005	2004
a) Assets	1.114.350	734.115
1. due from banks	38.486	11.464
2. due from financial institutions	1.065.965	708.776
3. due from other customers	4.899	3.875
4. bonds and other debt securities	5.000	10.000
of which :		
- subordinated	-	-
b) Liabilities	777.707	621.597
1. due to banks	701.403	558.630
2. due to financial institutions	40.379	34.666
3. due to other customers	34.992	16.119
4. securities issued	933	11.115
5. subordinated liabilities	-	1.067
c) Guarantees and commitments	53.752	23.418
1. guarantees given	52.329	22.603
2. commitments	1.423	815

^(*) These include the directly controlled companies, the indirectly controlled companies and the controlling companies.

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

	2005	2004
a) Assets	8.002	4.883
1. due from banks	7.524	4.390
2. due from financial institutions	1	2
3. due from other customers	477	491
4. bonds and other debt securities	-	-
b) Liabilities	35.885	14.477
1. due to banks	825	5.285
2. due to financial institutions	10.965	3.256
3. due to other customers	24.095	5.936
4. securities issued	-	-
5. subordinated liabilities	-	-
c) Guarantees and commitments	5.591	5.139
1. guarantees given	5.591	5.139
2. commitments	-	-

3.4 Caption 70 "Equity investments". Composing items

	2005	2004
a) in banks	4.403	12.823
1. listed	-	-
2. unlisted	4.403	12.823
b) in financial institutions	1.770	1.027
1. listed	-	-
2. unlisted	1.770	1.027
c) in others	24.253	19.399
1. listed	-	-
2. unlisted	24.253	19.399
Total	30.426	33.249

3.5 Caption 80 "Investments in subsidiaries ". Composing items

	2005	2004
a) in banks	22.635	10.000
1. listed	-	-
2. unlisted	22.635	10.000
b) in financial institutions	181.734	216.725
1. listed	-	-
2. unlisted	181.734	216.725
c) in others	80.988	50.030
1. listed	-	-
2. unlisted	80.988	50.030
Total	285.357	276.755

3.6.1 Investments in subsidiaries

3.6.1 Investments in subsidiaries

A. Opening balance	276.755
B. Additions	61.704
B.1 Purchases	61.704
B.2 Write-ups	-
B.3 Revaluations	-
B.4 Other additions	-
C. Reductions	53.102
C.1 Sales	9.056
C.2 Write-downs	6.432
of which:	
- permanent write-downs	6.432
C.3 Other reductions	37.614
D. Closing balance	285.357
E. Total revaluations	-
F. Total write-downs	24.410

3.6.2 Other equity investments

A. Opening balance	33.249
B. Additions	6.523
B.1 Purchases	6.523
B.2 Write-ups	-
B.3 Revaluations	-
B.4 Other additions	-
C. Reductions	9.346
C.1 Sales	9.210
C.2 Write-downs	136
of which:	
- permanent write-downs	136
C.3 Other reductions	-
D. Closing balance	30.425
E. Total revaluations	-
F. Total write-downs	231

Relationship with Group companies: Balance Sheet - Assets

Name of company	30. Due from banks	40. Due from customers	50. Bonds and other debt securities	130. Other assets	140. Accrued income and prepayments
B.C. Finanziaria					
Banca Ardit Galati S.p.A.	1.509			437	32
Banca Bovio Calderari S.p.A.	33.087		5.000	357	3
Banca di Palermo S.p.A.	640			318	5
Banca Patrimoni e Investimenti S.p.A.	19			1.749	46
Biella Leasing S.p.A.		601.627		133	98
Brosel S.p.A.				218	
C.B.A. Vita S.p.A.		1		380	
Consel S.p.A.		413.616		6	177
Easy Nolo S.p.A.		937		162	
Fiduciaria Sella Sim p.A. ^(*)		1		88	
Finanziaria Bansel S.p.A.		9		7.804	
Gestnord Fondi Sgr p.A. ^(*)		1		4.190	
Immobiliare Lanificio Maurizio Sella S.p.A.		3.222			21
Immobiliare Sella S.p.A.		740			
Secursel S.r.l.				7.252	
Selban S.p.A.					
Selfid S.p.A.				81	
Sella Synergy India Ltd.				5	
Sella Bank A.G.	945			83	11
Sella Bank Luxembourg S.A.	7.286			95	45
Sella Capital Management Sgr p.A.		3		871	
Sella Capital Markets S.p.A. (in liquidation)					
Sella Consult Sim p.A.		7		280	
Sella Corporate Finance S.p.A.				139	
Sella Holding N.V.		42.732			
Sella Life Ltd.				98	
Sella South Holding S.p.A.		7.968			
Sella Trust Lux					
Sella Distribuzione S.p.A.					
Selsoft Direct Marketing S.p.A.				2	
Total	43.486	1.070.864	5.000	24.748	438

^(*) From 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merger of Fiduciaria Sella S.I.M.pA into Gestnord Fondi SGR S.p.A.

Relationship with Group companies: Balance Sheet - Liabilities

Name of company	10. Due to banks	20. Due to customers	30. Securities issued - bonds	50. Other liabilities	60. Accruals and deferred income	110. Subordinated liabilities
B.C. Finanziaria	55					
Banca Arditi Galati S.p.A.	79.134			762	81	
Banca Bovio Calderari S.p.A.	3.428		933	890	19	
Banca di Palermo S.p.A.	27.018			578	134	
Banca Patrimoni e Investimenti S.p.A.	338.524			633	65	
Biella Leasing S.p.A.		2.321			4	
Brosel S.p.A.		3.712				
C.B.A. Vita S.p.A.		29.987				
Consel S.p.A.		1.304				
Easy Nolo S.p.A.				765		
Fiduciaria Sella Sim p.A. (*)		1.193		59		
Finanziaria Bansel S.p.A.		3.943		3.819		
Gestnord Fondi Sgr p.A. (*)		10.460		206		
Immobiliare Lanificio Maurizio Sella S.p.A.		180		58	1	
Immobiliare Sella S.p.A.						
Secursel S.r.l.						
Selban S.p.A.		443		7		
Selfid S.p.A.		143		1		
Sella Synergy India Ltd.		61		294		
Selir S.r.l.				196		
Sella Bank A.G.	6.269				1	
Sella Bank Luxembourg S.A.	247.959				201	
Sella Capital Management Sgr p.A.		1.888		196		
Sella Capital Markets S.p.A. (in liquidation)		9.319				
Sella Consult Sim p.A.		2.669		2.364		
Sella Corporate Finance S.p.A.		241		228		
Sella Holding N.V.						
Sella Life Ltd.		902				
Sella South Holding S.p.A.						
Sella Trust Lux S.p.A.		27				
Sella Distribuzione S.p.A.		6.518				
Selsoft Direct Marketing S.p.A.		7		66		
Total	702.387	75.318	933	11.122	506	

Relationship with Group companies: Guarantees and commitments

Name of company	10. Guarantees given	20. Commitments
Banca Arditi Galati S.p.A.		
Banca Bovio Calderari S.p.A.		137
Banca Cesare Ponti S.p.A.	392	
Banca di Palermo S.p.A.	38	
Banca Patrimoni e Investimenti S.p.A.	23	
Biella Leasing S.p.A.	87	
C.B.A. Vita S.p.A.	3.447	
Consel S.p.A.	1.875	
Easy Nolo S.p.A.	520	
Finanziaria Bansel S.p.A.	5	
Gestnord Fondi Sgr p.A. (*)	82	
Immobiliare Lanificio Maurizio Sella S.p.A.	17	
Immobiliare Sella S.p.A.	176	
Sella Bank A.G.	2.958	
Sella Bank Luxembourg S.A.		1.286
Sella Consult Sim p.A.	42.715	
Total	52.366	1.423

(*) From 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merger of Fiduciaria Sella S.I.M.p.A into Gestnord Fondi SGR S.p.A.

Relationship with Group companies: Income Statement

Name of company	10. Interest receivable and similar income	20. Interest payable and similar charges	30. Dividends and other income	40. Fees and commissions receivable	50. Fees and commissions payable	60. Dealing profits (losses)	70. Other operating income	80. Administrative expenses
B.C. Finanziaria S.p.A.		1	487					
Banca Arditi Galati S.p.A.	54	1.891		295	724	74	1.415	189
Banca Bovio Calderari S.p.A.	468	211		54	718	16	1.383	466
Banca di Palermo S.p.A.	12	683		173	536	(330)	982	158
Biella Leasing S.p.A.	11.773	2	442	299		632	181	
Brosel S.p.A.		46	22	408			2	
C.B.A. Vita S.p.A.		500		2.973			37	
Consel S.p.A.	8.640	2	153	909	1	168	72	
Easy Nolo S.p.A.	41		11	23			518	3.727
Fiduciaria Sella Sim p.A. ^(*)		32	32	605	522		294	5
Finanziaria Bansel S.p.A.	55	2		1	4		16.267	21.112
Gestnord Fondi Sgr p.A. ^(*)	2	30	99	15.970	181		445	188
Immobiliare Lanificio Maurizio Sella S.p.A.	185	1		1				972
Immobiliare Sella S.p.A.	39							
Insel S.p.A.								
Secursel S.r.l.				121			7.130	
Selban S.p.A.		2					2	37
Selfid S.p.A.		2		6			273	
Selir S.r.l.								296
Sella Bank A.G.	11	107		32	16		63	
Sella Bank Luxembourg S.A.	256	6.352		103			295	
Sella Capital Management Sgr p.A.	1	33		2.725	437		399	4
Sella Capital Markets Sim p.A. (in liquidation)		185						
Sella Consult Sim p.A.		32	100	4	8.204		1.070	110
Banca Patrimoni e Investimenti S.p.A.	71	5.638		296	416		2.910	367
Sella Corporate Finance S.p.A.		5	5		7		336	222
Selcre SpA								
Sella Synergy India L.t.d.								
Sella Distribuzione S.p.A.		2						
Sella Holding N.V.	499							
Sella Life Ltd.		25		344			38	
Sella South Holding S.p.A.	484		85					
Sella Trust Lux S.A.								
Selsoft Direct Marketing S.p.A.					436		12	
Total	22.591	15.784	1.436	25.342	12.202	560	34.124	27.853

^(*) From 1 April 2006 Sella Gestioni S.G.R. S.p.A., after the merger of Fiduciaria Sella S.I.M.pA into Gestnord Fondi SGR S.p.A.

SECTION 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

During 2005 the real estate owned by the Bank decreased, following the sale of the building in Luxembourg (€ - 1,3 million). This reduction was balanced by investments on 3 other buildings:

- about € 130.000 for the premises in Biella Costa delle Noci, 2;
- about € 20.000 for the head office in Biella Via Italia, 2;
- about € 66.000 for the premises in Biella Via Seminari, 1.

As far as the latter building is concerned, a large-scale renovation is expected to take place during 2006.

The book value of property as at 31/12/2005 stood at € 43,9 million, net of write-downs for an amount of € 11,9 million.

Furniture and equipment belonging to the Bank as at 31/12/2005 amounted to € 10,8 million, net of write-downs for an amount of € 107,5 million.

Intangible fixed assets amounted to € 18 million, net of write-downs for an amount of € 79,7 million.

The real estate in the books as at 31 December 2005, which were already owned by the Bank as at 31 December 2004, for the present financial statements, have been revalued according to art. 1, par. 469 and following of Law 266/2005 (financial act for 2006), for a total amount of € 12,9 million, on which a substitute tax of € 1,5 million was calculated.

With regard to the above mentioned revaluation, it is to be pointed out that:

- 1) the revaluation involved instrumental real estate both by destination and by nature and non-instrumental real estate;
- 2) the revaluation was made according to the current value of real estate as at 31 December 2005;
- 3) the substitute tax on income taxes was applied with a rate of 12% for the revaluation of instrumental real estate and with a rate of 6% for the revaluation of non-instrumental real estate;
- 4) the above mentioned revaluation was made exclusively revaluing the value of gross assets;
- 5) the higher value which was therefore attributed is to be considered as fiscally acknowledged starting from 1 January 2008;
- 6) no depreciation quota was allocated in proportion to the higher value of assets which followed the revaluation.

According to art. 10 Law 72 of 1983, properties which are still owned by the Bank, in the past have been revalued according to the following laws:

- (i) Law 408 of 29/12/1990, for an amount of about € 1,3 million;
- (ii) Law 342 of 21/11/2000 for an amount of about € 10,9 million;
- (iii) Law 266 of 23/12/2005 for an amount of about € 12,9 million.

Total revaluations thus amount to € 25,1 million.

4.1 Changes during the year in tangible fixed assets

	Property	Furniture and equipment	Total
A. Opening balance	46.309	8.619	54.928
B. Additions	13.044	8.338	21.382
B.1 Purchases	171	8.327	8.498
B.2 Write-ups	-	-	-
B.3 Revaluations	12.873	-	12.873
B.4 Other additions	-	11	11
C. Reductions	2.730	6.194	8.924
C.1 Sales	1.326	130	1.456
C.2 Write-downs	1.404	6.064	7.468
a) amortizations	1.239	6.064	7.303
b) permanent write-downs	165	-	165
C.3 Other reductions	-	-	-
D. Closing balance	56.623	10.763	67.386
E. Total revaluations	24.968	-	24.968
F. Total write-downs	12.141	107.518	119.659
a) amortizations	11.976	107.379	119.355
b) permanent write-downs	165	139	304

4.2 Changes during the year in intangible fixed assets

	Software	Expenses for equipment	Goodwill	Others	Total
A. Opening balance	11.331	-	3.128	4.185	18.644
B. Additions	8.903	-	-	1.396	10.299
B.1 Purchases	8.868	-	-	1.395	10.263
B.2 Write-ups	-	-	-	-	-
B.3 Revaluations	-	-	-	-	-
B.4 Other additions	35	-	-	1	36
C. Reductions	8.072	-	647	2.209	10.928
C.1 Sales	25	-	-	-	25
C.2 Write-downs	7.858	-	647	2.196	10.701
a) amortizations	7.858	-	647	2.196	10.701
b) permanent write-downs	-	-	-	-	-
C.3 Other reductions	189	-	-	13	202
D. Closing balance	12.162	-	2.481	3.372	18.015
E. Total revaluations	-	-	-	-	-
F. Total write-downs	58.362	6.132	3.992	11.188	79.674
a) amortizations	58.362	6.132	3.992	11.188	79.674
b) permanent write-downs	-	-	-	-	-

On 28/12/2002, the Bank and the company's trade unions stipulated agreement for the use of the "Income, employment and re-training fund for staff in the banking industry". For the drafting of the financial statements, following the indications of Banca d'Italia (Memorandum No. 735 of 20/02/2003), the annual part of amortization, amounting to € 0,4 million was stated at item 90 of the Income Statement "write-downs to tangible and intangible fixed assets" reducing the amount of item 90 in Balance Sheet assets "intangible fixed assets" to € 0,4 million.

SECTION 5 OTHER ASSETS

5.1 Caption 130 "Other assets". Composing items

	2005	2004
Current account cheques drawn on other banks still to be transacted	32.032	38.182
Current account cheques drawn by customers still to be processed	15.951	21.852
Expired coupons and securities in course of dealing	57	4.587
Prepaid taxes	27.741	30.635
Taxes paid in advance on staff severance	774	940
Advance on tax deductions on interest payable and other charges	-	526
Advance on substitute tax on mortgages	43	1.177
Advance on third party tax payments made through the tax payment collection service	-	24.981
Advance on VAT	-	104
Withholding taxes withheld	211	240
Assets on taxes paid in advance (*) (Assets for deferred taxation)	17.354	10.126
Assets on tax returns on a consolidated basis	23	99
Due from Tax Authority	1.172	2.737
Due from premiums paid on purchased options not yet exercised	11.354	8.703
Premiums on derivative contracts still to be settled at maturity	7.898	12.113
Revaluations of forex forward transactions and derivative contracts	14.793	24.400
Daily margins on derivative contracts transacted on regulated markets still to be settled	23.998	-
Fees and commissions to be debited	27.363	16.354
Sundry payment orders to be debited	60.246	61.962
Pensions paid to beneficiaries still to be credited by the social security service (INPS)	52.468	-
Amounts in transit between branches not attributed to specific accounts	531	91
Prepayments and due from suppliers	1.784	540
Stored forms	471	455
Other items	13.638	17.194
Total	309.902	277.998

(*) The composition of item "assets for deferred taxation" is shown in Part B - Section 7 ("Provisions") of the Explanatory Notes.

5.2 Caption 140 "Accrued income and prepayments". Composing items

	2005	2004
Accrued income on:		
Interest from due from banks	3.048	1.594
Interest from due from customers	9.289	10.607
Interest on securities in own portfolio	10.239	8.303
Differentials on derivative contracts	4.668	2.627
Fees and sundry proceeds	8.404	6.879
	35.648	30.010
Prepayments on:		
Discounts on bond issues	508	304
Administrative expenses (rents, insurances, etc.)	4.486	4.777
	4.994	5.081
Total	40.642	35.091

5.4 Distribution of subordinated liabilities

	2005	2004
a) due from banks	-	-
b) due from customers	-	-
c) bonds and other debt securities	12.031	3.977
Total	12.031	3.977

SECTION 6 PAYABLES

6.1 Caption 10 "Due to banks". Detailed items

	2005	2004
a) repurchase agreements	72.727	59.361
b) securities borrowed	13.853	13.386

6.2 Caption 20 "Due to customers". Detailed items

	2005	2004
a) repurchase agreements	659.017	540.653
b) securities borrowed	-	-

Caption 10 "Due to banks". Composing items

	Euro-in currencies	Other currencies	Total
At sight			
Cash balances on current accounts for services rendered	238.754	15.693	254.447
Sight deposits	178.700	-	178.700
	417.454	15.693	433.147
Forward or upon notice			
Term deposits	286.442	191.226	477.668
Liabilities advances not settled on current account	9.764	-	9.764
Repurchase agreements	72.464	-	72.464
Repurchase agreements for securities borrowed	263	-	263
Securities borrowed	13.853	-	13.853
	382.786	191.226	574.012
Total	800.240	206.919	1.007.159
of which: residents	561.057	27.476	588.534
non residents	239.182	179.443	418.625

Caption 20 "Due to customers". Composing items

	Euro-in currencies	Other currencies	Total
At sight			
Saving deposits	332.026	-	332.026
Liabilities current accounts	3.291.441	144.517	3.435.958
	3.623.467	144.517	3.767.984
Forward or upon notice			
Term deposits	1.743	-	1.743
Liabilities current accounts and other term deposits	43.660	66.443	110.103
Repurchase agreements	653.221	-	653.221
Repurchase agreements on securities borrowed	5.795	-	5.795
Caution money	28.101	2.110	30.211
	732.520	68.553	801.073
Total	4.355.987	213.070	4.569.057
of which: residents	4.250.523	127.596	4.378.119
non residents	105.464	85.474	190.938

Number of outstanding current accounts with customers

	2005	2004
Saving deposits	121.911	118.473
Current accounts	293.815	292.546
	415.726	411.019
Number of outstanding repurchase agreement transactions	2.840	2.089

Caption 30 "Securities issued". Composing items

	Euro-in currencies	Other currencies	Total
Bonds	719.984	-	719.984
Certificates of deposit:			
short term	2.605	100	2.705
medium/long term	445	32	477
Other instruments:			
banker's drafts	45.227	84	45.311
other own cheques	1.368	-	1.368
Total	769.629	216	769.845
of which: residents	417.698	133	417.831
non residents	351.931	83	352.014

	2005	2004
Number of outstanding certificates of deposit	155	163

Caption 40 "Third party funds in administration". Composing items

	Euro-in currencies	Other currencies	Total
Treasury	-	-	-
Regions	15.520	-	15.520
Other territorial authorities	169	-	169
Other public administration authorities	-	-	-
Total	15.689	-	15.689

SECTION 7 PROVISIONS

7.1 Caption 90 "Reserve for possible loan losses". Composing items

	2005	2004
- for possible risks on loans	6.458	8.976

7.2 Changes in caption 90 "Reserve for possible loan losses"

A. Balance as at 31 December 2004		8.976
B. Additions		2.067
B.1 - provisions		1.985
B.2 - other changes		82
C. Reductions		4.585
C.1 - utilizations		2.945
C.2 - other changes		1.640
D. Balance as at 31 December 2005		6.458

7.3 Caption 80/c "Provisions for risks and charges - Other provisions". Composing items

	2005	2004
- to cover losses resulting from claims by receivers of bankrupt customers	4.366	2.203
- to cover severance indemnity for the Chairman	949	875
- for engagement towards the Deposit Guarantee Scheme	2.355	2.355
- to cover the risk related to fluctuation of securities portfolio	-	1.150
- to cover reimbursement of benefits deriving from law by decree 153/99	-	1.234
- to cover unfavourable lawsuits and complaints of customers	5.275	-
- to cover charges related to the facilitation of early retirement of staff	1.288	-
- to cover operating risks of Group companies	6.749	-
- to cover charges of different nature	3.706	5.499
Total	24.688	13.316

As regards Sella Bank Luxembourg claims might arise following supposed responsibilities related to activities carried out with some counterparts; therefore controls were made in order to identify the potential risk thereof.

Sella Holding Banca, which directly and indirectly controls the above mentioned company, is committed to indemnify the same against any charges that might arise, giving it the necessary financial support in order to comply with the minimum capital limits necessary to carry out the company's activity.

Following the controls made by resources of the Group and by the auditors appointed by the local supervisory authority and according to the opinion of outside legal consultants, the amount entered in the Balance Sheet is deemed to be the best evaluation of the potential liability that might arise.

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

Balance as at 31 December 2004		13.316
reductions		
- used to cover charges resulting from claims by receivers of bankrupt customers		260
- used to cover interventions of the Deposit Guarantee Scheme		-
- used to cover losses on securities portfolio		1.150
- used to cover the reimbursement of benefits deriving from law by decree 153/99		1.203
- used to cover charges of different nature		2.454
- other changes		300
- transfer to out-of-period income		300
additions		
- provisions charged to income statement		16.801
- other changes (accounting of due from insurance company)		238
Balance as at 31 December 2005		24.688

It was not deemed necessary to make any provision following sentence No. 425 of 9/10/2000 of the Constitutional Court, which ratified the illegitimacy for excess of proxy of art. 25 par. 3 of Law by Decree 342/99, the content of which guaranteed the validity of clauses relating to capitalization of interest of contracts outstanding at the date in which deliberation CICR of 9/2/2000 was put into force. The Council of State, with the above mentioned sentence has not judged the issue, but pointed out the inadequacy of the proxy law as source of the regulations for the issue of the disposition thereof. Therefore the Bank as regards interest due on interest, on the basis of the scholars' and the courts' past and recent guidelines and of well-grounded objective elements, holds fully valid the clauses relevant to capitalization of interest written in the contracts for current accounts and the procedures followed, and holds groundless any request for reimbursement that customers may put forward.

Changes in caption 70 “ Staff severance provision”

Balance as at 31 December 2004	26.747
reductions	
- severance payments to staff	524
- advances given according to the law	373
- transfer to subsidiaries for employees transferred to the same	590
- other changes	1
additions	
- provision as total covering of year-accrued quotas	3.682
- transfer from subsidiaries for employees transferred from the same	124
- other changes	-
Balance as at 31 December 2005	29.065

Caption 80/b “Provisions for risks and charges - Provisions for taxes and fees”. Composing items

	2005	2004
- income taxes (IRPEG)	19.119	16.594
- income taxes (IRAP)	7.633	6.148
- substitute taxes on income	3.993	-
- indirect taxes and levies	3.675	356
Total	34.420	23.098

Changes in caption 80/b “Provisions for risks and charges - Provisions for taxes and fees”

Balance as at 31 December 2004	23.098
reductions	
- payments made during the year	22.087
- transfer to out-of-period income	-
- other changes	1.011
additions	
- provisions relevant to the financial year:	
- income taxes	26.752
- substitute taxes on income	3.993
- indirect taxes and levies	3.675
- other changes	-
Balance as at 31 December 2005	34.420

On 25/06/2003 the Regional Tax Revenue Office for Piedmont issued against Banca Sella notification containing sundry tax recovery claims (concerning IRPEG and IRAP taxes) relevant to year 1999. Following such notification, the office in Biella of the Tax Revenue Office, issued, on 29/09/2004, the relevant assessment note. The Bank subsequently deposited appeal against the above mentioned assessment note at the Tax Committee of the province of Biella. Additional taxation amounts to € 539.000. The examination of the remarks shows that the objections merely concern competence or different interpretations of the law. It was not deemed necessary to allocate any amount to provisions for risk and charges, considering that the same remarks might be successfully discussed during suit, due to valid pleas, except for the uncertainty related to any kind of suit. For information only, it is to be pointed out that should the Bank lose its case in the above mentioned litigation, the total charge for the Bank (additional taxation, interest and sanctions) would amount approximately to € 1,1 million.

It is also to be pointed out that on 23 March 2006 the Regional Excise and Revenue Police Headquarters of Piedmont (Comando Nucleo Regionale Polizia Tributaria Piemonte) issued a notification against Banca Sella, following the partial inspection related to the 2003 tax period, subsequently enlarged to 2004 and 2005. Such notification bears remarks mainly relevant to stamp duties. An exam of the remarks shows that these are related to a different interpretation of the rules on the methods for accountancy bookkeeping having effect on the above mentioned tax. Therefore, it was not deemed necessary to allocate any amount to provisions for taxes and fees, considering that the same remarks, as to today, did not translate into an official action of the Regional Tax Revenue Office for Piedmont, and that they might be successfully discussed during suit, due to valid pleas, except for the uncertainty related to any kind of suit.

Deferred taxation

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

The main assets related to taxes paid in advance (deferred tax assets) are those resulting from the following items:

1. depreciation of equity investments, deductible in five financial years: € 2,1 million;
2. remuneration paid to directors, deductible in the financial year in which they are paid: € 104.000;
3. depreciation of loans to customers for the part exceeding the maximum annual limit, deductible in the course of seven/nine financial years: € 5,6 million;
4. provision for engagement with the Deposit Guarantee Scheme, deductible in the financial year in which the engagement is transformed into debt: € 811.000;
5. provision for bankruptcy proceedings deductible in the financial year in which the engagement is transformed into debt: € 1,4 million;
6. staff costs in deferred taxation: € 723.000;
7. provision for risks and charges used to cover charges of different nature: € 5,1 million;
8. charges and out-of-period income in deferred taxation: € 1,3 million.

Taxes paid in advance relevant to taxed provisions for possible loan losses (caption 90 of Balance Sheet liabilities) are not accounted for, as those provisions are set aside to face only possible loan losses. Therefore, such provisions should not be considered costs for the period, but profit portions aimed at facing unexpected future losses and depreciations. The "capital" nature of such provision is confirmed by Banca d'Italia, which allows to calculate it in addition to capital for supervisory purposes.

Liabilities for deferred taxation stated in the balance sheet as at year end are related to the following items:

1. contributions to be received for training costs in deferred taxation: € 148.000;
2. long-term expenses relevant to the facilitation of early retirement for employees: € 89.000;
3. capital gains deriving from the transfer of equity investments which will be completed in 2006: € 71.000.

As the conditions pointed out by the Injunction of Banca d'Italia were fulfilled, liabilities for deferred taxation are wholly balanced by assets for deferred taxation.

The amount of assets for deferred taxation (about € 17,7 million) less liabilities for deferred taxation (about € 0,3 million) stands at about € 17,4 million, as shown at caption 130 "assets for deferred taxation" of the Balance Sheet.

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

The IRES rate relevant to 2005 and following years was estimated as being equal to 33%.

The average IRAP rate was estimated as being equal to 4,25% taking into account the added value not subject to the tax as it may be considered as generated abroad.

7.4 Changes during the year in “assets for deferred taxation” - income statement impact

	2005	2004
1. Opening balance	10.565	8.901
2. Additions	11.322	4.351
2.1 Taxes paid in advance arisen during the year	11.122	4.351
2.2 Other additions	200	-
3. Reductions	4.218	2.687
3.1 Taxes paid in advance annulled during the year	3.981	2.687
3.2 Other reductions	237	-
4. Closing balance	17.669	10.565

The main assets for taxes paid in advance relevant to year 2005 (caption 2.1 of the table) are the following:

1. loan losses deductible in ninths: € 3,5 million;
2. remuneration paid to directors: € 95.000;
3. staff costs in deferred taxation: € 723.000;
4. amortizations in deferred taxation: € 107.000;
5. provision for bankruptcy proceedings: € 820.000;
6. provision for risks and charges used to cover charges of different nature: € 4,4 million;
7. charges and out-of-period income in deferred taxation: € 1,3 million.

Other additions (item 2.2) are related to the acquisition of deferred taxation (taxes paid in advance) of INSEL srl (merged in December 2005).

The main assets for taxes paid in advance annulled for year 2005 (caption 3.1) are the following:

1. depreciation of equity investments: € 1,1 million;
2. remuneration paid to directors: € 271.000;
3. losses on loans to customers: € 309.000;
4. provision for securities portfolio fluctuation risk: € 428.000;
5. provision for bankruptcy proceedings: € 106.000;
6. deducted staff costs that were subject to taxation in previous financial years: € 592.000;
7. provision for risks and charges used to cover charges of different nature: € 950.000.

Other reductions (item 3.2) are mainly related to variations on items acquired by the merger of Insel and to taxes paid in advance relevant to the branch in Luxembourg transferred to Sella Bank Luxembourg in June 2005.

We underline that the above mentioned variations bear a counterparty in the Income Statement. The table “changes in assets for deferred taxation – net balance sheet impact” was not compiled as there were no items relevant to the table.

7.5 Changes during the year in “liabilities for deferred taxation” - income statement impact

	2005	2004
1. Opening balance	439	130
2. Additions	212	346
2.1 Taxes paid in advance arisen during the year	212	346
2.2 Other additions	-	-
3. Reductions	336	37
3.1 Deferred taxes annulled during the year	336	37
3.2 Other reductions	-	-
4. Closing balance	315	439

Liabilities for deferred taxation arisen for competence in year 2005 (caption 2.1) refer to contributions to be received for training costs in deferred taxation (€ 148.000).

Liabilities for deferred taxation annulled in year 2005 (caption 3.1) refer to the taxation of contributions for training costs which were deferred in the previous financial year for an amount of € 335.000.

We underline that the above mentioned variations bear a counterparty in the Income Statement. The table “changes in liabilities for deferred taxation – net balance sheet impact” was not compiled as there were no items relevant to the table.

Amounts and variations during the financial year related to liabilities for deferred taxation not included in sub-caption 80/b "Provisions for taxes and fees"

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

Deferred taxation relevant to the provision existing as at 31/12/2004: € 2,5 million.

Deferred taxation relevant to use of provisions made in 2005: € - 138.000.

Variation due to changes in average fiscal rates: + € 8.000.

Total deferred taxation on provisions for possible loan losses for default interest as at 31/12/2005: € 2,4 million.

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

- (i) Reserve ex art. 7 law 218/90, reserve for assets and liabilities contribution ex law 218/90, special reserve ex law by decree 124/93, revaluation reserve ex law 342/2000, reserve ex art. 25, par 3, law by decree No. 41 of 1995, revaluation reserve ex law 266/2005, realignment reserve ex law 266/2005: these are reserves for shareholders' net capital in suspension of taxation for an amount of € 52,4 million, for which the Bank did not undertake, and it is believed it is not likely to undertake in the future, any behaviour so as to integrate the requirements for the taxation of the same.
- (ii) Differential between book value and tax value (for a total amount of € 13,9 million) of the assets (property and equity investments) received as contribution in 1991, as per law 218/90: the revaluation operation did not at the time influence either the civil law result or the taxable income for Banca Sella. On occasion of the contribution operation the differences between civil law value and tax value were built up on the conferring subjects for the higher value of the participation detained in the conferred subject and on the conferred subject for the higher value of assets (including equity investments) conferred. Taking into account that no operations are expected to take place so as to give returns on such participations and therefore the rise of any latent taxation, no deferred taxation was recorded in the books.
- (iii) As regards the differential between book value and tax value of property received as contribution within the operation mentioned at (ii), amounting to € 21,3 million as at 31/12/2004, it is to be pointed out that the same was remitted by joining the regulations as per art. 1, par. 469 and following, law 266/2005. Fiscal acknowledgement of such realignment will take place starting from 1 January 2008. These are items on which deferred taxation was not calculated as the Bank did not undertake, and it is believed is not likely to undertake by 1 January 2008, any behaviour so as to integrate the requirements for the taxation of the same.
- (iv) Differential between book value and tax value, for a total amount of € 1,7 million, of the CBA Vita participation, following the entry of the deficit related to the merge of Insel which took place in December 2005. On this item deferred taxation was not calculated as the Bank did not undertake, and it is believed is not likely to undertake in the future, any behaviour so as to integrate the requirements for the taxation of the same.
- (v) Fiscal revaluation of property entered in these financial statements, according to art. 1, par. 469 and following, law 266/2005, for a total amount of € 12,9 million. Fiscal acknowledgement of such realignment will take place starting from 1 January 2008. On this item deferred taxation was not calculated as the Bank did not undertake, and it is believed is not likely to undertake by 1 January 2008, any behaviour so as to integrate the requirements for the taxation of the same.
- (vi) Differential between book value and tax value (for a total amount of about € 0,1 million) of Immobiliare Sella, following the revaluation of a building in suspension of taxation as per law 218/1990, made on occasion of the contribution operation in favour of the same during the 1992 financial year. On this item deferred taxation was not calculated as the Bank did not undertake, and it is believed is not likely to undertake in the future, any behaviour so as to integrate the requirements for the taxation of the same.

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

Capital, equity reserves, reserve for general banking risks and subordinated liabilities, as at 31/12/2005, amounted globally to € 594,9 million, before the attribution of profit to reserves. The dividend per share proposed for distribution of the net profit relevant to the financial year amounts to 2,50 euro cents. In case of acceptance of what proposed, equity reserves will increase by € 23,1 million.

Caption 120 "Subscribed capital". Composing items

	2005	2004
Ordinary shares No. 160.000.000 (nominal value € 0,50)	80.000	80.000

Caption 130 "Share premium account". Composing items

	2005	2004
Share premium account reserve	49.414	49.414

Caption 140 "Reserves". Composing items

	2005	2004
a) Legal reserve	25.443	22.219
b) Statutory reserve	84.809	74.063
c) Other reserves:		
- Reserve ex art. 7 Law 30/7/1990 No. 218	2.586	2.586
- Reserve for assets and liabilities contribution ex Law 30/7/1990 No. 218	-	97
- Special reserve ex art. 23 Law by Decree 153/99	5.059	5.059
- Special reserve ex art. 13 Law by Decree 124/93	238	238
- Reserve ex Law by Decree 41/95 art. 25 par. 3	10.495	-
- Realignment reserve ex Law 266/2005 art.1, par. 469	18.809	-
- Extraordinary reserve	24.248	52.173
Total	171.687	156.435

The "Reserve art. 25, par. 3, law by decree No. 41 of 1995" was created, in suspension of taxation. This will add to the income for the year were an amount of the same be used for purposes different from the hedging of losses. The creation of this reserve was necessary to prevent the merger of Insel realizing capital gains when still in suspension of taxation. The creation of such reserve was obtained from the sum of € 96.000 deriving from the reclassification of "Reserve from assets and liabilities contribution ex Law 30/07/1990 No. 218" and € 10,4 million deriving from the reclassification of "Extraordinary reserve".

The "Realignment reserve art. 1 par. 469, law 266/05" was created, in suspension of taxation, and was obtained by reclassification of the Extraordinary reserve. The creation of such reserve was necessary with reference to the realignment of the tax value of some properties with the higher book value relevant to the same. Such differentials between book value and tax value were built up from the contributions made in fiscal neutrality in 1991, according to art. 7 law 218/1990 (the so-called Amato law), having Banca Sella as conferring company. Realigned differentials amount to € 21,3 million. Provision to reserve is equal to the amount of realigned values. Subsequently, the reserve was reduced for the amount of the substitute tax to be paid, amounting to € 2,5 million and calculated using a 12% rate for instrumental real estate and 6% for non-instrumental real estate.

Caption 100 "Reserve for general banking risks". Composing items

	2005	2004
Reserve for general banking risks	54.744	54.744

Caption 150 "Revaluation reserves". Composing items

	2005	2004
Revaluation reserve ex Law 342/2000	8.895	8.895
Revaluation reserve ex Law 266/2005 art.1, par. 469	11.353	-

Revaluation reserve ex Law 266/2005 art.1, par. 469 derives from a provision equal to the difference between the revaluation of buildings (€ 12,9 million) and the substitute tax as provided for by the above mentioned law (€ 1,5 million).

The total of reserves in suspension of taxation included in items 140 and 150 amounts to € 52,4 million, at end of the financial year. No deferred taxation relevant to any of the reserves in suspension of taxation was identified. For this purpose please also refer to section 7 - Provisions - Provisions for taxes and fees.

Caption 110 “Subordinated liabilities”. Composing items

	Amount	Interest rate ^(*)	Maturity
Subordinated loans			
Bonds in EUR issued on 15/05/2000	5.000	2,65%	15/05/2006
Bonds in EUR issued on 01/11/2000	5.000	2,55%	01/11/2006
Bonds in EUR issued on 03/09/2001	14.000	2,40%	03/09/2007
Bonds in EUR issued on 15/12/2002	15.000	2,60%	15/12/2008
Bonds in EUR issued on 15/10/2003	8.000	2,35%	15/10/2009
Bonds in EUR issued on 15/12/2004	50.000	3,01%	15/12/2014
Bonds in EUR issued on 14/11/2005	8.656	2,55%	14/11/2011
Hybrid capital instruments			
Bonds in EUR issued on 16/09/2002	50.000	2,50%	16/03/2013
Bonds in EUR issued on 01/09/2003	24.612	2,40%	01/09/2014
Bonds in EUR issued on 15/07/2004	18.560	2,40%	15/07/2015
Tier 3 subordinated liabilities			
Bonds in EUR issued on 18/03/2005	20.000	2,38%	18/03/2008
Total	218.828		

^(*) As at 31/12/2005.

Subordinated loans

The floating rate bond loan issued on 15/05/2000 was reimbursed for four years on 15/05/2005 and will be reimbursed for the last time on 15/05/2006.
The floating rate bond loan issued on 01/11/2000 was reimbursed for four years on 1/11/2005 and will be reimbursed for the last time on 01/11/2006.
The floating rate bond loan issued on 3/09/2001 was reimbursed for three years on 03/09/2005 and will be reimbursed in other two years starting from 3/09/2006.
The floating rate bond loan issued on 15/12/2002 was reimbursed for two years on 15/12/2005 and will be reimbursed in other three years starting from 15/12/2006.
The floating rate bond loan issued on 15/10/2003 was reimbursed for the first time on 15/10/2005 and will be reimbursed in other four years starting from 15/10/2006.
The floating rate bond loan issued on 15/12/2004 will be reimbursed in five years starting from 15/12/2010.
The floating rate bond loan issued on 14/11/2005 will be reimbursed in five years starting from 14/11/2007.

Subordinated liabilities as referred above comply with the requirements of Banca d'Italia in order to be recorded among the components of the capital for supervisory purposes.

In particular:

- in case of the Bank's liquidation, the loan bearer can only be reimbursed subsequently to all other creditors who are not similarly subordinated;
- there are no early redemption clauses, except for the Bank's own initiative and with Banca d'Italia authorization.

Hybrid capital instruments

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

- there are no early redemption clauses;
 - the reimbursement at maturity is subject to authorization of Banca d'Italia;
 - in case of losses involving a decrease in subscribed capital and in reserves such as to go under the minimum required capital for authorization to carry on banking activity, the amount of such liabilities and the related interest may be used to cover the losses, in order to allow the issuing entity to continue in its activity;
 - in case of liquidation of the Bank the loan bearer can only be reimbursed subsequently to all other creditors who are not similarly subordinated.
- The floating rate upper tier 2 subordinated loan issued on 16/09/2002 will be reimbursed in one solution at maturity on 16/03/2013.
The floating rate upper tier 2 subordinated loan issued on 01/09/2003 will be reimbursed in one solution at maturity on 01/09/2014.
The floating rate upper tier 2 subordinated loan issued on 15/07/2004 will be reimbursed in one solution at maturity on 15/07/2015.

Tier 3 subordinated liabilities

The floating rate tier 3 subordinated loan issued on 18/03/2005 will be reimbursed in one solution at maturity on 18/03/2008.

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

In particular:

- initial maturity is not less than two years;
- the payment of interest and of capital shall be suspended in case capital for supervisory purposes of Banca Sella or on a consolidated basis of Gruppo Banca Sella, should go under the minimum regulatory requirements fixed by Banca d'Italia;
- in case of liquidation of the Bank the loan bearer can only be reimbursed subsequently to all other creditors who are not similarly subordinated.

Caption 170 “Profit for the year”. Composing items

	2005	2004
Profit for the year	27.639	26.864

8.1 Capital for supervisory purposes and minimum regulatory requirements as at 31st December

	2005	2004
A. Capital for supervisory purposes		
A.1 Tier 1 capital	361.329	344.673
A.2 Tier 2 capital	220.705	220.867
A.3 Prescribed deductions ^(*)	47.185	904
A.4 Capital for supervisory purposes	534.849	564.636
B. Minimum regulatory requirements		
B.1 Credit risks	348.113	302.034
B.2 Market risks	7.330	5.929
of which:		
- risk of trading securities portfolio	7.330	5.929
- exchange rate risks	-	-
B.3 Tier 3 subordinated liabilities	7.330	5.929
B.4 Other requirements	5.552	2.052
B.5 Total requirements	360.995	310.015
C. Risk-weighted assets and adequacy ratios		
C.1 Risk-weighted assets ^(**)	5.157.070	4.428.787
C.2 Tier 1 capital/ Risk-weighted assets ^(*)	7,01%	7,78%
C.3 Capital for supervisory purposes /Risk-weighted assets ^(*)	10,51%	12,88%

^(*) The figures relevant to the two financial years are not comparable, as the component for 2005 includes the deduction of the participation in CBA Vita (insurance company of the Group), amounting to € 46,9 million, following the application of the regulations concerning precautionary actions issued by Banca d'Italia and in force starting from December 2005.

^(**) Total minimum regulatory requirements multiplied by the reciprocal of the minimum compulsory rate relevant to credit risk.

SECTION 9 OTHER LIABILITIES

9.1 Caption 50 "Other liabilities". Composing items

	2005	2004
Amounts available to third parties	42.905	48.720
Transfers and other payments to be processed	87.235	34.897
Premiums collected on options not yet exercised	5.433	3.431
Premiums on derivative contracts not yet settled at maturity	8.273	7.750
Due to suppliers and fees due to third parties	25.066	16.876
Due to tax authorities on account of third parties	8.187	6.617
Provisions for staff expenses (including payments to be made to tax authorities and social security institutions)	20.909	20.464
Remunerations due to directors and statutory auditors	349	874
Contributions due to other bodies	53	37
Payments as hedging of recalled bills	53	87
Valuation of forward transactions and derivatives contracts	11.289	31.580
Amounts in transit within branches not attributed to their relevant accounts	16	1.426
Write-downs for uncashable portfolio items	74.064	45.808
Other items	6.041	9.306
Total	289.873	227.873

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

	2005	2004
Accruals on:		
Interest on due to banks	1.459	752
Interest on due to customers	1.720	1.480
Interest on securities issued	3.730	5.038
Interest on subordinated liabilities	1.196	1.127
Differentials on derivative contracts	2.937	3.803
Fees and commissions	-	-
Administrative expenses	89	87
	11.131	12.287
Deferred income on:		
Advanced interest on due from customers	380	338
Discounted notes	456	695
Fees and commissions	3.148	2.977
Other income	218	233
	4.202	4.243
Total	15.333	16.530

SECTION 10 GUARANTEES AND COMMITMENTS

10.1 Caption 10 "Guarantees given". Composing items

	2005	2004
a) Commercial guarantees:		
- acceptances	1.572	3.085
- endorsements and sureties	288.560	223.360
- documentary credits	7.411	7.421
- loans sold without recourse (pro solvendo)	208	-
	297.751	233.866
b) Financial guarantees:		
- acceptances	-	103
- endorsements and sureties	46.257	39.505
	46.257	39.608
c) Assets given in guarantee:		
- caution deposits for third parties	82.804	35.422
Total	426.812	308.896

10.2 Caption 20 "Commitments". Composing items

	2005	2004
a) Commitments to grant finance (certain to be called on):		
- purchase of securities not yet settled	4.971	215.641
- loans to be granted to customers	660	88
- mortgage loans to be granted to customers	68.579	33.045
- deposits to be made with banks	43.898	15.742
	118.108	264.516
b) Commitments to grant finance (not certain to be called on):		
- engagement to the Deposit Guarantee Scheme	9.413	8.971
- hedging on credits granted	67.600	-
- available margins on irrevocable granted credit lines	331	-
- available margins on irrevocable credit lines granted to securitization companies	9.400	9.400
- other commitments and risks ^(*)	55.792	47.665
	142.536	66.036
Total	260.644	330.552

^(*) This item represents commitments in favour of third parties to place stocks and in favour of subsidiaries to cover operational risks.

10.3 Assets lodged to guarantee the Bank's liabilities

	2005	2004
Securities lodged with Banca d'Italia to guarantee advances	-	59.816
Securities lodged to guarantee bankers' drafts	11.731	12.866
Securities lodged to guarantee repurchase agreements	315.307	402.472
Securities lodged to guarantee other transactions	84.988	48.386

10.4 Unused lines of credit

	2005	2004
a) central banks	200.808	210.206
b) other banks	-	-

10.5 Forward transactions

Categories of operations	hedging	trading	other transactions
1. Purchase/sale of	189.055	132.898	-
1.1 Securities	-	58.293	-
- purchases	-	53.308	-
- sales	-	4.985	-
1.2 Currencies	189.055	74.605	-
- currency against currency	117.439	61.679	-
- purchases against euro	41.092	4.874	-
- sales against euro	30.524	8.052	-
2. Deposits and loans	-	-	122.395
- to be granted	-	-	113.138
- to be received	-	-	9.257

10.7 Derivative contracts by typology (notional value)

Type of transaction/ underline	bonds and interest rate related			equities and stockmarket index related		
	trading	hedging	other transactions	trading	hedging	other transactions
1. Forward rate agreement	-	-	-	-	-	-
2. Interest rate swap	981.238	197.554	-	-	-	-
3. Domestic currency swap	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-
5. Basis swap	30.865	334.416	-	-	-	-
6. Exchange of stock indexes	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-
8. Futures	60.900	-	-	830	-	-
9. Cap options						
- Purchased	159.130	103.613	-	-	-	-
- Issued	106.901	81.730	-	-	-	-
10. Floor options						
- Purchased	-	-	-	-	-	-
- Issued	-	-	-	-	-	-
11. Other options						
- Purchased						
- Plain vanilla	-	-	-	101.627	19.481	-
- Exotic	-	-	-	-	-	-
- Issued						
- Plain vanilla	-	-	-	77.567	19.481	-
- Exotic	-	-	-	-	-	-
12. Other contracts	-	-	-	-	-	-
Total	1.339.034	717.313	-	180.024	38.962	-

10.7 (continued)

Type of transaction/ underline	exchange rate and gold related			other securities		
	trading	hedging	other transactions	trading	hedging	other transactions
1. Forward rate agreement	-	-	-	-	-	-
2. Interest rate swap	-	-	-	-	-	-
3. Domestic currency swap	-	37.452	-	-	-	-
4. Currency interest rate swap	29.996	629.541	-	-	-	-
5. Basis swap	-	-	-	-	-	-
6. Exchange of stock indexes	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-
9. Cap options						
- Purchased	-	-	-	-	-	-
- Issued	-	-	-	-	-	-
10. Floor options						
- Purchased	-	-	-	-	-	-
- Issued	-	-	-	-	-	-
11. Other options						
- Purchased						
- Plain vanilla	74.405	-	-	-	-	-
- Exotic	-	-	-	-	-	-
- Issued						
- Plain vanilla	74.405	-	-	-	-	-
- Exotic	-	-	-	-	-	-
12. Other contracts	-	-	-	-	-	-
Total	178.806	666.993	-	-	-	-

In subcaption 11. are comprised derivative contracts included in financial instruments deriving from:

bonds issued for an amount of:	19.481
interest rate swaps for an amount of:	19.481
mortgages for an amount of:	93.826

10.8 Financial derivative contracts: purchases and sales of principal (notional value)

Type of transaction / underline	bonds and interest rate related			equities and stockmarket index related		
	trading	hedging	other transactions	trading	hedging	other transactions
1. With exchange of principal						
- Purchases	-	-	-	-	-	-
- Sales	60.900	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-
2. With no exchange of principal						
- Purchases	616.021	470.956	-	85.836	19.481	-
- Sales	692.977	580.774	-	94.188	19.481	-
- Currencies against currencies	-	-	-	-	-	-
Total	1.369.898	1.051.730	-	180.024	38.962	-

10.8 (continued)

Type of transaction / underline	exchange rate and gold related			other securities		
	trading	hedging	other transactions	trading	hedging	other transactions
1. With exchange of principal						
- Purchases	89.403	278.214	-	-	-	-
- Sales	89.403	275.984	-	-	-	-
- Currencies against currencies	-	75.343	-	-	-	-
2. With no exchange of principal						
- Purchases	-	19.239	-	-	-	-
- Sales	-	18.213	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-
Total	178.806	666.993	-	-	-	-

In subcaption 2. are comprised derivative contracts included in financial instruments deriving from:

bonds issued for an amount of:	19.481
interest rate swaps for an amount of:	19.481
mortgages for an amount of:	93.826

In subcaption 2 are comprised both in purchases and sales bases swap contracts for an amount of:	365.281
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10.9 "Over the counter" financial derivative contracts: counterparty risk

Counterparts / underline	bonds and interest rate related			
	notional value	positive fair value		future exposure
		gross value	offset value	
A. Trading transactions	725.636	13.486	13.486	3.870
A.1 governments and central banks	-	-	-	-
A.2 public bodies	-	-	-	-
A.3 banks	409.570	10.726	10.726	2.128
A.4 financial institutions	305.635	2.150	2.150	1.640
A.5 insurance companies	-	-	-	-
A.6 non financial institutions	5.511	519	519	79
A.7 other subjects	4.920	91	91	23
B. Hedging transactions	205.105	3.317	3.317	1.306
B.1 governments and central banks	-	-	-	-
B.2 public bodies	-	-	-	-
B.3 banks	130.630	2.511	2.511	522
B.4 financial institutions	74.475	806	806	784
B.5 insurance companies	-	-	-	-
B.6 non financial institutions	-	-	-	-
B.7 other subjects	-	-	-	-
C. Other transactions	-	-	-	-
C.1 governments and central banks	-	-	-	-
C.2 public bodies	-	-	-	-
C.3 banks	-	-	-	-
C.4 financial institutions	-	-	-	-
C.5 insurance companies	-	-	-	-
C.6 non financial institutions	-	-	-	-
C.7 other subjects	-	-	-	-
Total	930.741	16.803	16.803	5.176

10.9 (continued)

Counterparts / underline	equities and stockmarket index related			
	notional value	positive fair value		future exposure
		gross value	offset value	
A. Trading transactions	102.277	1.305	1.400	104
A.1 governments and central banks	-	-	-	-
A.2 public bodies	-	-	-	-
A.3 banks	-	-	-	-
A.4 financial institutions	100.979	1.277	1.371	-
A.5 insurance companies	-	-	-	-
A.6 non financial institutions	-	-	-	-
A.7 other subjects	1.298	28	29	104
B. Hedging transactions	19.481	2.691	2.691	1.495
B.1 governments and central banks	-	-	-	-
B.2 public bodies	-	-	-	-
B.3 banks	16.485	2.573	2.573	1.255
B.4 financial institutions	2.996	118	118	240
B.5 insurance companies	-	-	-	-
B.6 non financial institutions	-	-	-	-
B.7 other subjects	-	-	-	-
C. Other transactions	-	-	-	-
C.1 governments and central banks	-	-	-	-
C.2 public bodies	-	-	-	-
C.3 banks	-	-	-	-
C.4 financial institutions	-	-	-	-
C.5 insurance companies	-	-	-	-
C.6 non financial institutions	-	-	-	-
C.7 other subjects	-	-	-	-
Total	121.758	3.996	4.091	1.599

10.9 (continued)

Counterparts / underline	exchange rate and gold related			
	notional value	positive fair value		future exposure
		gross value	offset value	
A. Trading transactions	89.392	6.686	6.686	1.494
A.1 governments and central banks	-	-	-	-
A.2 public bodies	-	-	-	-
A.3 banks	59.548	5.124	5.124	1.195
A.4 financial institutions	-	-	-	-
A.5 insurance companies	-	-	-	-
A.6 non financial institutions	1.798	118	118	18
A.7 other subjects	28.046	1.444	1.444	281
B. Hedging transactions	381.046	9.008	9.008	3.820
B.1 governments and central banks	-	-	-	-
B.2 public bodies	-	-	-	-
B.3 banks	361.138	8.572	8.572	3.621
B.4 financial institutions	725	2	2	7
B.5 insurance companies	-	-	-	-
B.6 non financial institutions	225	3	3	2
B.7 other subjects	18.958	431	431	190
C. Other transactions	-	-	-	-
C.1 governments and central banks	-	-	-	-
C.2 public bodies	-	-	-	-
C.3 banks	-	-	-	-
C.4 financial institutions	-	-	-	-
C.5 insurance companies	-	-	-	-
C.6 non financial institutions	-	-	-	-
C.7 other subjects	-	-	-	-
Total	470.438	15.694	15.694	5.314

10.10 "Over the counter" financial derivative contracts: financial risk

Counterparts / underline	bonds and interest rate related		equities and stockmarket index related		exchange rate and gold related	
	negative fair value		negative fair value		negative fair value	
	gross value	offset value	gross value	offset value	gross value	offset value
A. Trading transactions	15.863	15.863	1.755	1.755	6.626	6.626
A.1 governments and central banks	-	-	-	-	-	-
A.2 public bodies	-	-	-	-	-	-
A.3 banks	11.219	11.219	28	28	1.556	1.556
A.4 financial institutions	1.621	1.621	1.727	1.727	-	-
A.5 insurance companies	-	-	-	-	-	-
A.6 non financial institutions	-	-	-	-	2.472	2.472
A.7 other subjects	3.023	3.023	-	-	2.598	2.598
B. Hedging transactions	10.377	10.377	2.691	2.691	5.654	5.138
B.1 governments and central banks	-	-	-	-	-	-
B.2 public bodies	-	-	-	-	-	-
B.3 banks	10.298	10.298	-	-	5.138	5.138
B.4 financial institutions	79	79	-	-	-	-
B.5 insurance companies	-	-	-	-	-	-
B.6 non financial institutions	-	-	-	-	12	-
B.7 other subjects	-	-	2.691	2.691	504	-
C. Other transactions	-	-	-	-	-	-
C.1 governments and central banks	-	-	-	-	-	-
C.2 public bodies	-	-	-	-	-	-
C.3 banks	-	-	-	-	-	-
C.4 financial institutions	-	-	-	-	-	-
C.5 insurance companies	-	-	-	-	-	-
C.6 non financial institutions	-	-	-	-	-	-
C.7 other subjects	-	-	-	-	-	-
Total	26.240	26.240	4.446	4.446	12.280	11.764

10.11 Credit derivatives: counterparty risk

Type of transaction/Values	notional value	positive fair value	future exposure
A. Trading securities portfolio transactions			
A.1 purchases as hedging	-	-	-
1. governments and central banks	-	-	-
2. public bodies	-	-	-
3. banks	-	-	-
4. financial institutions	-	-	-
5. insurance companies	-	-	-
6. non financial institutions	-	-	-
7. other subjects	-	-	-
A.2 sales as hedging	67.600	581	4.056
1. governments and central banks	-	-	-
2. public bodies	-	-	-
3. banks	67.600	581	4.056
4. financial institutions	-	-	-
5. insurance companies	-	-	-
6. non financial institutions	-	-	-
7. other subjects	-	-	-
B. Other transactions			
B.1 sales as hedging	-	-	-
1. governments and central banks	-	-	-
2. public bodies	-	-	-
3. banks	-	-	-
4. financial institutions	-	-	-
5. insurance companies	-	-	-
6. non financial institutions	-	-	-
7. other subjects	-	-	-
Total	67.600	581	4.056

10.12 Credit derivatives: financial risk

Type of transaction/Values	negative fair value
A. Trading securities portfolio transactions	
A.1 purchases as hedging	-
1.1 governments and central banks	-
1.2 public bodies	-
1.3 banks	-
1.4 financial institutions	-
1.5 insurance companies	-
1.6 non financial institutions	-
1.7 other subjects	-
Total	-

SECTION 11 CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.1 Significant exposures

	2005	2004
a) Amount	65.191	128.722
b) Number	1	2

11.2 Breakdown of due from customers by category of borrower

	2005	2004
a) Governments	667	1.039
b) Other public bodies	10.907	13.834
c) Non-financial institutions	1.638.616	1.609.479
d) Financial institutions	1.278.669	933.647
e) Family businesses	203.322	177.101
f) Other	1.162.090	1.222.161
Total	4.294.271	3.957.261

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

	2005	2004
a) Commerce, salvage and repairs	403.220	364.509
b) Other sale services	387.310	337.881
c) Textiles, leather and footwear, clothing	187.670	214.208
d) Construction and public works	189.360	188.662
e) Metal products excluding machines and means of transport	77.064	72.427
f) Other	579.205	592.063
Total	1.823.829	1.769.750

11.4 Breakdown of guarantees given by category of counterparty

	2005	2004
a) Governments	-	-
b) Other public bodies	1.557	1.322
c) Banks	65.726	18.501
d) Non-financial institutions	254.498	209.370
e) Financial institutions	72.098	47.842
f) Family businesses	11.745	10.560
g) Other	21.188	21.301
Total	426.812	308.896

11.5 Geographic distribution of assets and liabilities

Items/Countries	Italy	Other E.U. countries	Other countries	Total
1. Assets	5.915.748	540.091	114.080	6.569.919
1.1 Due from banks	986.708	325.352	45.514	1.357.574
1.2 Due from customers	4.224.918	51.633	17.719	4.294.270
1.3 Securities	704.122	163.106	50.847	918.075

11.5 (continued)

Items/Countries	Italy	Other E.U. countries	Other countries	Total
2. Liabilities	5.970.701	351.739	258.138	6.580.578
2.1 Due to banks	588.534	307.869	110.756	1.007.159
2.2 Due to customers	4.378.114	43.805	147.137	4.569.056
2.3 Securities issued	769.762	-	83	769.845
2.4 Other accounts	234.291	65	162	234.518
3. Guarantees and commitments	518.014	159.301	2.686	680.001

11.6 Maturities of assets and liabilities

Items/Maturity	Specified maturity							Unspecif. maturity	Total
	at sight	up to 3 months	beyond 3 months up to 12 months	beyond one year up to 5 years		beyond 5 years			
				fixed rate	floating rate	fixed rate	floating rate		
1. Assets	1.729.482	2.346.870	841.574	550.313	1.561.813	161.100	1.315.027	247.971	8.754.150
1.1 Treasury bonds eligible for refinancing	268	7.426	34.745	53.321	44.575	113	22.828	-	163.276
1.2 Due from banks	271.218	743.529	138.628	-	-	-	-	204.198	1.357.573
1.3 Due from customers	1.213.292	870.846	303.254	30.101	1.141.234	22.973	668.798	43.773	4.294.271
1.4 Bonds and other debt securities	1	49.219	44.409	126.347	345.595	7.824	176.285	-	749.680
1.5 Off-balance sheet transactions	244.703	675.850	320.538	340.544	30.409	130.190	447.116	-	2.189.350
2. Liabilities	4.462.020	2.189.203	564.372	384.496	546.390	103.816	503.940	-	8.754.237
2.1 Due to banks	447.263	488.032	52.372	9.764	-	9.728	-	-	1.007.159
2.2 Due to customers	3.804.087	728.904	36.049	16	-	-	-	-	4.569.056
2.3 Securities issued	46.913	1.811	104.917	23.930	485.269	-	107.005	-	769.845
- bonds	-	738	103.159	23.815	485.268	-	107.005	-	719.985
- certificates of deposit	235	1.073	1.758	115	1	-	-	-	3.182
- other securities	46.678	-	-	-	-	-	-	-	46.678
2.4 Subordinated liabilities	-	-	24.000	-	59.925	-	134.903	-	218.828
2.5 Off-balance sheet transactions	163.757	970.456	347.034	350.786	1.196	94.088	262.032	-	2.189.349

11.7 Assets and liabilities in foreign currencies

	2005	2004
a) Assets		
1. Due from banks	288.374	246.030
2. Due from customers	95.640	99.783
3. Securities	34	273
4. Equity investments	-	-
5. Other accounts (cash)	3.904	3.345
	387.952	349.431
Other items	18.804	1.589
Total	406.755	351.020
b) Liabilities		
1. Due to banks	206.919	214.401
2. Due to customers	213.070	223.271
3. Securities issued	216	220
	420.205	437.892
Other items	903	485
Total	421.108	438.377

11.8 Loans securitization

QUALITATIVE INFORMATION

In year 2000 Banca Sella carried out a securitization operation according to Law 130/99. Bank's credits deriving from performing mortgage loans to retail customers resident in Italy for a total amount of € 201,7 million were transferred to Secursel s.r.l., special purpose vehicle company belonging to Gruppo Banca Sella. The operation was completed in April 2001 with the issue, by Secursel, of the following bonds:

- class A: € 184,4 million, Aaa rating assigned by Moody's, legal expiry date 26/04/2021, index rate: 6 months Euribor + spread 0,28%. As at 31/12/2005 class A bonds amounted to € 72 million;
- class B: € 17,3 million, A2 rating assigned by Moody's, upgraded to Aa2 during 2005, legal expiry date 26/04/2021, index rate: 6 months Euribor + spread 0,85%;
- class C: € 2,1 million, no rating, legal expiry date 26/04/2021.

Arranger of the operation was Crédit Agricole Indosuez.

In the investment securities portfolio are stated junior securities, at their original value, for an amount of € 2,1 million. Such securities are the financial instrument for the recognition, for the period of the operation, of the spread between cash flows generated by the transferred credits and the issued bonds.

As at 31/12/2005 the credit due to Banca Sella by the special purpose vehicle for the remuneration of bond C were € 7,7 million. Accrued income amounted to € 0,8 million.

In 2005, Banca Sella, as servicer of the securitization operation, went on collecting the credits and managing any possible recovery of credit. Banca Sella monthly reports on this activity to Crédit Agricole Indosuez, which has the task of cash management and is agent for the payment of the bonds.

In 2005 the amounts collected were split as follows (figures in euro units):

- Capital	20.937.633
- Interest	4.843.896
- Advanced redemptions	93.199
- Other collections	4.453

As at 31/12/2005 loans to be collected amounted to € 87,5 million; non-performing loans amounted to € 1,6 million. None of the positions originated depreciations.

A cash credit line of € 5,1 million was granted by Banca Sella to the transferee company to face any lack of liquidity that might arise in case the flows generated by the collection were not adequate to guarantee remuneration to creditors.

As at 31/12/2005, the liquidity credit line was not used nor was it ever used during the year.

In 2005 Banca Sella carried out a securitization operation according to Law 130/99. Bank's credits deriving from performing mortgage loans to retail customers resident in Italy for a total amount of € 262,4 million were transferred to Mars 2006 Srl. The operation was completed on 20 October 2005 with the issue, by Mars 2006, of the following bonds:

- class A: € 248,9 million, Aaa rating assigned by Moody's, legal expiry date 23/10/2038, index rate: 3 months Euribor + spread 0,14%;
- class B: € 11 million, A1 rating assigned by Moody's, legal expiry date 23/10/2038, index rate: 3 months Euribor + spread 0,35%;
- class C: € 3,5 million, Baa2 rating assigned by Moody's, legal expiry date 23/10/2038, index rate: 3 months Euribor + spread 0,50%;
- class D: € 3,5 million, no rating.

Arranger of the operation were BNP Paribas and Finanziaria Internazionale Securitisation Group.

Bond D was underwritten by Banca Sella and is stated in the investment securities portfolio at its original value.

Such bond is the financial instrument for the recognition, for the period of the operation, of the spread between cash flows generated by the transferred credits and the issued bonds.

As at 31/12/2005 the credit due to Banca Sella by the special purpose vehicle for the remuneration of bond C were € 0,7 million.

In 2005, Banca Sella, as servicer of the securitization operation, went on collecting the credits and managing any possible recovery of credit. Banca Sella monthly reports on this activity to BNP Paribas Securities Services - Milan Branch, which is agent for the payment of the bonds.

In 2005 the amounts collected were split as follows (figures in euro units):

- Capital	3.680.929
- Interest	2.283.105
- Advanced redemptions	2.741.994
- Other collections	22.601

As at 31/12/2005 loans to be collected amounted to € 256 million, € 36.763 of which in the line of capital and matured and € 21.679 for matured interest on instalments in arrear.

As at 31/12/2005 there are no non-performing loans to be recorded.

QUANTITATIVE INFORMATION

Distribution of securitized loans by residual life (figures in euro units)

	No.	Residual value
0 to 3 months	50	175.218
above 3 months to 1 year	115	542.834
above 1 to 5 years	1.466	31.743.074
beyond 5 years	1.248	55.068.506
Total	2.879	87.529.632

Geographic distribution of securitized loans

All debtors are resident in Italy.

Concentration of risk *(figures in euro units)*

Class of risk	No.	Residual value
from € 0 to € 25.823	1.504	21.914.338
above € 25.823 up to € 77.470	1.260	52.411.851
above € 77.470 up to € 258.230	110	11.404.686
beyond € 258.230	5	1.798.757
Total	2.879	87.529.632

SECTION 12 ASSET MANAGEMENT AND DEALING ON BEHALF OF THIRD PARTIES

12.1 Securities dealing

	2005	2004
a) purchases	64.168.102	51.961.537
1. settled	63.879.782	51.825.532
2. not settled	288.320	136.005
b) sales	65.140.406	53.785.058
1. settled	64.830.791	53.649.453
2. not settled	309.615	135.605

Purchases and sales made during the financial year on behalf of third parties are related to:
- futures and options contracts transacted on the IDEM market as far as activity on derivative instruments is concerned;
- transactions on the MTA, MTAX, EXPANDI and SEDEX markets as far as activity on cash is concerned.

12.2 Assets under management

	2005	2004
Assets managed on behalf of customers	3.671.728	3.436.973
1. securities issued by Banca Sella	7.672	14.119
2. other securities	3.664.056	3.422.854

The above mentioned assets managed on behalf of customers do not include cash (current accounts and deposits) for an amount of € 163 million, as at December 2005 (€ 140,2 million as at December 2004).

The total of assets under management amounted to € 3.834,9 million.

12.3 Custody and administration of securities

	2005	2004
a) Third party securities held in deposit (excluding assets under management)	12.813.305	12.693.588
1. Securities issued by Banca Sella:	403.433	573.222
- held in custody	387.591	554.832
- held in custody as custodian bank	-	-
- received as guarantees	15.842	18.390
2. Other securities:	12.409.872	12.120.366
held in custody	9.568.496	9.163.068
- held in custody as custodian bank	2.282.534	2.241.451
- received as guarantees	558.842	715.847
b) Third party securities deposited with third parties	14.191.622	12.941.946
c) Bank's portfolio securities deposited with third parties	1.014.549	1.010.877

12.4 Collection of receivables on behalf of third parties: debit and credit write-downs

	2005	2004
a) debit write-downs	711.389	676.699
1. current accounts with banks	1.244	548
2. central portfolio	332.581	305.353
3. cash	186.662	152.889
4. other accounts	190.902	217.909
b) credit write-downs	785.454	722.507
1. current accounts with banks	3.617	2.674
2. transferors of notes and documents	741.562	678.108
3. other accounts	40.275	41.725



PART C – INFORMATION ABOUT INCOME STATEMENT

(all figures are shown in euro thousand)



SECTION 1 INTEREST

1.1 Caption 10 "Interest receivable and similar income". Composing items

	2005	2004
a) on due from banks	33.798	25.803
of which:		
- on deposits with central banks	1.431	1.356
b) on due from customers	176.217	162.806
of which:		
- on third party funds in administration	1	2
c) on debt securities	27.099	24.337
d) other interest receivable	377	242
e) net differential on hedging transactions	-	532
Total	237.491	213.720

1.2 Caption 20 "Interest payable and similar charges". Composing items

	2005	2004
a) on due to banks	33.412	24.922
b) on due to customers	45.052	40.486
c) on securities issued	17.384	17.038
of which:		
- on certificates of deposit	53	58
d) on third party funds in administration	2	2
e) on subordinated liabilities	5.497	4.327
f) net differential on hedging transactions	738	-
Total	102.085	86.775

1.3 Caption 10 "Interest receivable and similar income". Detailed items

	2005	2004
a) on assets denominated in foreign currency	19.488	12.796

1.4 Caption 20 "Interest payable and similar expenses"

	2005	2004
a) on liabilities denominated in foreign currency	8.147	5.495

SECTION 2 COMMISSIONS

2.1 Caption 40 "Fees and commissions receivable". Composing items

	2005	2004
a) guarantees given	2.126	1.954
b) credit derivatives	77	-
c) asset management, dealing and advisory services:	72.250	66.147
1. securities trading	22.406	17.479
2. currencies trading	1.136	879
3. asset management:		
3.1 individual	13.430	12.804
3.2 collective	-	-
4. securities custody and administration	1.035	1.063
5. custodian bank services	3.510	4.184
6. securities placement	21.213	19.477
7. acceptance of orders	4.575	6.413
8. advisory services	1	23
9. distribution of third party services:		
9.1 assets under management		
a. individual	599	600
b. collective	-	-
9.2 insurance products	4.139	3.136
9.3 other products	206	89
d) payment and collection services	90.503	79.844
e) servicing for securitization operations	539	599
f) tax collection services	-	-
g) other services	29.889	27.513
Total	195.384	176.057

2.2 Caption 40 "Fees and commissions receivable". Detailed items: distribution channels of products and services

	2005	2004
a) own branches:	37.343	33.880
1. assets under management	12.478	11.748
2. securities placement	19.921	18.307
3. third party products and services	4.944	3.825
b) "door-to-door" sale:	2.244	2.226
1. assets under management	952	1.056
2. securities placement	1.292	1.170
3. third party products and services	-	-
Total	39.587	36.106

2.3 Caption 50 "Fees and commissions payable". Composing items

	2005	2004
a) guarantees received	-	-
b) credit derivatives	-	-
c) asset management, dealing and advisory services:	17.064	16.158
1. securities trading	4.026	3.216
2. currencies trading	5	4
3. asset management:		
3.1 own securities portfolio	-	-
3.2 third party securities portfolio	-	-
4. securities custody and administration	1.457	1.349
5. securities placement	302	173
6. "door-to-door" sale of securities, financial products and services	11.274	11.416
d) payment and collection services	49.235	42.375
e) servicing for securitization operations	3.278	1.950
Total	69.577	60.483

Caption 40 "Fees and commissions receivable - Other services". Detailed items

	2005	2004
1. commissions on loans to customers	6.046	4.892
2. expenses refunds and other income on loans granted to customers	11.591	11.105
3. fees and commissions on relations with banks	3	14
4. recovery of post outlays, print-out, etc.	4.162	3.749
5. safe-deposits boxes	150	151
6. commissions for funding activities on behalf of third parties	1	1
7. commissions on credit/debit cards	5.085	4.928
8. other	2.852	2.673
Total	29.890	27.513

Caption 50 "Fees and commissions payable - Other services". Detailed items

	2005	2004
1. fees and commissions for relations with banks, Banca d'Italia and Ufficio Italiano Cambi (Office of the Comptroller of the Currency)	254	265
2. commissions paid to brokers for treasury transactions	2.208	1.499
3. other	816	186
Total	3.278	1.950

SECTION 3 DEALING PROFITS/LOSSES

3.1 Caption 60 “ Dealing profits/losses”. Composing items

Items/Transactions	Securities transactions		Currencies transactions		Other transactions	
	2005	2004	2005	2004	2005	2004
A.1 Revaluations	1.025	1.130	-	-	871	735
A.2 Depreciations	(3.006)	(1.538)	-	-	(1.065)	(598)
B. Other profits/losses	10.063	14.448	2.167	2.302	1.248	1.493
Total	8.082	14.040	2.167	2.302	1.054	1.630

	2005	2004
1. Government bonds	2.162	3.233
2. Other debt securities	4.826	6.233
3. Equity shares	5.096	8.474
4. Derivatives on securities	(4.002)	(3.901)

Besides the elements, both positive (profit on securities brokerage, write-ups, valuation of exchange rates) and negative (write-downs), which contributed to the balance value of own securities portfolio, as shown and reported in section 2 of the Explanatory Notes to the Balance Sheet, the income elements deriving from derivative instruments transactions were added to the tables of this section of the Explanatory Notes to the Income Statement.

SECTION 4 ADMINISTRATIVE EXPENSES

4.1 Average number of employees by category

	2005	2004
a) executive cadres	20	23
b) 3° and 4° level cadres	410	391
c) other employees	1.847	1.780
Total	2.277	2.194

Caption 80 "Administrative expenses". Composing items

	2005	2004
a) Staff expenses:		
wages and salaries	82.700	79.089
social security charges	21.756	20.845
staff severance	4.298	3.980
pensions and similar commitments	2.704	2.611
other	368	283
	111.826	106.808
b) Other administrative expenses:		
legal fees and notarial charges	2.565	1.987
software maintenance and consultancy	4.935	7.157
expenses for staff detached from subsidiary companies	1.720	809
forms and stationery	836	864
leasing of hardware and software	3.173	2.930
other leases and expenses for outsourced services	36.717	17.074
fees for data transmission	2.705	3.202
purchase of equipment for EDP centre	77	61
postage, telegraph	4.588	4.321
telephone	1.809	2.142
transport	478	374
cleaning of premises	935	950
security and cash escorting	1.824	1.892
electricity and heating	3.058	2.768
maintenance and repair expenses	4.304	4.151
rental of premises	10.036	9.561
sundry insurances	1.130	1.210
advertising and entertainment	2.006	1.749
donations	135	91
subscriptions	123	135
contributions and membership fees to associations	608	662
gadgets for the staff	212	246
staff training	654	955
information and enquiries	1.227	978
travel expenses	1.560	1.769
interbank network expenses	647	583
remuneration paid to directors and auditors	585	1.247
other	1.489	1.316
	90.136	71.184
Indirect duties and taxes		
stamp duties	16.727	12.458
local property taxes	301	281
capital taxes	34	34
other	953	2.030
	18.015	14.803
Total other administrative expenses	108.151	85.987
Total	219.977	192.795

SECTION 5 WRITE-DOWNS, WRITE-UPS AND PROVISIONS

Caption 90 “Write-downs to tangible and intangible fixed assets”. Composing items

	2005	2004
a) intangible fixed assets	10.701	10.065
b) tangible fixed assets:		
property	1.404	1.294
furniture and equipment	6.064	7.494
	7.468	8.788
Total	18.169	18.853

Caption 100 “Provisions for risks and charges”. Composing items

	2005	2004
- engagement towards the Deposit Guarantee Scheme	-	449
- securities and equity investments fluctuation provision	-	1.150
- charges related to claims by receivers of bankrupt companies	2.485	644
- to cover reimbursement of benefits deriving from law by decree 153/99	-	1.234
- to cover losses related to legal disputes and complaints of customers	5.276	-
- to cover operating risks of Group companies	6.749	-
- to cover charges related to staff leaving facilitation	1.288	-
- other charges	1.003	1.098
Total	16.801	4.575

Caption 120 “Write-downs to loans and provisions for guarantees and commitments”. Composing items

	2005	2004
a) write-downs to loans	32.837	40.620
of which:		
- general write-downs for country risk	-	-
- other general write-downs	-	-
b) provisions for guarantees and commitments	-	-
of which:		
- general write-downs for country risk	-	-
- other general write-downs	-	-
Total	32.837	40.620

Caption 130 “Write-ups to loans and provisions for guarantees and commitments”. Composing items

	2005	2004
a) write-ups to loans ⁽¹⁾	7.336	5.001
b) provisions for guarantees and commitments	-	-
Total	7.336	5.001

⁽¹⁾ of which:

interest on non-performing loans	377	326
recovery of non-performing loans previously written down	6.959	4.675
	7.336	5.001

Caption 140 “Provisions to the reserves for possible loan losses”. Composing items

	2005	2004
a) provisions for the financial year	2.068	1.667

Caption 150 "Write-downs to financial fixed assets". Composing items

	2005	2004
a) write-downs to equity investments	6.568	2.567

Caption 160 "Write-ups to financial fixed assets". Composing items

	2005	2004
a) write-ups to equity investments	-	647

Caption 210 "Variation of general banking risks reserves". Composing items

	2005	2004
a) net variation	-	-

SECTION 6 OTHER INCOME STATEMENT CAPTIONS

6.1 Caption 70 "Other operating income". Composing items

	2005	2004
Property rental income and other similar revenues	1.814	913
Expenses recovery and other revenues on deposits and current accounts	8.045	7.084
Recovery of charges for staff attached to other companies	17.543	5.287
Recovery of stamp duties and other taxes	16.156	13.125
Fees receivable for leasing of EDP services	6.724	3.983
Securities income deriving from securitization operations	1.524	1.079
Premiums received on options	240	350
Recovery of interest on payments and collections settled in clearing house	902	820
Other	6.789	5.960
Total	59.737	38.601

6.2 Caption 110 "Other operating expenses". Composing items

	2005	2004
Financial leases	-	-
Reimbursement of interest on payments and collections settled in clearing house	1.522	1.257
Premiums paid on options	745	288
Other	2.221	1.256
Total	4.488	2.801

6.3 Caption 180 "Extraordinary income". Composing items

	2005	2004
Gains on the disposal of tangible and intangible fixed assets	57	4
Gains on the disposal of the activity of the Luxembourg branch	1.959	-
Gains on the disposal of equity investments	8.540	2.922
Out-of-period-income on interest received related to non-performing loans of previous years	1.640	1.483
Out-of-period income on items referring to previous years	1.530	1.624
Total	13.726	6.033

6.4 Caption 190 "Extraordinary expenses". Composing items

	2005	2004
Losses on the disposal of tangible fixed assets	-	6
Losses on the disposal of equity investments	211	82
Losses related to operating risks	8.348	2.345
Charges related to the facilitation of early retirement of staff	476	-
Out-of-period expenses and cancellations on assets	2.989	1.461
Total	12.024	3.894

6.5 Caption 220 "Income taxes for the year"

	2005	2004
Current taxation	27.249	22.087
Variation due to tax returns on a consolidated basis	(23)	(99)
Variation of taxes paid as advance	(7.142)	(1.665)
Variation of deferred taxation	(124)	309
Income taxes for the year	19.960	20.632

SECTION 7 OTHER INFORMATION REGARDING INCOME STATEMENT

7.1 Geographic distribution of revenues

	Italy	Other countries	Total
Interest receivable and similar income	217.691	19.800	237.491
Dividends and other income	7.171	43	7.214
Commissions receivable	194.966	418	195.384
Profits on sundry financial transactions	10.024	1.279	11.303
Other operating income	59.666	71	59.737
Total	489.518	21.611	511.129



PART D – OTHER INFORMATION

(all figures are shown in euro thousand)



SECTION 1 DIRECTORS AND STATUTORY AUDITORS

1.1 Remuneration

	2005	2004
a) directors	536	1.192
b) statutory auditors	49	55

1.2 Loans and guarantees given

	2005	2004
a) directors ^(*)	366	408
b) statutory auditors ^(*)	78	66

^(*) Amount referring to outstanding credit transactions, pursued in accordance with the present Bank Law, directly with directors and statutory auditors and/or with companies in which the same are involved.

SECTION 2 PARENT COMPANY OR SUPERVISING EU-RESIDENT CREDIT INSTITUTION

2.1 Company name FINANZIARIA BANSEL S.p.A.

2.2 Head office Via Italia, 2 - BIELLA
Chamber of Commerce Companies Register of Biella fiscal number 00190770024
Roll of Banks and Banking Groups No. 20005

SECTION 3 FINANCIAL STATEMENTS OF THE COMPANY IN CHARGE OF DIRECTION AND COORDINATION

According to art. 2497 bis of the Civil Code, Banca Sella S.p.A. is subject to the direction and coordination of Finanziaria Bansel S.p.A., with legal office in Biella in Via Italia, 2 and enrolled in the Chamber of Commerce Companies Register of Biella with fiscal number 00190770024. Therefore the Balance Sheet and Income Statement of Finanziaria Bansel S.p.A. for 2003 and 2004 are published here below.

BALANCE SHEET

ASSETS	31/12/2004	31/12/2003
20. Treasury bills and other bills eligible for refinancing with central banks	202.408	1.067.235
30. Due from banks:	122.618	587.733
(a) at sight		
50. Bonds and other debt securities:	57.035	14.000
(b) issued by banks	14.000	14.000
(c) issued by financial institutions	43.035	-
60. Equity shares, quotas and other share capital securities	42.973	36.634
70. Equity investments	2.030.760	-
80. Investments in subsidiaries	135.211.066	135.211.066
90. Intangible fixed assets	279.248	17.743
100. Tangible fixed assets	69.138	60.200
120. Own shares (Nominal value euro 189.472)	978.531	978.531
130. Other assets	2.617.401	4.318.302
140. Accrued income and prepayments:	12.450	10.302
(a) accrued income	7.547	5.700
(b) prepayments	4.903	4.602
TOTAL ASSETS	141.623.628	142.301.746

LIABILITIES	31/12/2004	31/12/2003
10. Due to banks:	10	-
(a) at sight	10	-
50. Other liabilities	2.602.109	2.598.415
70. Staff severance provision	1.453.301	1.265.421
80. Provisions for risks and charges:	238.009	1.410.536
(b) taxation		
120. Subscribed capital	20.000.000	20.000.000
140. Reserves:	115.323.669	115.222.030
(a) legal reserve	6.367.780	6.277.530
(b) reserve for own shares	978.531	978.531
(c) statutory reserves	17.691.469	17.691.469
(d) other reserves	90.285.889	90.274.500
170. Profit (loss) for the year	2.006.530	1.805.344
TOTAL LIABILITIES	141.623.628	142.301.746

GUARANTEES AND COMMITMENTS	31/12/2004	31/12/2003
20. Commitments	15.574.696	12.649.696

INCOME STATEMENT

INCOME	2004		2003	
10. Interest receivable and similar income		32.849		50.214
- from debt securities	12.759		23.083	
- from due from banks	20.090		27.131	
20. Interest payable and similar charges		(663)		(4.464)
- on other debts	(663)		(4.464)	
30. Dividends and other income:		3.057.589		4.433.115
(c) from equity investments in subsidiaries	3.057.589		4.433.115	
60. Dealing profits (losses)		1.232		5.325
70. Other operating income		7.628.380		5.591.756

EXPENSES	2004		2003	
80. Administrative expenses:		(8.802.049)		(6.940.616)
(a) staff expenses	(4.086.653)		(3.628.040)	
of which:				
- wages and salaries	(2.929.090)		(2.640.627)	
- social security charges	(862.724)		(750.758)	
- staff severance	(164.107)		(133.112)	
- other	(130.732)		(103.543)	
(b) other administrative expenses	(4.715.396)		(3.312.576)	
90. Write-downs to tangible and intangible fixed assets		(50.761)		(18.644)
110. Other operating expenses		(61.256)		(32.658)
170. Profit (loss) on ordinary activities		1.805.321		3.084.028
180. Extraordinary income		46.372		258.192
190. Extraordinary expenses		(10.519)		(215.322)
200. Extraordinary profit (loss)		35.853		42.870
220. Income taxes for the year		165.356		(1.321.554)
230. Profit (loss) for the year		2.006.530		1.805.344



ANNEXES



PROPERTIES OWNED BY THE BANK AS AT 31 DECEMBER 2005

(euro)

Location/Premises	Investments	Amortizations	Net Value	Square Meters
ANDORNO - Via Cavalieri di V.Veneto 77	321.905,14	99.368,90	222.536,24	480
BIELLA - Costa Noci 2	3.707.786,99	762.781,57	2.945.005,42	6.800
BIELLA - Head Office building Via Italia 2	18.381.813,77	3.938.697,67	14.443.116,10	12.433
BIELLA - Piazza V.Veneto 15	464.811,21	-	464.811,21	196
BIELLA - Piazza Martiri 8	574.082,26	135.281,61	438.800,65	600
BIELLA - Via Milano 1	2.242.861,71	528.176,45	1.714.685,26	4.140
BIELLA - Via Milano 53	556.593,84	175.271,69	381.322,15	540
BIELLA - Via Seminari 1	3.471.169,59	413.941,87	3.057.227,72	6.260
BIELLA - Via Matteotti (condominio Milano)	772.342,90	168.124,88	604.218,02	465
BIELLA - Via Volpi 2 (Ex Eco)	524.970,03	70.870,95	454.099,08	296
BIELLA - Via Volpi 6	545.052,97	131.012,30	414.040,67	330
BIELLA - Via G.Valdengo 8	611.180,38	98.602,89	512.577,49	1.060
BOVOLONE - Via Garibaldi 48	812.086,10	132.832,17	679.253,93	1.234
CALUSO - "Bosco Ceduo"	516,46	-	516,46	1.909
CALUSO - Via Bettoia 61	1.297.888,77	338.014,92	959.873,85	1.027
CIRIE' - Via Doria "Fenoglio"	519.416,10	26.747,04	492.669,06	215
CHIVASSO - Via Italia 2	302.944,93	49.985,88	252.959,05	290
COSSATO - Piazza Cavour 8	1.111.859,56	300.148,70	811.710,86	1.200
GAGLIANICO - Via Gramsci 75	461.320,20	103.893,40	357.426,80	505
Properties EX IMMOBILIARE STAZIONE	1.131.698,18	247.808,79	883.889,39	2.087
LUSSEMBURGO - 4 Boulevard Royal (SOLD)	-	-	-	466
MILANO - Viale Corsica 42	232.644,16	38.386,27	194.257,89	102
MILANO - Via Gonzaga 3	2.804.619,19	534.571,64	2.270.047,55	740
MONGRANDO - Via Roma 24	170.961,07	38.376,27	132.584,80	213
NOVARA - Corso Torino 35/37	1.020.486,00	305.911,30	714.574,70	449
PIEVE DI CADORE - P.zza del Municipio 11	351.089,33	57.929,74	293.159,59	493
PONT S.MARTIN - V.Circonvallazione 15A	686.549,65	211.100,37	475.449,28	355
ROMANO C.SE - Viale Marconi 34	318.882,69	71.923,81	246.958,88	529
SAVIGLIANO - Piazza del Popolo 25	2.546.263,25	676.056,22	1.870.207,03	2.219
SETTIMO T.SE - Via Italia 18	459.483,25	99.462,07	360.021,18	476
SUSA - Corso Inghilterra 56	779.456,04	209.486,76	569.969,28	500
TOLLEGNO - Via XX Settembre 6/8	171.144,41	31.549,88	139.594,53	120
TORINO - Corso Orbassano 193	840.030,54	217.172,64	622.857,90	350
TORINO - Corso Racconigi	665.558,40	145.643,87	519.914,53	257
TORINO - Piazza Adriano 5	582.640,55	112.263,15	470.377,40	268
TORINO - Piazza Giosuè Carducci 122	819.565,20	198.877,77	620.687,43	271
TRINO VERC.SE - Corso Cavour 34/38	216.706,64	52.959,01	163.747,63	160
TRIVERO - Piazza XXV Aprile	242.389,01	55.115,42	187.273,59	315
VALLEMOSSO - Via B.Sella 1	724.906,83	105.769,02	619.137,81	1.069
VERCELLI - P.zza M. D'Azeglio	372.838,42	72.408,91	300.429,51	180
VERCELLI - P.zza Risorgimento 23 ang Via Savoia	1.173.767,93	239.312,55	934.455,38	852
VERCELLI - Via Mameli 15	842.864,90	170.956,26	671.908,64	441
VIGLIANO BIELLESE - Via Milano 163	2.000.236,90	553.349,44	1.446.887,46	2.668
TOTAL	55.835.385,45	11.920.144,05	43.915.241,40	55.560

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

According to art. 2427 No. 7 Bis of the Civil Code

Financial years ended as at 31 December 2003 and 31 December 2004

	Subscribed capital	Share premium account res.	Reserves		Reserve for general banking risks	Fund for charity and various disbursements	Profit for the year	Total
			Legal reserve	Other reserves				
Balances as at 31 December 2003	80.000	49.414	19.004	113.901	54.744	-	26.790	343.853
Allocation of 2003 net profit decided by the Ordinary Assembly of 30 April 2004:								
Allocation to legal reserve			3.215				(3.215)	
Allocation to statutory reserve				10.716			(10.716)	
Allocation to extraordinary reserve				9.541			(9.541)	
Allocation to reserve ex art. 13 Law by Decree 124/93				58			(58)	
Allocation to taxed fund for various disbursements						140	(140)	
Various disbursements						(140)		(140)
Dividends distributed							(3.120)	(3.120)
Profit for year 2004							26.864	26.864
Balances as at 31 December 2004	80.000	49.414	22.219	134.216	54.744	-	26.864	367.457
Allocation of 2004 net profit decided by the Ordinary Assembly of 29 April 2005:								
Allocation to legal reserve			3.224				(3.224)	
Allocation to statutory reserve				10.745			(10.745)	
Allocation to extraordinary reserve				8.755			(8.755)	
Allocation to reserve ex art. 13 Law by Decree 124/93				-			-	-
Allocation to taxed fund for various disbursements						140	(140)	
Various disbursements						(140)		(140)
Dividends distributed							(4.000)	(4.000)
Dividends distributed following the resolutions of the Extraordinary Assembly of 22 December 2005				(5.000)				(5.000)
Use of realignment reserve according to art.1 par. 469 law 266/2005 for substitute tax				(2.472)				(2.472)
Profit for year 2004							27.639	27.639
Balances as at 31 December 2005	80.000	49.414	25.443	146.244	54.744	-	27.639	383.484

Use of reserves - detail (in euro units)

	Amount	Possible use ^(*)	Available quota	Summary of use in the three previous financial years	
				To cover losses	For other reasons
Subscribed capital	80.000.000				
Capital reserves					
Share premium account reserve	49.413.513	A - B - C	49.413.513		
Reserves from allocation of profit					
Legal reserve	25.442.675	B			
Statutory reserve	84.808.917	B			
Extraordinary reserves	24.247.870	A - B - C	24.247.870		
Reserve ex art.25, par. 3 Law by Decree 41/1995	10.398.014	A - B - C	10.398.014		
Realignment reserve ex art.1 par. 469 Law by Decree 266/2005	18.809.533	A - B - C	18.809.533		
Special reserve ex Law by Decree 153/99	5.058.652	A - B - C	5.058.652		
Special reserve ex Law by Decree 124/93	238.546	A - B - C	238.546		
Reserve ex art.7 Law 218/90	2.586.200	A - B - C	2.586.200		
Reserves from assets and liabilities contributions					
Reserve ex art.25, par. 3 Law by Decree 41/1995	96.570	A - B - C	96.570		
Assets and liabilities contribution reserve ex Law 218/90	387	A - B - C	387		
Total			110.849.285		
Undistributable quota			-		
Residual distributable quota			110.849.285		

^(*) A: for increase of capital; B: to cover losses; C: for distribution to shareholders

STATEMENT OF CASH FLOW

(euro)

Funds generated and taken

	2005	2004
Profit for the year	27.639	26.864
Provision to the reserve for general banking risks	-	-
Write-downs to the items which do not create movements in financial balances		
- write-downs to tangible and intangible fixed assets	18.169	18.853
- provision to the staff severance provision	3.681	3.498
Total funds generated by operations	49.489	49.215
Other funds generated and taken:		
<i>Increases (Decreases)</i>		
- Due to banks	87.519	59.396
- Due to customers	368.386	519.211
- Securities issued	(67.050)	28.666
- Third party funds in administration	(1.991)	323
- Other liabilities	61.999	(70.239)
- Accruals and deferred income	(1.196)	(224)
- Provisions for risks and charges	18.702	(492)
- Reserve for possible loan losses	(2.517)	(281)
- Subordinated liabilities	(4.597)	39.613
Total	508.744	625.188

Application of funds

	2005	2004
Dividends paid	9.000	3.120
Various disbursements	140	140
Acquisitions of tangible and intangible fixed assets	17.124	12.437
Use of the staff severance provision	1.363	1.394
Other funds applied:		
<i>Increases (Decreases)</i>		
- Cash and balances with central banks	(17.567)	8.897
- Securities	1.940	(31.530)
- Due from banks	113.248	118.228
- Due from customers	337.010	499.998
- Equity investments, shares and other share capital securities	9.031	(448)
- Other assets	31.904	9.003
- Prepayments and accrued income	5.551	3.949
Total	508.744	625.188



AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT
pursuant to article art.2409-ter of the Italian Civil Code
(Translation from the original Italian text)

To the Shareholders of
Sella Holding Banca S.p.A.
(formerly Banca Sella S.p.A.)

1. We have audited the financial statements of Sella Holding Banca S.p.A. as of and for the year ended 31 December 2005. These financial statements are the responsibility of Sella Holding Banca S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures generally accepted in Italy. In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated 29 April 2005.

3. In our opinion, the financial statements of Sella Holding Banca S.p.A. comply with the Italian regulations governing financial statements; accordingly, they present clearly and give a true and fair view of the financial position of Sella Holding Banca S.p.A. as of 31 December 2005 and the results of its operations for the year then ended.
4. We bring to your attention some issues, already described by management.
 - At the Group subsidiary Sella Bank Luxembourg S.A.'s charge claims might arise following supposed responsibilities related to activities carried out with some counterparts. Sella Holding Banca, which controls directly and indirectly the company, is committed to indemnify the same against any charges that might arise, giving it the necessary financial support to comply with the minimal equity requirements to ensure its operations as a going concern. Following the analyses to identify potential risks made by resources belonging to the Group, by the audit firm

appointed by the local regulatory authority and on the basis of the opinion of external legal consultants, management believes that the amount already accrued for in the financial statements is the best estimation of the potential liability that might occur.

- In the year the Company has exercised, with reference to the real estate properties, the faculty allowed by Law 23 December 2005 n. 266 concerning revaluation and realignment of the differences between book value and tax value of tangible fixed assets. The effects on the financial statements arising from the application of the above mentioned law are disclosed in the notes to the financial statements.
- In 2002 the Bank and the Company's trade unions stipulated an agreement for the use of the Solidarity Fund for the early retirement of personnel employed by credit institutions. The related cost has been accounted for as intangible assets and amortized as allowed by the specific law, in alternative to the charging the entire amount to the income statement in the year in which the liability arises. The effects on the financial statements arising from the mentioned accounting treatment are disclosed in the notes to the financial statements.

Turin, 28 April 2006

Reconta Ernst & Young S.p.A.
Signed by: Guido Celona, Partner

RESOLUTIONS OF THE ORDINARY SHAREHOLDERS' MEETING OF 28 APRIL 2006

The ordinary Shareholders' meeting unanimously:

a p p r o v e s

- the annual report of the Board of Directors on the financial year 2005;
- the Financial Statements as at 31 December 2005, consisting of the Balance Sheet, Income Statement, Explanatory Notes and the relevant annexes;
- the proposal for the allocation of the profit for the year, as stated in the Annual Report of the Board of Directors;

d e l i b e r a t e s

to converge the "Special reserve in accordance to Law by Decree No. 153/99 – art. 23" into the "Extraordinary reserve"

a p p o i n t s

for the three-year period 2006/2008, up to the approval of the 31/12/2008 financial statements, Alessandro Rayneri (Chairman), Alberto Rizzo and Paolo Piccatti as Statutory Auditors and Mario Pia and Riccardo Foglia Taverna as Supplementary Auditors.

