GRUPPO BANCA SELLA

CONSOLIDATED ANNUAL REPORT

2005

Drawn up by the Parent Company

FINANZIARIA BANSEL S.p.A.

CONSOLIDATED ANNUAL REPORT-CONTENTS

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

appointed up to the approval of the 2005 financial statements

Chairman	*	Maurizio Sella
Vice Chairman	*	Lodovico Sella
Vice Chairman and Board Secretary	*	Franco Sella
Managing Director	*	Pietro Sella
Director		Mario Cattaneo
“		Mario Renzo Deaglio (appointed 1 February 2005)
“		Pier Vittorio Magnani
“		Enzo Panico
“		Giovanni Rosso
“		Marco Scarzella
“	*	Federico Sella
“	*	Sebastiano Sella
“		Vittorio Sella
“		Marco Weigmann (appointed 24 February 2005)
“		Giovanni Zanetti

* Member of the Executive Committee

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

appointed up to the approval of the 2006 financial statements

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

AUDIT COMMITTEE

Chairman	Marco Weigmann
	Mario Cattaneo
	Giovanni Zanetti

BOARD OF DIRECTORS CONSOLIDATED ANNUAL REPORT

GRUPPO BANCA SELLA FINANCIAL HIGHLIGHTS

	31/12/2005	31/12/2004	% variation
BALANCE SHEET *(euro million)*			
Total assets	10.427,6	9.568,4	9,0%
Cash loans	5.856,9	5.181,0	13,1%
Guarantees given	387,5	296,2	30,8%
Financial assets	2.250,1	2.101,7	7,1%
Equity investments	5,8	4,6	26,1%
Tangible and intangible fixed assets	275,1	268,0	2,7%
Direct deposits from customers	8.057,2	7.171,5	12,4%
Indirect deposits from customers [1]	21.118,6	19.657,8	7,4%
Total deposits	29.175,8	26.829,3	8,8%
Capital for supervisory purposes	549,2	587,2	-6,5%

INCOME STATEMENT[2] *(euro million)*			
Net interest income	218,9	201,5	8,6%
Net other banking income	213,0	203,6	4,6%
Net income from insurance activity	12,1	9,8	23,5%
Net interest and other income from banking and insurance activities	444,0	415,0	7,0%
Operating costs	323,7	302,7	6,9%
Operating profit	120,3	112,3	7,2%
Write-downs/write-ups for debt write-off	41,1	43,9	-6,3%
Income taxes	28,6	26,5	7,8%
Parent company (net) profit	30,9	19,5	58,3%

[1] The aggregate, excluding cash (included in direct deposits from customers), is the sum of the following items of the section "Other information" of the Explanatory Note to the Financial Statements: "Assets under management", "Third party securities held in deposit related to custodian bank services", "Other third party securities held in deposit (net of securities issued by the companies included in the consolidation)".
[2] As per items reported in the reclassified consolidated Income Statement.

STAFF AND BRANCHES *(year-end)*	2005	2004	2003	2002	2001
Staff - banking Group	3.763	3.714	3.579	3.467	3.355
Staff - Consolidated Group (as per Civil Law prescriptions)	3.798	3.745	3.611	3.500	3.383
Branches (Italy and abroad)	296	277	269	259	246
Financial promoters	455	540	603	684	713

GRUPPO BANCA SELLA FINANCIAL RATIOS

	2005	2004
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [1]	10,0	5,8
R.O.A.A. (return on average assets) [2]	0,30	0,20
Net other banking income [3] / Net interest and other income from banking and insurance activities [3]	49,3	48,6
Net other banking income [3] / Net interest and other income from banking and insurance activities [3]	48,0	49,1
Net income from insurance activity [3] / Net interest and other income from banking and insurance activities [3]	2,7	2,4
Cost to income	69,5	70,9
PRODUCTIVITY RATIOS *(euro/thousand)*		
Net interest and other income from banking and insurance activities [3] / Average No. of employees	117,7	112,8
Gross operating income[3] / Average No. of employees	31,9	30,5
Cash loans / No. of employees at year end	1.542,1	1.383,4
Direct deposits from customers / No. of employees at year end	2.121,4	1.915,0
Total deposits / No. of employees at year end	7.735,9	7.294,5
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposits from customers	72,7	72,2
Cash loans / Total assets	56,2	54,1
Direct deposits from customers / Total assets	77,3	74,9
CREDIT RISK RATIOS *(%)*		
Net impaired loans / Cash loans	2,4	3,0
Net write-downs to loans / Cash loans	0,7	0,8
CAPITAL ADEQUACY RATIOS *(%)*		
Tier 1 capital ratio	5,57	6,12
Total capital ratio	9,35	10,91

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

OVERVIEW OF GROUP STRATEGY

The following results were obtained within the activity of management, coordination and control by Finanziaria Bansel as Parent company of Gruppo Banca Sella.

This activity was carried out as per the guidelines established by the Group three-year Strategic Plan, updated yearly starting from the 2004-2006 period.

The Strategic Plan focuses on the customer, and in particular on the principles and values embodied in the relationship with the customer. The Group has chosen to work adhering to ethical values and its own internal values and to distinguish itself in the customers' eyes to gain their trust, to offer them a personal relationship enriched with innovative and quality products and services.

The Group strategic guidelines are in turn built around the objective of improving and supporting this offer and attitude.

The Strategic Guidelines followed during the present year can be summarized in the following way:

- to continue the dimensional growth through the increase of the number of customers with high quality and competitiveness of the offer, and wide geographical and business diversification;
- to innovate and enhance the organizational model to obtain greater efficiency, simpler internal processes suitable to the greater size and greater effectiveness of controls.

The present model of universal Bank organized as multifunctional Group proves to be a structure suitable to promote the entrepreneurial culture, the operational dynamism, the diversification of the offer and its greater capability to meet customers' requirements.

At the same time the model must be developed through concurrent strengthening, simplification and rationalization, to improve the levels of control, to increase efficiency and productivity of work, and to innovate operational processes, adjusting them to the greater size.

ORGANIZATIONAL MODEL AND CORPORATE GOVERNANCE

This operational evolution is put in place by:

- steady strengthening of the role played by the Parent company, providing it with more functions, to be carried out in a centralized way for all the companies, and aiming at transforming it into a bank;
- continuation of the rationalization of the structure of the Group through a reduction in the number of companies and a more and more consistent structuring of services;
- further enhancement of services and controlling tools, together with a constant consolidation of the control "culture";
- implementation of more modern and homogeneous company processes within the Group;
- completion of the review, within the Group, of the governance and process rules, aiming at simplification, homogeneity and compliance with best practice;
- introduction of Group "mechanisms" allowing the continuous monitoring of rules, to guarantee a constant and timely compliance with processes and internal regulations;
- continuation of a careful automation plan, aimed at reducing human resources absorption in the carrying out of activities, with particular attention to those with lower added value, in relation to central services and the global efficiency of branch activities, together with the provision of common technological platforms to an increasing number of companies working in the same activity;
- progressive delocalization of administrative services, using the structures historically located in Rumania and India;
- complete mapping of the Group processes, analysis of their actual efficiency and cost effectiveness and review of those which have turned out to be inadequate or inefficient;
- high and steady investment in training and growth of human resources;
- steady adjustment of the Map for Direction and Co-

ordination allowing a different subdivision of devolutions and responsibilities, and a different layout of controls, a higher specialization and a better governance.

In particular, the above mentioned strategies were concretely translated in the following:

1) continuation of centralization within the Parent Company, implemented through a different subdivision of activities among the Group companies, aimed at increasing productivity, enhancing control, containing administrative and compliance costs, promoting the influence of the best professionals on a higher number of activities;
2) a number of company operations aimed at placing the Group structure in line with the previously described rationalization:
   - merger of Gestnord Intermediazione SIM into Sella Investimenti Banca and concurring renaming of the latter in Banca Patrimoni e Investimenti, specialized in private banking;
   - sale of the participation in International Capital Bourse, aimed at reducing the traditional type of dealing (non electronic) on the French market;
   - transfer to Banque Martin Maurel of a 51% share of participation in International Capital Gestion. The company thus leaves the chart of Gruppo Banca Sella, which however retains a 33,49% minority interest, so as to retain the supply of investment products and services in asset management in France, in partnership with the above-mentioned Banque Martin Maurel, of which the Group holds 10% of the capital;
   - merger by acquisition of Insel (participation holding) in Banca Sella, which already held 100% of its capital;
   - sale of the whole participation in Sella Trust Lux, which at the same time changed its business name into Private Trustees SA. The activities carried out by it have been taken up by Sella Corporate Finance and Sella Bank Luxembourg, through which the Group continues to work in the sector;
   - unification of Banca Sella branch in Luxembourg into Sella Bank Luxembourg, to allow the latter to optimize the offer to institutional and private customers of services related to private banking, corporate consulting, custodian bank, administrative agent, transfer agent;
   - winding up of Sella Austria Financial Services, a company which used to place the Groups financial products in the Eastern European market. This operation is part of the objective of continuous pursuance of efficiency optimization: the single Group companies will themselves manage and place directly their own products on the market;
   - continuation of the winding up procedure of Sella Adviser Ireland and Sella Fund Management Ireland;
   - start of the merger by acquisition, authorized by Banca d'Italia on 28 December 2005, of Fiduciaria Sella SIM into Gestnord Fondi SGR, which will change its name into Sella Gestioni SGR S.p.A.;
3) substantial investment aimed at improving the global system of controls due to the growing complexity of the banking, financial and insurance activity, combined with the strong size growth in the last few years. In relation to the organizational review, started in the previous year, the control structures have been reshaped, in order to better subdivide tasks and responsibilities, and the Group has been focussing on the "follow up" activity so as to ensure the systematic removal of any abnormalities and the related causes. During the year the Audit Committee was established, with preparatory, consultative and propositional functions, made up of three members with high specific professionalism, selected from the independent members of the Board of Directors of the Parent Company; it has very extensive powers (including requesting and obtaining any information necessary and propaedeutic for its activity, obtaining staff to support their activity and availing itself of external consultants) and it reports directly to the Board of Directors. Its functions include monitoring the processes related to the drawing up of the financial statements of the single Group entities, and of the consolidated annual report.

ENLARGEMENT

Gruppo Banca Sella today can be considered as effectively positioned among competitors for its wide range of offers, its prices and its reaction capacity. An enlargement is anyway essential, to face the challenges posed by the evolution of our market, and to capitalise on the structure the Group has chosen, critical to reach the above mentioned results.

These objectives have been pursued mainly through self-financing, focussing on:

- new customers, through the growth and evolution of the distribution network and new commercial policies based on competitiveness and high quality;
- balanced and gradual development on the international market, building on existing initiatives and adopting an adequate control and governance model, allowing to subsequently follow the international development of the Group's customers' companies and seize the huge opportunities offered by emerging economies, both for local customers and for the Group's customers' financial investments portfolios;
- continuous innovation, related to both products and technology, aiming at being first movers. In particular, the Group attaches strategic importance to welfare, the foreign customers catchment and the development of telematic channels;
- high diversification of business, with the continuous search for new ideas in sectors known to the Group: this wide range is the base of the diversification policy of the income sources.

During the year 19 new branches were opened (bringing them to a total of 296), further improving geographical diversification; moreover, the number of customers increased and the range of products and services was enlarged.

In 2005 the careful evaluation of results from investments made during the previous years went on, in order to strengthen those able to create higher profits and to put in place the necessary corrective interventions for lesser profitable ones. All this, together with those actions aimed at the recovery of productivity and costs reduction, allowed the reduction of the cost to income ratio, which stands at 69,5%, compared to 70,9% in 2004.

RATING

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

- Long term	A3
- Short term	Prime –1
- Financial strength	C
- Outlook	Stable

OVERVIEW OF PERFORMANCE

The 2005 income results must be analysed as per the IAS/IFRS, issued by IASB (International Accounting Standards Board) and approved by the European Commission, which overhauled the financial statements drawing up criteria(1).

In a scenario marked by a feeble economic upturn of the Eurozone and of Italy in particular, 2005 closed with a Group net profit of € 30,9 million (€ 19,5 million in 2004(2)), growing by 58,3%.

Consolidated R.O.E. therefore reached 10,0%, showing a remarkable improvement if compared to 5,8% of the previous year.

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

- a 7,0% growth of net interest and other income from banking and insurance activities, thanks mainly to the positive contribution of the net interest income;
- a decrease of the component net write-downs/write-ups for debt write-off;
- the increase of the item net provisions for risks and charges, allocated mainly in view of potentially higher operating risks.

The best results were recorded by the Italian banks, mainly active in retail banking, which, even though showing different increases, remarkably contributed to consolidated results. The subsidiaries working in the leasing and consumer credit businesses also showed satisfactory profits and consumer credit in particular witnessed a remarkable increase if compared to the previous financial year; subsidiaries whose main business is related to asset management and securities brokerage recorded a slight decrease in profitability compared to the previous year.

As far as the sales networks are concerned, the actions aimed at the rationalization of their structure and at the improvement of their efficiency already carried out in previous years, allowed Sella Consult SIM to reach a higher result than in 2004 (net of extraordinary items).

The insurance sector recorded a substantial improvement of profitability of C.B.A. Vita, specialized in life insurance.

Foreign companies did not perform as favourably, especially Sella Bank Luxembourg, which recorded a loss amounting to € 5,9 million, while Sella Bank AG improved its results compared to the previous year.

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

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

(1) The income items related to insurance activities, which are partly not homogeneous with banking activities, were grouped under a specific item at Reclassified Income Statement.
(2) Figures relevant to the financial year 2004 were not reclassified according to IAS accounting principles.

R.O.E. [1]	2005	2004	2003
Banca Sella S.p.A.	7,8%	7,9%	8,4%
Banca Arditi Galati S.p.A.	3,4%	3,2%	2,8%
Banca Bovio Calderari S.p.A.	6,7%	6,9%	7,1%
Banca di Palermo S.p.A.	2,6%	2,1%	1,5%
Banca Patrimoni e Investimenti S.p.A.	1,1%	-11,5%	-5,6%
Biella Leasing S.p.A.	17,8%	19,2%	19,8%
Brosel S.p.A.	46,6%	45,7%	30,6%
C.B.A. Vita S.p.A.	6,7%	3,6%	0,7%
Consel S.p.A.	20,7%	19,2%	11,3%
Easy Nolo S.p.A.	18,8%	10,4%	10,5%
Fiduciaria Sella SIMp.A.	12,5%	18,8%	15,7%
Gestnord Fondi SGR S.p.A.	4,2%	6,4%	5,5%
Selfid S.p.A.	12,5%	9,4%	30,9%
Selir S.r.l.	0,2%	7,9%	71,9%
Sella Bank AG	2,4%	1,9%	3,8%
Sella Bank Luxembourg S.A.	-29,7%	-25,2%	-53,8%
Sella Capital Management SGR S.p.A.	9,3%	8,3%	-9,5%
Sella Consult SIMp.A.	21,3%	36,7%	2,1%
Sella Corporate Finance S.p.A.	9,3%	4,5%	16,4%
Sella Life Ltd	-3,7%	-17,5%	-5,2%
Sella Synergy India Ltd	221,2%	-22,2%	4,6%
Selsoft Direct Marketing S.p.A.	-0,6%	5,5%	4,3%

[1] Ratio between "Net profit" and "Shareholders' equity and reserve for general banking risks excluding revaluation reserves".

RECLASSIFIED CONSOLIDATED INCOME STATEMENT *(euro/million)*			
	2005	2004	% variation over 2004
10. Interest receivable and similar income [(1)]	347,2	321,1	8,1%
20. Interest payable and similar charges [(1)]	(134,8)	(123,9)	8,7%
70. Dividends and other income	6,5	4,4	49,2%
NET INTEREST INCOME AND DIVIDENDS	**218,9**	**201,5**	**8,6%**
40. Fees and commissions receivable [(1)]	295,5	286,9	3,0%
50. Fees and commissions payable [(1)]	(101,3)	(106,0)	-4,4%
80. Net income from trading [(1)]	19,0	22,7	-16,1%
90. Net income from hedge accounting	(0,3)	-	-
Net other banking income	**213,0**	**203,6**	**4,6%**
150. Net premiums	57,9	104,5	-44,6%
Other net income from insurance activities [(1)]	36,1	35,8	0,7%
160. Other income/charges balance from insurance activities	(81,9)	(130,5)	-37,3%
Net income from insurance activities	**12,1**	**9,8**	**23,5%**
NET INTEREST AND OTHER INCOME FROM BANKING AND INSURANCE ACTIVITIES	**444,0**	**415,0**	**7,0%**
180. Administrative expenses:			
a) Staff expenses	(195,5)	(182,0)	7,4%
IRAP relevant to staff and attached staff net expenses [(2)]	(7,1)	(6,8)	4,4%
b) Other administrative expenses	(134,2)	(130,0)	3,2%
Recovery of stamp duty and other taxes [(3)]	24,4	17,5	39,0%
200. Write-downs to tangible fixed assets	(15,2)	(16,1)	-5,3%
210. Write-downs to intangible fixed assets	(10,6)	(10,9)	-2,8%
220. Other operating charges/income (excluding recovery of stamp duty and other taxes)	14,6	25,6	-42,9%
Operating costs	**(323,7)**	**(302,7)**	**6,9%**
OPERATING PROFIT	**120,3**	**112,3**	**7,2%**
190. Net provisions for risks and charges	(21,0)	(8,6)	143,8%
130. Write-downs/write-ups for write-off of:			
- loans	(41,1)	(43,9)	-6,3%
- financial assets available for sale	(0,2)	(0,4)	-63,9%
100. Profits (losses) on disposal or repurchase of:			
- financial assets available for sale	9,4	5,2	79,8%
- financial liabilities	0,2	-	-
240. Profits (losses) on equity investments	(0,1)	0,3	-134,9%
260. Goodwill write-downs	(1,6)	(10,1)	-83,9%
270. Profit (losses) on disposal of investments	0,2	-	-
INCOME BEFORE TAX FROM CURRENT OPERATIONS	**66,0**	**54,8**	**20,4%**
290. Taxes on income from current operations (excluding IRAP relevant to staff and attached staff net expenses)	(28,6)	(26,5)	7,8%
INCOME AFTER TAX FROM CURRENT OPERATIONS	**37,4**	**28,3**	**32,2%**
310. Profits (losses) after tax from assets held for sale	-	(5,4)	-100,0%
NET PROFIT (LOSS)	**37,4**	**22,9**	**63,1%**
330. Net profit (loss) of Parent company	**30,9**	**19,5**	**58,3%**
340. Net profit (loss) of minority interests	**6,5**	**3,4**	**90,8%**

(1) The insurance sector items have been separated from the Income Statement items and grouped under a specific item called "Other income from insurance activities".
(2) Separated from "Taxes on income from current operations".
(3) Separated from "Other operating charges/income".

FINANCIAL RESULTS

The following remarks relate to the reclassified consolidated Income Statement previously reported.

NET INTEREST INCOME

Net interest income (including dividends) for 2005 stood at € 218,9 million, growing by 8,6% if compared to the previous financial year, mainly in relation with the good contribution of increased volumes, together with a spread substantially in line with that recorded in the previous year.

The details of the items contributing to net interest income highlight how activity with customers produced net interest for an amount of € 212,3 million, with an increase of 12,0%.

The ratio between net interest income (excluding dividends) and net interest and other banking income increased, from 48,6% in 2004 to 49,3% in 2005.

NET INTEREST INCOME *(euro million)*

	2005	2004	% variation over 2004
Net interest with customers	**212,3**	**189,5**	**12,0%**
- interests receivable	273,5	255,3	7,1%
- interests payable	(61,2)	(65,8)	-7,0%
Interests receivable on financial assets	**54,7**	**49,4**	**10,7%**
Interests payable on securities	**(42,0)**	**(30,3)**	**38,6%**
Net interests with banks	**13,4**	**11,0**	**21,8%**
- interests receivable	37,7	35,8	5,3%
- interests payable	(24,3)	(24,8)	-2,0%
Differentials on hedging transactions	**(6,8)**	**(2,4)**	**183,3%**
Other net interests	**1,1**	**1,2**	**-8,3%**
Total net interests	**232,7**	**218,4**	**6,5%**
Dividends and other income	**6,5**	**4,3**	**51,2%**
NET INTERESTS INCOME AND DIVIDENDS	**239,2**	**222,7**	**7,4%**
Less insurance activity net interests	**(20,3)**	**(21,2)**	**-4,2%**
RECLASSIFIED NET INTEREST INCOME	**218,9**	**201,5**	**8,6%**

NET INTEREST AND OTHER INCOME FROM BANKING AND INSURANCE ACTIVITIES

The Group's income from banking and insurance activities in 2005 stood at € 444,0 million, growing by 7,0% compared to a year earlier.

Net other banking income

The total aggregate reached € 213 million, higher if compared to 2004, when it stood at € 203,6 million.

As far as this result is concerned, net fees showed a positive trend, increasing by 7,3%, while dealing profits recorded a decrease of 16,1%, mainly affected by a lower volatility of the markets.

Among net fees, the following sectors recorded particularly good results:

- Payment and Collection Services, where profits rose by 10,9%, thanks to the customers' higher propensity to the use of electronic payment devices, especially the development of the E-commerce sector;

- indirect deposits from customers, where profits rose by 10%, thanks to the greater contribution made by the trading on line sector and to the increase of asset management volumes.

Custodian bank services performed less favourably, with profits decreasing by 16,3%, due especially to a repositioning of the fee structure applied to the deposited aggregates.

NET FEES *(euro/million)*

	2005	2004	% variation over 2004
Banking and commercial activity	**47,0**	**42,6**	**10,3%**
- guarantees	2,4	2,4	-
- payment and collection services	44,6	40,2	10,9%
Asset management, dealing and advisory services	**108,6**	**100,9**	**7,6%**
- customer indirect deposits (assets under management, custody and administration of securities, advisory, dealing and placement of securities)	89,9	81,7	10,0%
- currencies trading	1,7	1,3	30,8%
- custodian bank services	7,7	9,2	-16,3%
- other fees on asset management, trading and advisory services	9,3	8,7	6,9%
Other net fees	**39,2**	**38,6**	**1,6%**
Less insurance activities net fees	**(0,6)**	**(1,2)**	**-50,0%**
TOTAL NET FEES	**194,2**	**180,9**	**7,3%**

Net income from insurance activity

The comprehensive aggregate reached € 12,1 million, a clear growth compared to € 9,8 million of the year before, thanks to the greater focus on the sector.

OPERATING COSTS

Operating costs reached a total of € 323,7 million, growing by 6,9% compared to the previous year.

This increase is due to the company and organizational rationalization put in place during the year, and to the strengthening of the compliance and control structures.

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

Administrative expenses (excluding recovery of stamp duty and other indirect taxes and including IRAP on the net cost of staff) amounting to € 312,5 million, recorded a 3,7% increase compared to the previous year, remarkably lower than the development rate of the net income from banking and insurance activities.

Staff expenses, including related IRAP, stood at € 202,6 million, rising by 7,3% compared to the previous year, due to the wages increases established by the national contract, and to promotions, annual increments and to the 2,6% growth of the number of average employees, while the other administrative expenses (excluding the recovery of indirect taxes), decreased by 2,4%.

Write-downs to tangible and intangible fixed assets

In 2005 amortizations on tangible and intangible fixed assets reached € 25,8 million, decreasing by 4,4% compared to the previous financial year.

Investments made during the year (amounting to about € 38,5 million) mainly involved the Electronic Payment Systems, the Telematic Bank, traditional distribution (following the opening of new branches) and IT.

WRITE-DOWNS AND PROVISIONS NET OF WRITE-UPS

Provisions for risks and charges

Provisions for risks and charges amounted to € 21,0 million, up from € 8,6 million in 2004 due to provisions against higher operating risks.

Loan losses (excluding write-ups), with € 41,1 million, decreased by 6,3% compared to 2004 in relation to these factors:

- implementation of increasingly sophisticated tools supporting those who provide and manage loans, with the aim of constantly improving the capability to control and contain the risk profile;
- an economic scenario characterized by the continuation of low interest rates, which favoured the repayment capability of families and enterprises.

On the other hand, the quality of assets has improved, as is shown by the ratio of net non-performing loans over cash loans, from 3,0% in 2004 to 2,4% in 2005, while the ratio between net write-downs to loans and cash loans stands at 0,7% (0,8% in the previous year).

Income from disposal of assets available for sale increased, from € 5,2 million in the previous financial year to € 9,4 million, thanks to the realization of capital gains mainly attributable to the disposal of a part of the partecipation in MTS S.p.A.

INCOME TAXES

Gruppo Banca Sella recorded an increase of income from continuing operations before taxes amounting to 18,6% and a less than proportional increase of income taxes amounting to 7,1%.

Consequently the Group tax rate decreased from 54,6% in 2004 to 48,8% in 2005.

The tax rate benefited from the increase of earnings from shares and equity investments, which the IRES reform made largely not taxable.

CAPITAL AND INVESTMENTS

FINANCIAL ASSETS

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

Items	31/12/2005	31/12/2004	absolute variation	% variation
Debt securities	1.160,2	1.429,3	-269,1	-18,8%
Equities	4,6	0,7	3,9	557,1%
OICR units	387,8	307,1	80,7	26,3%
Total securities for trading	**1.552,6**	**1.737,1**	**-184,5**	**-10,6%**
Derivatives	**9,2**	**-8,9**	**18,1**	**203,4%**
- of which financial derivatives	9,2	-8,9	18,1	203,4%
- of which credit derivatives	-	-	-	-
Details of main Group companies				
Banca Sella S.p.A.	888,7	876,3	12,4	1,4%
Banca Arditi Galati S.p.A.	76,6	82,8	-6,2	-7,5%
Banca Bovio Calderari S.p.A.	84,8	85,3	-0,5	-0,6%
Banca di Palermo S.p.A.	25,7	19,2	6,5	33,9%
Banca Patrimoni e Investimenti S.p.A.	132,0	-	132,0	-

Trading financial assets include: debt securities amounting to € 1.160,2 million, equities amounting to € 4,6 million and OICR units amounting to € 387,8 million.

The trading securities portfolio recorded a 10,6% decrease, due mainly to debt securities (-18,8%); as far as derivatives are concerned, represented as net value between assets and liabilities, volumes reached € 9,2 million.

Strategies have been characterized by utmost caution, but at the same time pursuing progressive diversification.

FINANCIAL ASSETS AVAILABLE FOR SALE *(euro/million)*

Items	31/12/2005	31/12/2004	absolute variation	% variation
Debt securities	192,3	192,8	-0,5	-0,3%
Equities	56,3	60,0	-3,7	-6,2%
OICR units	0,1	0,4	-0,3	-75,0%
Total securities available for sale	**248,7**	**253,2**	**-4,5**	**-1,8%**
Details of main Group companies				
Banca Sella S.p.A.	43,2	42,2	1,0	2,4%
Banca Arditi Galati S.p.A.	0,4	0,4	-	-
Banca Bovio Calderari S.p.A.	1,0	1,0	-	-
Banca di Palermo S.p.A.	0,2	0,2	-	-
Banca Patrimoni e Investimenti S.p.A.	0,5	-	0,5	-
C.B.A. Vita S.p.A.	182,5	183,8	-1,3	-0,7%
Biella Leasing S.p.A.	9,7	7,9	1,8	22,8%

Financial assets available for sale amount to € 248,7 million, slightly lower than in 2004 (-1,8%).

The main part is represented by debt securities, amounting to € 192,3 million, almost unvaried compared to 2004, while equities amount to € 56,3 million.

FINANCIAL ASSETS HELD TO MATURITY *(euro/million)*

Items	31/12/2005	31/12/2004	absolute variation	% variation
Debt securities (balance sheet value)	82,9	82,7	0,2	0,2%
Debt securities (fair value)	87,1	87,5	-0,4	-0,5%
Details of main Group companies				
Banca Sella S.p.A.	60,3	60,1	0,2	0,3%
Banca Arditi Galati S.p.A.	5,0	5,0	-	-
Banca Bovio Calderari S.p.A.	12,0	11,9	0,1	0,8%
Banca di Palermo S.p.A.	2,5	2,5	-	-
Sella Bank AG	3,1	3,1	-	-

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

LOANS TO CUSTOMERS

LOANS TO CUSTOMERS *(euro/million)*

Items	31/12/2005	31/12/2004	absolute variations	% variations
Current accounts	708,6	734,2	-25,6	-3,5%
Mortgages	1.898,3	1.794,2	104,1	5,8%
Credit cards, personal loans, loans to employees (1/5 of the wage)	673,9	648,7	25,2	3,9%
Leasing	717,7	604,3	113,4	18,8%
Impaired loans	142,0	155,7	-13,7	-8,8%
Other activities	1.458,1	1.243,9	214,2	17,2%
Assets sold not derecognised	258,3	-	258,3	-
Total loans to customers	**5.856,9**	**5.181,0**	**675,9**	**13,0%**

During 2005, loans to customers recorded a substantial growth reaching € 5.856,9 million, up by 13,0% compared to the previous year.

The positive trend of loans is mainly related to mortgages (+5,8%), affected by the positive trend of the real estate market; this item is partially offset by the negative trend of current accounts, (-3,5%), due to the decision to close some utilizations on big borrowers and focus on the guidelines on risk distribution. Leasings recorded a good result (+18,8%).

During 2005 a securitization operation was carried out, which did not meet the requirements for derecognition as per the new IAS/IFRS principles; therefore the sold assets have been kept under “Asset sold not derecognised” of “Loans to customers”.

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

LOANS TO CUSTOMERS *(euro/million)*	
Banca Sella S.p.A.	3.451,4
Banca Arditi Galati S.p.A.	435,1
Banca Bovio Calderari S.p.A.	424,0
Banca di Palermo S.p.A.	229,1
Banca Patrimoni e Investimenti S.p.A.	41,3
Sella Bank Luxembourg S.A.	88,8
Sella Bank AG	10,6
Other companies	1.176,6
Total Group companies	**5.856,9**

Gruppo Banca Sella has pursued credit policies based on precise guidelines, aimed at:

- pursuing a high size fractioning of the credit portfolio, in order to have lower global and single impacts, on losses in case of default, and to benefit from capital absorption allowed by Basel II for credit lines within one million euros (75% weighting): at year-end the Group cash loans within that threshold were approximately 76% of the total loans;
- reaching a satisfying splitting per commodity macro sectors, since no commodity sector exceeds the 7% threshold, except consumer families (38,2%);
- obtaining a balanced credit portfolio structure in relation to duration; the ratio between medium/long term lending (on total cash loans) reached 47%, while exposures ranging between 20 and 30 years represent 8% of total medium/long term lending and 4% of total cash loans;
- working intensely on the mortgage loans market, with loans amounting to € 512 million, and on the personal loans market, for which new loans exceeded € 160 million;
- taking cash loans growth in geographical areas represented by diversified economic sectors and with the best outlook of performance of local economies.

DIRECT DEPOSITS

DIRECT DEPOSITS *(euro/million)*

Items	31/12/2005	31/12/2004	absolute variation	% variation
Available current accounts and deposits	5.321,6	4.745,5	576,1	12,1%
Term current accounts and deposits	219,2	177,3	41,9	23,6%
Liabilities related to assets sold not derecognised	765,9	628,4	137,5	21,9%
- sale repurchase agreements	504,8	628,4	-123,6	-19,7%
- due to securitization companies	261,1	-	261,1	-
Other	402,6	198,3	204,3	103,0%
Due to customers	6.709,3	5.749,5	959,8	16,7%
Outstanding securities	1.347,9	1.422,0	-74,1	-5,2%
Total direct deposits	**8.057,2**	**7.171,5**	**885,7**	**12,4%**

Direct deposits from customers reached € 8.057,2 million, up 12,4% from 2004.

Outstanding securities decreased compared to 2004 (-5,2%); the other items record a good increase, from € 198,3 million in 2004 to € 402,6 million in 2005, partly offset by the trend of repurchase agreements (-19,7%).

INDIRECT DEPOSITS

INDIRECT DEPOSITS *(euro million)*

Items	31/12/2005	31/12/2004	absolute variation	% variation
Assets under management	6.348,0	6.323,5	24,5	0,4%
Assets under administration	14.770,6	13.334,3	1.436,3	10,8%
Total indirect deposits	**21.118,6**	**19.657,8**	**1.460,8**	**7,4%**

Indirect deposits increased by 7,4%, distributed among assets under management (+0,4%) and assets under administration (+10,8%), reaching € 21.118,6 million at the end of 2005.

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

Items	31/12/2005	31/12/2004[1]
Tier 1 capital	334,9	334,4
Tier 2 capital	261,3	258,3
Items to be deducted	(47,0)	(5,5)
Capital for supervisory purposes	**549,2**	**587,2**
Credit risks	462,3	418,4
Market risks	13,5	8,5
Tier 3 subordinated loans	**13,5**	**8,5**
Other capital requirements	5,6	9,9
Capital requirements	481,4	436,8
Risk-wighted assets	6.017,3	5.460,0
Tier 1 capital / total risk-weighted assets	5,57%	6,12%
Total capital / total risk-weighted assets	9,35%	10,91%

[1] *Figures as at 31/12/2004 do not take into account the new criteria as per 11th update 2006 of Banca d'Italia (IAS/IFRS "prudential filters").*

The capital for supervisory purposes and the ratios at 31 December 2005 were determined by applying the new provisions by Banca d'Italia; this evaluation took into consideration the so called "prudential filters" indicated by the Central Institute in 2005.

The Group consolidated capital for supervisory purposes, at 31 December 2005 amounted to € 549,2 million, of which € 334,9 million tier 1 capital (capital and reserves), € 261,3 million tier 2 capital net of € 47 million of items to de deducted. Risk-weighted assets stood at € 6.017,3 million.

The decrease of the global requirement is due to the increase of the items to be deducted, following the Banca d'Italia provisions with letter dated 1 December 2005, which envisage the inclusion in them of the book value of the participation in insurance companies, and to the implementation of IAS/IFRS accounting principles, in particular IAS 32/39.

INCOME DISTRIBUTION POLICY

In order to self-finance their development and strengthen their equity structure, the Group companies generally distribute a dividend not exceeding 10% of net profit; the Parent Company distributes 10% of its consolidated net profit.

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

COMMERCIAL AND DISTRIBUTION POLICIES

COMMERCIAL POLICIES

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

- strong local franchise, although maintaining a national character;
- personalized, direct and informal relationships with customers;
- constant innovation to improve quality of products and services;
- careful attention and constant commitment towards the values of privacy, transparency and correctness in customer relationships.

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

- development of new customers through the offer of new products and services personalized to the different needs of the various segments. In particular, more attention was given to payment systems, consumer credit and specific targets like non-UE customers;
- rationalization of the products range in different sectors: for example, the number of funds and sicav offered by the Group SGR has been decreased and some types of accounts (for young people, traders) have been modified, to meet the specific needs of customers recorded during the year;
- increase of the activity of existing customers by improving cross selling, also through specific actions carried out at central level (direct marketing campaigns);
- assistance to investments through the use of tools for the monitoring of the investment performance made available to customers (Risk Thermometer, Focus investimenti newsletter).

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

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

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

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

The constant updating process of the products range was continued, through the creation of new insurance products with the launch of index linked policies by the insurance company CBA Vita.

In the loans/mortgages sector, a new personal loans product was launched, called Prestidea, which envisages a fixed instalment and variable duration, together with Mutuo Corallo, targeted to irregular workers; finally, a new asset management line was launched, called Multilinea.

The specific commercial initiatives in 2005 included:

- SKY basketball event Pallacanestro Biella, television communication opportunity related to the sponsorship of Pallacanestro Biella, a local A1 division basket team;
- organization of the fair Italy & India, aimed at starting cooperation relations with India;
- organization and sponsoring of the Rotary meeting in Olbia, with the participation of Rotary members of the Italian regions Lazio and Sardegna;

- opening ceremony of Private Banking Banca Sella in Turin, Piazza Carignano, an opportunity to offer the public a photographic exhibition on mountains dedicated to Vittorio Sella;
- sponsoring of the exhibition "Sul Filo della Lana", with organized visits for our customers;
- conferences on "Basilea II" in various Italian cities;
- participation in "Internet Trading Forum" and "Tol Expo" specialized fairs, in which new trading on line services are illustrated.

DISTRIBUTION POLICIES

During 2005 the number of customers of the Group increased, 19 new branches were opened and innovative products and services were offered to customers, always trying to keep a personal relationship with them, based on trust and transparency.

In 2005 the Group continued to operate through its long-standing multi-channel structure, put into practice through:

- a network of 291 branches in 14 Italian regions, 55,1% (out of the Group total) of which in the North West of Italy, diffusely covered by Banca Sella together with Banca Patrimoni e Investimenti, 16,9% in the North East, where Banca Bovio Calderari is concentrated and 19,6% in the South of Italy and Islands, where Banca Arditi Galati and Banca di Palermo are active. The remaining 6,7% of branches is located in the Centre of Italy, where Banca Sella is present, mainly in Lazio;
- the presence abroad: 1 agency of Banca Sella in Miami, 4 branches of 2 foreign banks (Sella Bank Luxembourg SA in Luxembourg and Sella Bank AG in Switzerland), a representative office of Banca Sella in Caracas (Venezuela). The Group, moreover, holds a participation in the associated company Banque Martin Maurel Sella with head office in the Principality of Monaco;
- the presence abroad of Sella Life (company under Irish law), operating in the insurance savings industry.

The distribution network also includes Sella Consult SIM, operating through 32 Financial Sales Points all over Italy and 304 financial promoters, and Banca Patrimoni e Investimenti (which besides the nine branches already included in the following table, has 8 financial sales points and 151 financial promoters), as well as 15 branches of Consel, subsidiary specialized in consumer credit, and 8 offices of Biella Leasing, active in financial leasing.

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

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

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

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

GROUP BRANCHES

Banks	2005	% over total branches	2004	% over total branches
Banca Sella S.p.A.	203	68,6%	195	70,4%
Banca Arditi Galati S.p.A.	32	10,8%	29	10,5%
Banca Bovio Calderari S.p.A.	29	9,8%	28	10,5%
Banca di Palermo S.p.A.	19	6,4%	19	6,9%
Banca Patrimoni e Investimenti S.p.A.	9	3,1%	1	0,3%
Sella Bank AG	3	1,0%	3	1,1%
Sella Bank Luxembourg S.A.	1	0,3%	1	0,3%
Total Group branches	**296**	**100%**	**277**	**100%**
Total Group in Italy	**291**	**98,3%**	**271**	**97,8%**
- North West (Piemonte, Valle d'Aosta, Lombardia, Liguria)	163	55,1%	155	56,0%
- North East (Veneto, Trentino, Emilia Romagna)	50	16,9%	46	16,6%
- Centre (Toscana, Lazio, Molise)	20	6,7%	17	6,1%
- South and Islands (Campania, Puglia, Sicilia, Sardegna)	58	19,6%	53	19,1%
Total Group abroad	**5**	**1,7%**	**6**	**2,2%**

OPERATIONAL STRUCTURE

HUMAN RESOURCES

Management and development of human resources

The staff of Gruppo Banca Sella as at 31 December 2005 amounted to 3.763 employees (3.798 including insurance savings companies) with an increase of 49 people compared to 2004 (+1,3%).

During the year, Banca Sella (with 2.290 the higher contributor in number of employees, amounting to more than 60% of the Group total staff) recorded an increase in staff of about 1,1 % with respect to 2004, when 2.264 people were employed, due to the recruitment of 190 people and the termination for 164 (44 of which transferred to other companies of the Group). Staff costs for the Group at the end of the year, including the Regional Tax on Industrial Activities (IRAP), stood at € 202,6 million increasing by 7,3% compared to € 188,8 million of 2004.

The average age of Group staff is about 35 years, while average seniority amounts to about 8 years. As at 31 December 2005 women were almost 47% of the Group's working force.

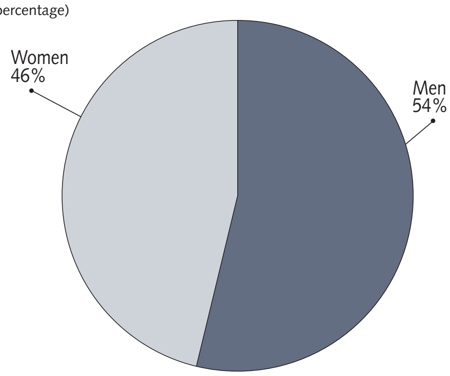
The following table shows staff of each subsidiary, including the percentage on total Group staff.

GRUPPO BANCA SELLA

Group staff (1)	Employees at 31/12/2005	Employees at 31/12/2004	Absolute variation on 2004	% impact on aggregate amount
Finanziaria Bansel S.p.A. (Parent company)	117	76	41	3,08%
Banca Arditi Galati S.p.A.	223	225	-2	5,87%
Banca Bovio Calderari S.p.A.	179	186	-7	4,71%
Banca di Palermo S.p.A.	132	133	-1	3,48%
Banca Patrimoni e Investimenti S.p.A.	158	-	158	4,16%
Banca Sella S.p.A.	2.290	2.264	26	60,29%
Biella Leasing S.p.A.	52	49	3	1,37%
Consel S.p.A.	147	120	27	3,87%
Easy Nolo S.p.A.	7	5	2	0,18%
Fiduciaria Sella SIMp.A.	23	24	-1	0,61%
Gestnord Fondi SGR S.p.A.	53	62	-9	1,39%
Gestnord Intermediazione SIM S.p.A.	-	161	-161	0,00%
Insel S.r.l.	-	1	-1	0,00%
International Capital Bourse S.A.	-	29	-29	0,00%
International Capital Gestion S.A.	-	15	-15	0,00%
International Capital Holding S.A.	1	1	-	0,03%
Selban S.p.A.	1	1	-	0,03%
Selir S.r.l.	75	63	12	1,97%
Sella Austria Financial Services AG	1	3	-2	0,03%
Sella Bank AG	28	31	-3	0,74%
Sella Bank Luxembourg S.A.	96	89	7	2,53%
Sella Capital Management SGR S.p.A.	12	8	4	0,32%
Sella Consult SIMp.A.	21	23	-2	0,55%
Sella Investimenti Banca S.p.A.	-	21	-21	0,00%
Sella Synergy India Ltd	146	123	23	3,84%
Selsoft Direct Marketing S.p.A.	1	1	-	0,03%
Total Banking Group	**3.763**	**3.714**	**49**	**99,08%**
Average total Banking Group	**3.739**	**3.647**		
Brosel S.p.A.	14	13	1	0,37%
C.B.A. Vita S.p.A.	18	15	3	0,47%
Sella Life Ltd	3	3	-	0,08%
Total Consolidated Group	**3.798**	**3.745**	**53**	**100,00%**
Average total Consolidated Group	**3.772**	**3.678**		

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

STAFF
(figures in percentage)



An analysis of Group staff highlights that about 82% of people works for the banks of the Group and 3% for the Parent company. Asset management and brokerage companies employ 3% of total staff, while Selir and Sella Synergy India (producing software for the Group) about 6%; the remaining 6% of staff is subdivided among the remaining business lines of the Group.

Staff training

In 2005 the mapping project for all Gruppo Banca Sella employees was started, in relation to roles, tasks, competences and skills present or to be developed, with the aim of detecting the main training requirements for the employees' roles and developing customized training plans; the project will be completed during the next financial year.

During the year over 52.093 hours of training were supplied, together with a substantial distribution of educational material, subdivided into: company courses for newly employed (26.710 hours), contractual retraining course (11.588 hours) and external specific specialized course (13.795 hours).

On the whole the training activity carried out by the Group during the year involved 62% of staff.

Great attention was given to e-learning, through telematic programs on the Group's intranet, which reached all the Group companies.

In 2005 Gruppo Banca Sella, after a detailed analysis of the market offer, acquired a new telematic platform for e-learning, which allows the tracking of the taking of courses and tests in real time and the assessment of the results and the effectiveness of the single training course.

IT ORGANIZATION AND SOFTWARE DEVELOPMENT

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

During the year, the development of the technological infrastructure and the centralization of IT processes of the Group companies in Italy went on, and the project for the development of the software used for all the new projects was implemented, and it will be extended to the maintenance activities in 2006; moreover, technological infrastructures related to the Data Center were completely renovated, together with the complete duplication in relation to Disaster Recovery.

In the second half of 2005, Information Technology and Organization staff, following the creation of Sella Holding Banca, was engaged in the procedures for migration and modifications necessary for this activity. This project, in terms of dedication and duration, was the main one during this year; the other projects include the new credit line electronic file.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

The main issues tackled during the year are:

- study and subsequent operational adoption of open source products related to software development tools, applicative monitoring, operational systems;
- study of solutions for the management of interoperability towards external systems, in particular by focussing on web services, which will be adopted in 2006;
- search for middleware solutions for process management.

INTERNAL CONTROLS SYSTEMS

During 2005, Gruppo Banca Sella, attaching high importance to the management and control of risk, deliberated a different layout of control and coordination structures, with the aim of improving the distribution of tasks and responsibilities, at the same time fixing the strengthening of the relevant structures.

During the year, also, the analysis of the "Control Process" was implemented, allowing a more efficient synergy among the structures in charge of internal controls and shall guarantee both a higher sensibility as to early warning awareness and a higher precision as to follow-up activities.

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

- **line controls:** these controls are carried out to check the correctness of daily activity by each operational units or are incorporated in procedures and therefore performed within back office activities;
- **risk management controls:** these are carried out by units independent from production functions, with the aim of contributing to the identification of methods for the measurement of risk, to control the respect of limits given to the various operative functions and to check that activity of each single production area be compliant with the fixed risk/yield profiles;
- **Group internal auditing controls:** it reports to the Board of Directors and to its Chairman; both the Group Auditing Control Department and the Internal Audit (created in 2005) report to the Head of Internal Audit; these services aim at identifying anomalous trends, breach of procedures and regulations, and at evaluating the efficiency of the internal controls system on the whole. These entities work in close coordination, within their competencies, under the Internal Audit Chief, who in turn works in close cooperation with the Audit Committee.

Internal Audit provides services for the Group companies, in its capacity of Parent Company in relation to management, coordination and control; for some activities, like for example those carried out by Internal Audit, the service is supplied in sourcing and contractually regulated directly with the Group Companies receiving it. The biggest companies of the Group (with over 20 employees) have an internal service for inspection and/or audit activities. Internal Audit is active both for the promotion of exchange of experiences and methods between the inspection services of each Group company and for the increasing of the activities planning coordination, with the aim of making the coordination and monitoring of the risks areas more effective.

The main operative mechanism of coordination of controls is the Audit Committee (active from the second quarter of 2005) created by the Parent Company Board of Directors and made up of three independent Directors.

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

The activity of the Audit Committee has the aim of:

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

1. Line controls (First level controls)

In Gruppo Banca Sella, the manual Line Control process (CDL) takes place in three subsequent and different steps:

1. analysis, carried out by each activity/business line

to identify the ordinary or extraordinary activities with the highest risk profiles, to which the most appropriate CDL can be applied, to reduce the risk;
2. control performed every time the activity is carried out. The certification of the manual CDL, that is to say the certified confirmation that the control has been carried out, is done using the Line Control Platform, available on the Group Intranet, complying with the principle of roles separation between operators and controllers;
3. assessment by Internal Audit, based on its audit plan, of the adequacy of internal controls surveyed and aimed at mitigating risk, and of the correspondence between the certification of the control recorded in the platform and the actual carrying out of the control activity, in order to evaluate and improve the effectiveness of the internal controls system.

The person in charge of each Operational Unit (productive line or Business Unit) must guarantee the correct carrying out of the control activity, the efficiency and completeness of the CDLs, the spreading of the control culture in those who report to him/her, the necessary separation between operational and control activities, the clarity of the documentation certifying the control.

There are three type of line controls:

a. manual line controls, distributed in all Group operational units;
b. automatic line controls, derived from the automation of a control previously carried out manually;
c. centralized line controls, entrusted to the Parent Company management and coordination units.

2. Risk management controls (Second level controls)

The task to perform this type of controls, with the partial exception of the credit risk management, is entrusted to the Group Risk Management Service, which is therefore responsible for the punctual and perspective controls on the various risks to which subsidiaries might be exposed according to their activity. It has the responsibility to acquire all data and information to be used in risk measurement and control, constantly reporting to the top management on the situations which might arise. It puts forward proposals and suggestions for the monitoring and reduction of risks. The area has also the task to provide what is necessary to put in practice the "Basel" project related to the identification of new capital adequacy requirements.

Credit risk

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

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

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

The rating assignment process involves corporate customers; the companies involved in commercial, tertiary and long-term production sectors, together with farms, cooperatives, non profit companies and finance companies are subject to assessment. In 2005 the branches of the Italian banks of the Group continued the assignment of ratings to corporate customers who had been granted loans, reaching a remarkable coverage. The work to refine models will continue in 2006 in order to use them for regulatory purposes in the future.

At the same time the classification process of customers in homogeneous segments was completed. After that, the most appropriate method for the measurement of the credit risk was identified for each of them.

This led to the clear-cut distinction of the corporate world into the categories "corporate" and "poe" (piccoli operatori economici, small entrepreneurs): for the former the rating system of evaluation will continue, while for the latter specific scoring models have been created, suitable also for the assessment of private customers.

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

Gruppo Banca Sella shall apply the IRB Foundation system on those portfolio segments showing a history of attribution of default probability by way of statistical techniques; following a gradual development in time, this method will be spread to increasingly more credit portfolio portions.

The Group Credit Quality Service has the task to intervene in order to prevent any situation that might lead to insolvency risks. To this end, the Service constantly verifies the trend and degree of use of credit lines granted to customers.

Market risk

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

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

Operational risk

During 2005 the Group Operational Risk Management continued its loss data collection activity, with the aim of quantitatively measuring "the risk of losses due to mistakes or to inadequacy of staff, systems or processes or to external events"; it also continued to manage the Group Line Controls platform, carrying out training, help desk activity for colleagues, and process and technological tool updating.

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

The structure was involved also in the 555 project (mapping of processes) related to risk and control assessment.

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

Risk management of asset management

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

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

3. Group internal auditing controls (Third level controls)

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

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

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

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

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

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

Also in 2005 the Group Auditing Service carried out its audit activity, on site or remotely, summarized in the following table.

AUDITS	2005	2004	2003
To Banca Sella central services	52	39	24
To Banca Sella peripheral units	24	57	72
To central services of other Group companies	23	17	16
To peripheral units of other Group companies	-	3	5

Internal Auditing (started in the second quarter of 2005) which verifies:

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

EQUITY INVESTMENTS

As concerns the most relevant events which led to changes in consolidation during 2005, we recall:

- sale of the whole participation in International Capital Bourse S.A.;
- transfer of the holding in International Capital Gestion S.A. (now consolidated with the equity method);
- sale of the whole participation in Sella Trust Lux S.A.;
- creation of Sella Distribuzione S.p.A., which requested and obtained the transformation into a bank, called first Banca Sella Distribuzione and from 1 January 2006, Banca Sella S.p.A.

During the year the following changes in the equity investments percentages took place:

CHANGES IN EQUITY INVESTMENTS PERCENTAGE

Company	From	To	Operation
Banca di Palermo S.p.A.	72,65%	74,56%	Purchase
Sella Austria Financial Services AG	90,41%	93,91%	Subscription of the whole of the increase in capital
Sella Bank Luxembourg S.A.	88,95%	100,00%	Purchase

Other operations are:

- merger of Gestnord Intermediazione SIM S.p.A. by Sella Investimenti Banca S.p.A., which then changed its name into Banca Patrimoni e Investimenti S.p.A.;
- merger of Insel S.r.l. (Gruppo Banca Sella financial holding company) by Banca Sella S.p.A.

GROUP COMPANIES

To provide a more complete picture of individual companies involved in the line by line consolidation and those valued at equity, this section provides a summary of the activities and results achieved by subsidiaries and associate companies during 2005 (applying the accounting principles used to draft the individual statements), and describes their overall trends and results according to business activity.

BANKS

Banca Sella S.p.A.

At 31 December 2005, Banca Sella – registered office in Biella – had continued to enlarge its distribution network, with 203 branches, a net increase of 8 units, while investing in the development and innovation of telematic channels.

Net interest income, amounting to € 138,9 million, recorded a 7,6% increase over 2004, thanks to the growth of volumes of loans and direct deposits as well as a steady spread in line with 2004.

Net interest and other banking income stood at € 297,6 million, growing by 6,3% with respect to 2004, also thanks to net other banking income, which showed an increase of 5,1% affecting net interest and other banking income by 53,3% compared to 53,9% in the previous year. Contributing to the positive trend of net other banking income were payments services (+10,7%), assets under management (+9,7%), commission for trading on behalf of third parties and orders collection (+14,8%) and placement of insurance products (+32%).

Administrative expenses, increased by 14,1%, due to the increase of staff costs (+4,7%) and other administrative expenses (+25,8%, especially for services outsourced to the Parent Company), while write-downs to tangible and intangible fixed assets decreased by 3,6% compared to the previous year.

Dividends stood at € 7,2 million compared to € 4,5 million in 2004, posting an increase of 60,5%.

Despite the difficulty of the present economic situation and following the transfer of the activities of the Luxembourg branch of the bank to Sella Bank Luxembourg, cash loans to customers, standing at € 4.294,3 million posted an increase of 8,5% which is deeply satisfying considering that it is net of an important securitisation operation of performing mortgages carried out in October 2005, worth € 260 million on the capital line.

Volumes in 2005 reached overall deposits of € 21.839,6 million, with an increase of 3,1% on the previous year. Direct deposits (excluding repurchase agreements) increased by 4% to € 4.695,6 million, while indirect deposits increased by 2,2% to € 16.485 million.

On the whole asset management volumes increased by 7,2% from € 5.894,3 million at the end of 2004 to € 6.316,2 million at the end of 2005. The most popular and best-performing products were those in the total return sector, an indication of the need of customers to delegate the management of assets to professionals.

At the end of the year insurance savings reached € 606,5 million, compared to € 555,2 million in 2004 (+9,2% on 2004).

Special attention continues to be given to applying good standards of transparency, quality, professionalism and customer attention, through initiatives such as improving the "Risk Thermometer" and renewing the "Patti Chiari" certification. Activities continued to integrate the various distribution channels (branches, networks of financial promoters, Group banks, internet, phone banking), with a view to strengthening the multi-channel approach and simplifying the organisation model.

The Bank closed the financial year with net profits of € 27,6 million (+2,9%) compared to € 26,9 million in 2004. Return on equity was 7,8% and income before extraordinary items (net of dividends) stood at € 51,6 million, recording an increase of 26,4% on the previous year.

Banca Arditi Galati S.p.A.

The distribution network of Banca Arditi Galati, based in Lecce, as at 31 December 2005 had a total of 32 branches, thanks to the opening of the branches in Martina Franca (Taranto), Molfetta (Bari) and Gallipoli (Lecce).

The 6,9% increase of net interest income, amounting to € 18,5 million (including dividends), was favoured by the growth of cash loans (+ 14,6%).

Net other banking income, standing at € 9,7 million, recorded a growth of 10,3% over 2004, which, excluding dealing profits, reached 14,5%, mainly thanks to order collection and securities trading activities, as well as fees from loans and mortgages.

Net interest and other banking income, amounting to € 27,9 million, recorded a 7,1% increase with respect to the previous year.

Structural costs, at € 20,5 million, grew by 3,1% during 2004, thanks, above all, to an increase in administrative expenses due to the centralization at the Parent company of many Head Office services; on the other hand there was a modest increase in staff expenses (+0,3%), with a slight decrease in staff members.

Cost to income ratio therefore stood at 73,3%, showing a significant decrease on the previous year (76,2%).

The above-mentioned trends allowed the Bank to reach a net profit of € 1,7 million, growing by 10,2% compared to 2004.

Direct deposits, at € 588,8 million, recorded an increase of 1,9% compared to 2004, while indirect deposits including insurance savings which increased by € 16,2%, highlighted an overall increase of 10,7% at € 474,7 million.

Total cash loans increased by 14,6% compared to 2004, reaching € 422,2 million, while guarantees, standing at € 11,8 million, recorded an increase of 10,7%. Net write-downs to loans, at € 2,8 million, grew due to greater cautionary provisions on non-performing positions; the ratio of net non-performing loans over cash loans improved, going from 3,4% in 2004 to 2,6% in 2005.

During the year, changes were made to the organizational chart aimed at increasing commercial potential and productivity, by strengthening the distribution network and centralising controls under the Parent company.

Banca Bovio Calderari S.p.A.

As at 31 December 2005 the distribution network of Banca Bovio Calderari, having head office in Trento, totalled 29 branches: 16 in Trentino Alto Adige and 13 in Veneto. During the year a new branch was opened in Bassano del Grappa, the first in the province of Vicenza.

Net interest income, at € 11,6 million including dividends, showed a slight decrease (-1,9%) with respect to 2004.

Net other banking income, amounting to € 7,5 million, showed an increase of 0,4% compared to the previous year, mainly thanks to insurance savings, assets under management and virtual banking. Net interest and other banking income, at € 22,7 million, went up by 2% on the previous year (€ 22,2 million).

Structural costs, standing at € 17 million, recorded a overall increase of 7,6% over 2004, mainly due to the 14% increase in staff expenses, strongly affected by centralisation of outsourced services, as part of the Group's strategic plan.

Direct deposits amounted to € 470,1 million, with an increase of 0,8% over 2004, while indirect deposits, standing at € 673,3 million, showed an increase of 4,2%.

Cash loans to customers, standing at € 427,9 million, recorded a growth of 16,8% over 2004, while guarantees, amounting to € 24,5 million, showed an increase of 17,6% with respect to the previous financial year.

The ratio of net non-performing loans over cash loans improved further, going from 1,57% in 2004 to 1,13% in 2005.

The above-mentioned trends allowed the Bank to reach a net profit of € 1,9 million in 2005, slightly down on the previous year (€ 2,1 million).

Banca di Palermo S.p.A.

As at 31 December 2005 the distribution network of Banca di Palermo, based in Palermo, amounted to 19 branches, distributed in the provinces of Palermo, Agrigento, Catania, Trapani and Ragusa. No branches were opened during 2005.

Net interest income, standing at € 9,9 million (including dividends), showed a 12,4% increase over 2004; in response to the increased demand from customers, the development of cash loans was directed at mortgages and the corporate sector.

Net other banking income, amounting to € 5,6 million, showed an increase of 19,2% compared to 2004, mainly thanks to the placement of insurance products and individual asset management.

Net interest and other banking income, at € 15,4 million, showed an increase of 14,8% compared to 2004. Administrative expenses, standing at € 12,6 million, increased by 8,6% over the previous year. The cost to income ratio thus improved from 83,1% compared to 90,1% in 2004.

The above trends allowed the Bank to reach a net profit of € 540.000, compared to € 431.000 in 2004.

Direct deposits standing at € 284,5 million, remained substantially unchanged, while indirect deposits, standing at € 291,8 million, showed an increase of 21,4%.

At € 238,5 million, total loans showed a significant increase of +19,9%, mainly due to cash loans to customers. The ratio of net non-performing loans over cash loans improved, going from 5,9% in 2004 to 4,8% in 2005.

Banca Patrimoni e Investimenti S.p.A.

Banca Patrimoni e Investimenti was created from the merger between Sella Investimenti Banca S.p.A. and Gestnord Intermediazione SIM S.p.A. (incorporated), with effect from 1 January 2005. At the same time, the Bank opened eight new branches, transforming a number of sub-offices of Gestnord Intermediazione. Thus, at year-end the Bank had a total of nine branches (including the existing branch of Sella Investimenti Banca) and thirteen financial promoters offices.

After the provisions and reserves required by law, 2005 closed with net profits of € 254.000, assisted by the strong curtailment of operating costs, by the favourable trend in receivable commission and by the growth in the overall volume of total deposits.

Net interest income, amounting to € 3,6 million derives mainly from the investment of the liquid resources acquired by the Bank and, to a lesser extent, from loans to customers. Net interest and other banking income reached € 24,3 million, while administrative expenses stood at € 21,1 million, of which € 10,7 million were staff costs.

Owing to the merger of the administrated assets of both companies, and to the considerable growth during the year, the Bank's overall volume of total deposits at year-end stood at € 3 billion.

The issue of loans was a marginal activity, with a total of € 30,1 million, and with no non-performing positions.

Sella Bank AG

As at 31 December 2005 the distribution network of Sella Bank AG, based in Zürich, amounted to 2 branches in Lugano and Geneva.

Net interest income, standing at € 0,6 million (including dividends), showed a 42,9% increase compared to 2004, due to the reduction of loan volumes. Net other banking income, amounting to € 4,5 million, showed a 18,6% increase on the previous year: the main contribution to this item came from commissions on the trading of securities and from commissions on investments.

Net interest and other banking income, at € 5 million, showed an increase of 9,9% with respect to 2004.

Structural costs, at € 4,8 million, recorded an increase of 11,9%: hence the cost to income ratio was 96,2%.

The above trends allowed the Bank to attain net profits of € 0,6 million, compared to € 0,5 million in the previous year.

Sella Bank Luxembourg S.A.

Among the most significant events taking place during 2005 are:

- purchase of all shares by the Group;
- acquisition of Banca Sella branch activities in Luxembourg, after which, most employees became part of the acquiring company;
- strengthening of financial capacity, thanks to the receipt of a subordinated loan of € 5 million with ten-year maturity fully underwritten by Banca Sella and an increase in share capital of € 7 million which was completed on 31 December 2005.

During the year, the Luxembourg bank continued reorganising its structure by:

- introducing professionally qualified personnel;
- drafting the procedures for internal control;
- reviewing and reformulating IT connections used to administer funds, in order to provide greater automation to the human operations and operating controls;
- completely reorganising the corporate section of customer services: a review was made of the distribution of roles and responsibilities in order to obtain a more suitable product, a better response to customer requests and better monitoring of risks. Accounting and administration of domiciled companies were outsourced.

Furthermore, the Bank adopted the new European regulations regarding the taxation of savings of non-residents, an opportunity to contact its customers, including its newly acquired branch clients, along with their files and documents. The mission was completed within the expected time frame and introduced all the parameters to enable the new rules to be respected automatically.

To sufficiently satisfy the new regulations and in order to obtain the necessary authorisation, the local supervisory bodies were presented with the dossier concerning the set-up of a Luxembourg asset management company, open to both Group sicavs and third-party sicavs.

During 2005 the Bank supplemented its activities as custodian bank with other activities, namely private banking, corporate consulting (international tax and legal consulting) and asset management (to provide customised and professional management of assets).

Net interest income, amounting to € 1,4 million, recorded an increase of 87,1% compared to 2004, due to a growth in direct deposits.

Net other banking income, standing at € 8,1 million, underwent a downturn compared to the previous year (-22%). Net interest and other banking income, at € 9,4 million, in turn underwent a –14,8% reduction compared to 2004.

Structural costs, corresponding to € 12,4 million, were subjected to a significant downturn (owing to a diligent cost policy, the end of due diligence by Banca Sella and Deloitte). The cost to income ratio was therefore 131,6%.

The above-mentioned trends led to net losses for € 5,9 million.

Direct deposits, at € 367,4 million, recorded an increase of 31,1% compared to 2004, while indirect deposits, standing at € 3.320,9 million, showed an increase of 29,7% over 2004, mainly thanks to the activity of Group sicavs.

Cash loans to customers, reaching € 88,5 million, recorded a growth of 578,7% over 2004, while guarantees recorded an increase of +233,1% compared to 2004.

Write-downs to loans and other assets stood at € 0,45 million.

Sella Bank Luxembourg may become the subject of claims regarding presumed responsibilities regarding activities carried out against a number of parties. Consequently, control proceedings have been set up to identify the potential risk.

Sella Holding Banca, which directly and indirectly controls this company, has undertaken to hold the latter harmless of any expenses that may derive from this matter, by providing the necessary financial support to ensure that the minimum capital limits are respected and that the company can continue operating.

On the basis of the controls made by Group employees, by the independent auditors appointed by the local supervisory board, and according to the opinion of external legal advisors, the amount disclosed in the financial statements is thought to represent the best estimate of potential liabilities.

LEASING / CONSUMER CREDIT

Biella Leasing S.p.A.

The company, based in Biella, works in the car, instrumental, property and pleasure boating leasing industry through 8 offices.

During 2005 Biella Leasing stipulated 6.016 leasing contracts for an amount of € 335,5 million, showing a 8,7% increase compared to 2004 on brokered volumes and of 9,6% on the number of contracts. The company's market share in the industry stands at 0,76% showing a decrease compared to the previous financial year (-6,5%), due to the reduction of property leasing.

Net interest and other banking income, at € 17,8 million, recorded a 8,5% increase over 2004, while structural costs, amounting to € 5,8 million, showed an increase of 9,4%, deriving both from an increase of staff expenses to strengthen the offices network and from an increase of overheads generated by the higher number of managed contracts.

Notwithstanding a still stagnant economic situation, the ratio of net non-performing loans over cash loans remained unvaried at approximately 0,4%.

Net profit at year end reached € 6,2 million (+ 6,4% over 2004).

Consel S.p.A.

The company, based in Turin, works in the consumer credit industry, providing retail customers with a wide range of credit products, in particular loans for purchases by instalment and credit cards. Consel has a distribution network of 147 employees, 15 branches and 8.203 licensed sale points on the national territory.

In line with the trend of the Italian consumer credit market (which passed from +13,9% in 2004 to +15% growth in 2005), Consel recorded a remarkable growth in the number of customers and loans, managing 129.151 loans applications for a total amount of € 453,7 million and granted loans for a total amount of € 326,1 million (+24,5 over 2004). The market share of the Company therefore increased from 0,69% to 0,72% in 2005.

Net interest income, at € 23,5 million, recorded a 27% increase over 2004, while net interest and other banking income, amounting to € 24,2 million, showed an increase of 31,5%, also thanks to the growth of total revenues, which reached € 46,4 million (+34,1%).

Structural costs, standing at € 13,7 million, showed an increase of 23,6% over 2004, due to an increase of staff expenses (+22,1%), as a consequence of the growth by 27 employees and to an increase of overheads (+26,3%)

due to the widening of the distribution network, which involved the opening of 3 new branches.

Net profit for 2005 amounted to € 2,5 million, recording a ROE of 20,7%. Cost to income ratio stood at 54,8%, down over 2004 (-6%).

ASSET MANAGEMENT AND SECURITIES BROKERAGE

Fiduciaria Sella SIMp.A.

The Company, based in Biella, carries out an activity of trusteeship management.

Its total managed assets, at year end, amounted to € 695 million, showing a decrease compared to 2004 (-3,0%).

Net interest and other income reached € 3,5 million, recording a slight decrease (-2,0%) on 2004; structural costs, amounting to € 2,3 million, highlighted an increase of 9,7%, due to the growth of personnel costs (+8,7%) and of other administrative expenses (+11,3%) following the costs related to the merger as explained below.

Net profit of the Company amounted to € 586.000 (€ 750.000 in 2004).

During 2005 the merger by acquisition project of the company into Gestnord Fondi SGR Spa was started, which entailed a high recourse to internal resources, especially in the commercial sector, to achieve the relinquishment by customers of the trustee registration, essential to proceed with the merger. It will come into force in the first quarter of 2006.

Gestnord Fondi SGR S.p.A.

The Company, based in Milan, has been operating in the industry of mutual funds since 1983. In 1999 it widened its activity to individual asset management and supplementary welfare products. The company at the moment manages 24 open-end mutual funds, a fund of funds with 6 sections, a closed-end fund and a pension fund with 5 sections, and by proxy two sicavs under Luxembourg law and two Monegasque funds. For the placement of its products the Company avails itself of banks and brokerage companies both of the Group and outside the Group.

During the year a review of the offered products range was carried out, with the merger by acquisition of eight funds and of a section of the fund of funds. The Company made the necessary modifications to the regulations to comply with the new Banca d'Italia regulations.

During the year an important project was started, aimed at the merger by acquisition of Fiduciaria Sella SIM: the operation, contained in the Gruppo Banca Sella Strategic Plan, is part of the reorganization of the asset management activities of the Group. In September the Board of Directors on both companies approved the merger plan filed with the Banca d'Italia, which gave its approval on 28 December 2005.

Net managed assets (excluding duplications) as at 31 December 2005 reached € 3.432 million, showing a 5,6% increase compared to 2004. At year end assets included 71,8% of bond funds, 8,7% of balanced and flexible funds and 19,5% of common stock funds. Net inflows (excluding duplications) was slightly lower than 2004 (-€3,7 million); the market share of Gestnord Fondi passed from 0,633% at the end of 2004 to 0,605% at the end of 2005.

At 31 December 2005 net interest and other income, amounting to € 7,6 million, recorded a 1,3% decrease compared to 2004, mainly due to increase average retrocession percentage of commissions payable.

Structural costs, amounting to € 6,9 million, increased by 15%, mainly due to the temporary duplication of rent expenses following the relocation of the head office and to consulting expenses both for regulatory check up and risk assessment by KPMG, and for the extraordinary activity for the above mentioned merger.

Net income was € 0,8 million, compared to € 1,1 million in 2004.

Selfid S.p.A.

The Company, based in Biella, carries out an activity of "static" trustee management (as by law No. 39/1966). The main activity in 2005 was that of trustee registration of securities, as well as the receiving of assignments of trusteeship for the registration of companies' shareholdings and shares.

During the year the number of trusteeship accounts recorded a slight decrease (-6%).

Net interest and other income, amounting to € 327.000, increased by over 10% compared to the previous year, while net trusteeship fees stood at € 601.000 (+5,2% over 2004); total costs were approximately 10% lower than in 2004.

The Company closed the year with a net profit of € 112.000, compared to € 81.000 in 2004.

Sella Capital Management SGR S.p.A

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

During the year the Company carried out mainly its collective asset management activity by proxy, managing the sections of Sella Capital Management Sicav, which increased from 15 to 17. During the year assets increased by € 418 million, reaching € 1.329 million.

At 31 December 2005, shareholders' equity, considering also the individual management of investment portfolios for third parties and the consulting activity on investment in financial instruments, stood at € 2.819 million, excluding duplications.

The above mentioned situation led to a positive trend for the Company, which closed the year with a net profit of € 519.000, compared to € 415.000 in 2004.

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

The Company, which was put in liquidation at the end of 2003 at its own request and following deliberation by Consob, on 3 March 2004 was cancelled from the Register of Brokers. The procedure for liquidation is still under way and the Company closed its financial year with a net profit of € 131.000.

International Capital Holding S.A.

In May 2005 International Capital Holding S.A., following the reorganization process of the Group, sold its whole participation in International Capital Bourse S.A (I.C.B.) and in December 2005 51% of the 84% held in International Capital Géstion S.A. (I.C.G.), remaining operational with a minority interest in France in asset management in partnership with Banque Martin Maurel Sella.

At year end it closed with a negative result of € 0,85 million after losses related to transfers (for € 0,85 million) and after carrying out a write-down of € 0,2 million on the remaining interest (33,49%) held in International Capital Géstion, to adjust it to the current realization value.

Sella Adviser Ireland Ltd and Sella Fund Management Ireland Ltd, in liquidation

The liquidation procedure of the two companies is continuing, as already mentioned in the previous report, as per the Irish law regulations.

SALES NETWORKS

Sella Consult SIM p.A.

The Company, based in Biella, carries out an activity of securities placement.

As at 31 December 2005, the Company carried out its activity with 304 financial promoters and 32 financial sales points all over Italy.

The company total portfolio at year–end reached € 2.401 million (+10,4% over 2004), out of which assets under management, weighing for about 55% on the total portfolio, recorded net deposits amounting to € 103 million; the domestic market share of the Company calculated on deposit stock of Sim adhering to Assoreti (the Italian financial sales network association) stood at 1,12%.

Net management fees, standing at € 7,6 million, recorded a 7,3% increase. Structural costs, amounting to € 5,2 million, recorded a 3,1% decrease, resulting from the 5,2% reduction of other administrative expenses, following a close monitoring of variable costs related to financial sales points and a 6,9% increase of staff expenses.

The financial year closed with a net profit of € 1 million (€ 1,3 million in 2004, when it was positively influenced by extraordinary profits related to the application of advance taxation related to losses and provisions of previous financial years).

Sella Austria Financial Services AG, in liquidation

The Company, based in Klagenfurt (Austria), was put in liquidation following a resolution by the Extraordinary Meeting on 28 October 2005. Its activity will continue through a cooperation agreement between Sella Life and the consulting company Ehrenböck & Partner Unternehmensberatung GmbH, located in Vienna.

At 31 December 2005, the portfolio value was € 5,9 million, with a 5,3% increase compared to 2004. The loss at year end was €145.000, while the loss recorded on the opening liquidation balance sheet was €183.000.

ADVISORY SERVICES

Sella Corporate Finance S.p.A.

The Company, based in Biella, carries out an advisory activity on extraordinary finance (corporate finance and structured finance), regulatory and corporate consulting activities and trusts establishment and administration.

In 2004 turnover amounted to € 656.000, deriving from the various business lines, up from the previous year (+6,8%).

Production costs, standing at € 462.000 recorded a remarkable decrease over the previous year (-10,5%), resulting from a decrease of staff expenses and administrative expenses.

Net profit for the Company reached € 113.000, with a clear-cut growth compared to the previous year (+111,6%).

ASSURANCE/INSURANCE

Brosel S.p.A.

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

During the year, the volume of managed premiums reached € 19,6 million, growing by about 18% over 2004. Net interest and other income, amounting to € 2,2 million, recorded an increase of 30,4% compared to 2004.

Net insurance brokerage fees, standing at € 2,1 million, showed an increase of 30,2%, while net financial income, at € 41.000, recorded a 29% increase. Structural costs, amounting to € 1,3 million, recorded an increase of 21,7% over 2004.

Net profit for the year reached € 495.000, recording an increase of 40,6% over 2004, mainly thanks to the marketing of new lines of bank insurance products.

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

The Company, based in Milan, carries out an activity in the life, health and accident insurance policies industry, managing a total insurance portfolio at year end of € 600,2 million, with a decrease 0,32% over 2004.

Total collected premiums during the year amounted to € 152,2 million (+ 51,3% compared to 2004), mainly related to life insurance policies (€ 54,3 million) and index linked policies (€ 92,8 million)

Net fees, standing at € 2,4 million, recorded an increase compared to 2004, thanks to a better inflow of index-linked premiums, while financial proceeds amounting to € 6,6 million slightly decreased (€ 6,8 million in 2004). Therefore, net income from banking and insurance activities stood at € 6,6 million, showing an increase compared with the previous year (+36,8%).

Structural costs, amounting to € 2,5 million, of which 1,2 related to staff and 1,3 to administrative expenses, recorded an increase over 2004 (+ € 0,2 million).

Net profit for the year reached € 2,8 million (€ 1,3 million in 2004).

Sella Life Ltd

Sella Life, based in Dublin, specializes in unit-linked policies, distributed mainly through the Italian and foreign networks of the Group. In particular, it offers personalized policies, known in the Anglo-saxon world as personal portfolio bonds, aimed at private banking customers.

During 2005 the Company collected premiums amounting to € 42 million, therefore reaching a total insurance portfolio of about € 260 million.

Net interest and other income, standing at € 1,5 million, recorded an increase over 2004, due to a corresponding production increase.

Structural costs, at € 1,8 million, improved by about 20% compared to 2004.

The financial year closed with a loss slightly below € 200.000.

2005 was the first step of an important transition: during the year the decision was taken to replace the outsourced company in charge of the supply of administrative services, and at the same time to review its internal organizational structure. This process is scheduled to end in 2006 and to produce the first full-fledged results starting from 2007. There was also a change in the top management, effective from January 2006.

SOFTWARE DEVELOPMENT AND IT SERVICES

Sella Synergy India Ltd

The Company, based in Chennai (Madras, India), designs and develops IT products exclusively directed to the companies and banks of the Group. The turnover for 2005 was affected by the demand of its only customer and amounted to € 2,1 million, showing an increase compared to 2004.

Net interest and other income, standing at € 2,1 million, recorded an increase of 36,5% over 2004. Structural costs, at € 1,5 million, decreased by 15,4%, notwithstanding an increase of staff expenses (from € 0,8 million to € 1,1 million due to an increase in the number of staff), while other administrative expenses recorded a remarkable decrease (from € 0,9 to € 0,4 million). The company closed the financial year with a profit of € 630.000, against a loss of € 87.000 in 2004.

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

Selir S.r.l.

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

Net interest and other income, standing at € 1,2 million, recorded a 36,6% increase over 2004, while net other banking income increased by 38%, following an increase of prices related to the Service Centre and the remarkable growth (+255,4%) of turnover related to missions.

Structural costs, at € 1,2 million, recorded a 47,6% increase over 2004, due to a 42,2% increase of staff expenses, amounting to € 0,7 million, following the employment of 12 new people, and a 55,5 % increase of other administrative expenses.

The Company closed the financial year with a net profit of around € 1.600.

Easy Nolo S.p.A.

The Company, based in Biella, mainly carries out an activity in the electronic payment services, and is specialized in the e-commerce- payment gateway sector, POS and fidelity solutions. Its activities include: software development for online and offline payment acceptance systems on domestic and internation circuits, rental, installation and maintenance of POS devices to retailers and banks, creation and management of value added services via POS (phone recharge services, payment of bills, taxes, personalized fidelity services, creation of the national fidelity circuit Easy Più, advisory services and assistance services for the creation of complex projects for the management of collections).

During 2005 the total number of POS recorded a 3,2% growth over 2004, while the number of e-commerce customers increased by 9,7%.

The value of production reached € 7,2 million, a 19,9% increase compared to 2004.

Production costs in 2005 stood at € 6,6 million, growing by 18,2% over 2004, due to the increased number of employees, of amortizations and expenses related to higher volumes.

As a consequence, the difference between production value and production costs, amounting to € 657.000, record a 39,7% increase compared to 2004.

The Company closed the financial year with a net profit of € 295.000 (€ 149.000 in 2004).

2006 OUTLOOK

ECONOMIC BACKGROUND

The Group's development has felt the brunt of the macroeconomic situation, which can be analysed and forecast according to the following assumptions:

- the globalization process has altered the equilibrium of the international geopolitical and economic situation, confirming the increased importance of emerging economies on the world scene.

  Expected development in Asia should remain strong, if below the levels of the last three-year period, owing to trends in energy prices. In particular, the composition of GDP in India and (especially) China show that consumer spending is still not able to contribute sufficiently to internal growth, mainly backed by exports. It is thought that the pace of growth in the US economy may slightly only pick up over the 2006-2008 period, owing to the potentially consistent negative effect related to the energy price situation and a possible slowdown in the property market. Despite recent signs of improvement in the economy of Euroland, a number of critical factors remain: domestic demand remains weak, while several sectors of the economy are still structurally rigid and feel the negative impact of accumulated delays in the process of industrial adaptation and renewal that is needed to respond to the higher competitive pressure, especially from the newly emerging economies. Over the next three years a positive contribution to the growth dynamic may come in the form of investments, which are needed to update processes and increase profitability, driven by a remarkably favourable financial situation and by the abundance of liquidity detained by enterprises and by improved expectations for exports. The positive data regarding GDP growth in 2005 confirm the improved outlook for economic development in Japan. The country continues to benefit from the positive climate of the Asian economies. Nevertheless, deflation is one problem that still has not found a solution, albeit the outlook is for a slow recovery of consumer prices over the coming three-year period;
- the forecast points to important pitfalls that are likely to hinder the economic outlook for Italy, which will remain weak and with a slow GDP growth rate, probably below the EU average. With its low technological and innovational calibre, the Italian industrial system appears to be lacking in defences against the process of globalization and strong developments in international trade. Added to this is the lack of structural improvement in the employment market, which could further delay a recovery in consumer spending. The major increase in raw materials costs, with its inevitable impact on production costs and consumer spending power, will impact on this context;
- short-term interest rates should undergo limited growth in the US in a context of controlled inflation pressure and with growth forecasts down, the cycle of restrictive monetary policy should now be nearing its end. In Euroland, after the 25 bps increase to the official rate at the end of 2005, it is unlikely that there will be a heavy season of restrictive intervention by the ECB, which should reduce the pressure to rise of short-term interest rates. These considerations lead to the belief that long-term interest rates will not increase notably, and that there will be a significant stabilisation of the yield differentials on the US and Euroland markets;
- a likely, yet gradual, improvement in US twin deficits over the next three years, along with a gradual, yet slow, change in the exchange rate system on the part of the Chinese authorities, should allow for a stabilization of the US currency in terms of real exchange rates, or towards main commercial partners.

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

- moderate turnover growth forecasts owing to the reduction in unit margins and the country's economic trend;
- worsening of credit risk over the three-year period. If no correctional measures are made over the next

few years that are capable of breathing life into the competitive ability of Italian industry, it is reasonable to expect a downturn in the quality of business as well as a small increase in interest rates;

- a phase of change in corporate organization and further concentration of business with particular emphasis on cross border transactions within Europe, which could gradually change the competitive scenario;
- progressive increase in compliance costs deriving from tighter regulations and from the structures needed for control along with the changing complexity of organizational structure;
- growing incidence of technological innovation as a determining factor for the banking and finance sector, both in terms of services offered (and their quality) and of the impact on the organization, on the efficiency of processes and on economies of scale, and also in terms of interaction with the customer (multichannel banking);
- increase in difference components of operating risk (legal, image, external events such as terrorism, technological multifunctioning), also as a consequence of the recent increase in critical attention from the public towards the banking system, with regulations and, as stated above, growing compliance costs;
- continued growth in interest for the range of banking services in the “over 50” segment, owing to current demographic trends in Europe, as well as the increase of foreign customers, owing to immigration, who are increasingly interested in banking services;
- critical nature of customer relations. The public's lack of confidence in the banking business in terms of transparency regarding conduct and conditions will potentially undermined the relationship of the customer with the bank, enabling more capable banks of quickly recovering an atmosphere of trust with its own customers to win an advantage over institutions with a weaker track record in this area.

STRATEGY, VOLUMES AND GROUP PROFITABILITY

With the macroeconomic scenario outlined above, the Group's commitment to the three-year Strategic Plan is confirmed, with particular emphasis on the following objectives:

- achieving growth in size and in the number of customers, in a context of improved quality and competitiveness, as well as further geographical and business diversification;
- innovating and enhancing the organisation model with greater control, in order to achieve greater efficiency and streamline internal processes to bring them in line with the Group's larger dimensions;
- achieve and maintain profitability and capital ratios at levels comparable to those of our best competitors.

During the coming year, activities to consolidate the role of the Parent company, Finanziaria Bansel, will continue, geared towards achieving greater control and optimising coordination of subsidiaries and associates. It is in this context that the future merger into Sella Holding Banca is to take place, which will thus converge all activities of management, coordination and control, as well as services rendered to all Group companies with expected savings in terms of efficiency deriving from economies of scale.

A particularly important aspect of the wider rationalisation setting is the transfer by Banca Sella of the “distribution” section of the company to a new bank – the eighth in the Group – called Banca Sella Distribuzione. This comes into effect as from 1 January 2006, bringing the change in names of Banca Sella SpA into Sella Holding Banca S.p.A. and Banca Sella Distribuzione S.p.A., responsible for the distribution sector, into Banca Sella S.p.A.

As regards the other subsidiaries, a further review and reduction in number will take place, as well as a more efficient distribution of activities among the existing ones.

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

The strengthening of services and instruments related to control will continue, with further consolidation of the "culture of control", geared towards a more accurate management of risk.

Over the coming financial years the Group aims at recovering efficiency, with an automation and delocalisation plan, geared to reducing staff expenses and improving all productivity ratios, bringing the cost to income ratio under 65%.

During 2005 the family credit sector underwent a slight slowdown. Although the loans sector remains the liveliest and above all the area that contributes most significantly to growth, the slight reduction in credit is due totally to the slowdown in the demand for loans. It would therefore appear that there is an initial turn towards property investments characterised by a reduction in the speculation/investment component towards the "residential" component. This area should remain highly dynamic, despite a deceleration which should remain significant throughout 2007.

Companies in the asset management sector will continue to pursue quality, in terms of both performance and efficiency of the range of services provided.

It is essential to continue to pursue dimensional growth, in order to better face the challenges posed by changes in the market, and also to optimise the efficiency of the Group structure, which was adopted with the purpose of achieving its objectives. To this end, new branches will be opened to strengthen existing structures and to develop areas in which the Group is not yet widely present.

In spite of the usual prudence, and in light of the expected economic situation, the initiatives taken should lead to greater results in 2006 than those of the previous year.

To conclude, we now provide details of company transactions and significant events occurring after the closure of the financial year, as set out in the three-year Strategic Plan.

The "transformation" of Banca Sella S.p.A. into Sella Holding Banca S.p.A. is placed within the framework of the process of the structural overhaul of the Group which began in February 2004.

This process seeks to ensure that the Group continues to grow and stand out in the market, by creating a more streamlined and better-organised structure, geared towards meeting the following objectives:

- improving control of activities to reduce operating risks;
- reducing operating costs with a increase in efficiency;
- converging the most competent skills and professional expertise, to the benefit of the entire Group, so that each company can take advantage of better quality services and products and concentrate more productively on its own core business.

With this in mind, over the last two years the Group has worked towards:

- simplifying company structure with a consequent reduction of operating and control costs;
- adopting a single Group model for certain common processes (software, organisation, etc.);
- centralising a number of services and functions to prevent duplication and extra costs.

Within this context, which has already been outlined, is placed the reorganisation of Banca Sella S.p.A.:

- 1 January 2006 saw the transfer of the italian distribution network of the now Banca Sella, along with the asset management and the private banking activities, to a newly constituted Bank within the Group, which, in order to ensure continuity, took the historical name of Banca Sella (ABI 03268) and its main role of dealing directly with customers;
- for judicial continuity of the previous Banca Sella, untransferred activities now form the core business of Sella Holding Banca (ABI 03311), which specialises in services such as payment systems, custodian bank, finance and electronic services to the whole Group and to third-party companies.

Thus, since 1 January 2006 the Group has a new Bank within its bounds, bringing the total number of licensed banking institutions to 8.

Among the operations for the new financial year which have been outlined in the introduction are:

- merger of Fiduciaria Sella SIM into Gestnord Fondi SGR, with effect from 1 April 2006, an operation which involved renaming the latter company to Sella Gestioni SGR S.p.A. The new company will be a reference for asset management within the Group, combining the competence and reliability of one company in the area of individual management with the decades-long experience of the other in the area of collective management. The registered office remains in Milan, where most administrators operate, while the offices of Fiduciaria Sella have been turned into the secondary offices of the SGR;
- opening of two new branches of Banca Arditi Galati in Lecce and Andria, and a new branch of Banca di Palermo in Siracusa;
- the Group's 300 branch is due to be inaugurated in April, with the opening of a branch of Banca Sella in Saronno.

OWN SHARES

Finanziaria Bansel S.p.A. holds 378.944 own shares, with a face value of € 189,472.

During the financial year no other company included in the consolidation has held, purchased or transferred own shares or stock or shares in the Parent company.

RECONCILIATION BETWEEN THE SHAREHOLDERS' EQUITY AND NET PROFIT OF THE PARENT COMPANY AND THE CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT[1]

(in thousands of euro)	Net profit 2005	Net shareholders' equity to 31/12/2005
Balances as per financial statements of Parent Company as per Leg. Decree 87/1992	**4.100**	**139.608**
Deduction of own shares	-	(979)
Elision of intragroup dividends collected during the period	(12.157)	(12.157)
Elimination of inter-company capital gains deriving from intragroup transfers and assignments	(2.325)	(2.325)
Differences between the shareholders' equity of the subsidiaries and the book value, minus minority interests	-	(23.117)
Net profit for the period of subsidiaries, minus minority interests	40.960	40.960
Difference between the pro rata share of the shareholders' equity and the book value of shareholdings	-	218.518
Net profit for the period of subsidiaries, valued using the equity method for the Group	360	360
Balances as per IAS/IFRS consolidated financial statement [*]	**30.938**	**360.868**

[*] Includes the effects of application of IAS 32, 39 and IFRS 4.

The difference between the shareholders' equity resulting from the individual accounts and that of the consolidated financial statements derive from the application of the criteria and methods described in part A "Accounting policies" of the explanatory Notes to the Consolidated Financial Statements. These comply with legislative requirements and represent the situation and results of the Group as a single entity.

Biella, 3 April 2006

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

[1] The shareholders' equity and net profit of the Parent Company are drawn on the basis of the accounting standards applied when drafting the individual financial statements.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2005

CONSOLIDATED BALANCE SHEET

Assets	31/12/2005	31/12/2004
10. Cash and available liquidity	91.554	106.262
20. Financial assets held for trading	1.918.462	1.765.877
40. Financial assets available for sale	248.683	253.145
50. Financial assets held to maturity	82.907	82.679
60. Due from banks	1.498.625	1.485.600
70. Due from customers	5.856.944	5.180.953
80. Hedging derivatives	3.395	-
100. Equity investments	5.799	4.563
110. Technical provisions paid by re-insurers	2.179	1.128
120. Tangible fixed assets	215.640	208.352
130. Intangible fixed assets	59.416	59.606
of which:		
- goodwill	41.039	42.978
140. Tax assets:	96.564	74.461
a) current	37.510	54.949
b) pre-paid	59.054	19.512
150. Non current assets and groups of assets held for sale	-	12.089
160. Other assets	347.455	333.682
Total assets	**10.427.623**	**9.568.397**

LIABILITIES AND SHAREHOLDERS' EQUITY		
10. Due to banks	474.991	633.806
20. Due to customers	6.709.354	5.749.540
30. Outstanding securities	1.347.856	1.421.957
40. Trading financial liabilities	41.321	37.697
60. Hedging derivatives	11.995	-
80. Tax liabilities	66.805	56.791
a) current	56.580	37.561
b) deferred	10.225	19.230
90. Liabilities associated with assets held for sale	-	8.588
100. Other liabilities	582.999	314.193
110. Staff severance	45.946	40.950
120. Provisions for risks and charges:	33.923	17.164
a) pensions and similar obligations	-	-
b) other provisions	33.923	17.164
130. Technical reserves	671.786	850.323
140. Valuation reserves	35.178	25.140
170. Reserves	275.731	291.221
190. Share capital	20.000	20.000
200. Own shares (-)	(979)	(979)
210. Minority interest profit for the period (+/-)	79.779	82.458
220. Profit for the year	30.938	19.548
Total liabilities	**10.427.623**	**9.568.397**

CONSOLIDATED INCOME STATEMENT

Items	31/12/2005	31/12/2004
10. Interest receivable and similar income	367.123	341.693
20. Interest payable and similar charges	(134.412)	(123.261)
30. Net interest income	**232.711**	**218.432**
40. Commission income	296.112	288.114
50. Commission expenses	(101.324)	(105.997)
60. Net commissions	**194.788**	**182.117**
70. Dividends and similar income	6.490	4.351
80. Net result of trading activity	34.273	36.090
90. Net result of hedging activity	(284)	-
100. Profits (losses) from dismissal or buy-back of:	9.586	5.237
a) receivables	-	-
b) financial assets available for sale	9.417	5.237
c) financial assets held to maturity	-	-
d) financial liabilities	169	-
120. Net interest and other banking and insurance income	**477.564**	**446.227**
130. Write-downs/write-ups for impaired:	(41.256)	(44.311)
a) receivables	(41.101)	(43.882)
b) financial assets available for sale	(155)	(429)
c) financial assets held to maturity	-	-
d) other financial operations	-	-
140. Net results for financial management	**436.308**	**401.916**
150. Net premiums	57.897	104.494
160. Balance of other income and expenses from insurance operations	(81.878)	(130.524)
170. Net results for financial and insurance operations	**412.327**	**375.886**
180. Administrative expenses:	(329.716)	(312.016)
a) staff expenses	(195.547)	(182.043)
b) other administrative expenses	(134.169)	(129.973)
190. Net allocations to provisions for risks and charges	(21.040)	(8.630)
200. Net write-downs/write-ups to tangible fixed assets	(15.245)	(16.103)
210. Net write-downs/write-ups to intangible fixed assets	(10.567)	(10.866)
220. Other operating charges/income	38.955	43.103
230. Operating costs	**(337.613)**	**(304.512)**
240. Profits (losses) from equity investments	(121)	347
260. Adjustments to goodwill	(1.628)	(10.085)
270. Profits (losses) from dismissal of investments	151	7
280. Profits (losses) from current operations before taxes	**73.116**	**61.643**
290. Income taxes on current operations for the year	(35.707)	(33.341)
300. Profits (losses) from current operations after taxes	**37.409**	**28.302**
310. Profits (losses) of groups of assets held for sale	-	(5.363)
320. Profit (loss) for the year	**37.409**	**22.939**
330. Profit (loss) for minority interest for the period	6.471	3.391
340. Parent company profit (loss) for the period	**30.938**	**19.548**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in thousands of euro)	Group Inventories as at 31/12/2004	Third-Party Inventories as at 31/12/2004	IAS/IFRS adjustments (**)	Group Inventories as at 01/01/2005	Third-Party Inventories as at 01/01/2005	Allocation from previous period: Group Provisions	Allocation from previous period: Provisions	Allocation from previous period: Dividends and other appropriations	Changes in Group Provisions	Changes in Third-Party Provisions
Capital:										
a) common shares	20.000	-	-	20.000	-	-	-	-	-	-
b) other shares	-	-	-	-	-	-	-	-	-	-
Share premium										
Reserves:										
a) profits	291.221	75.427	(45.098)	252.402	69.148	17.585	3.391	-	5.744	(3.644)
b) other shares	-	-	-	-	-	-	-	-	-	-
Valuation reserves:										
a) available for sale	-	-	1.185	1.047	138	-	-	-	3.943	(70)
b) tangible fixed assets	-	-	-	-	-	-	-	-	-	-
c) special revaluation laws	25.140	3.640	-	25.140	3.640	-	-	-	5.048	705
d) other	-	-	-	-	-	-	-	-	-	-
Capital instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	(979)	-	-	(979)	-	-	-	-	-	-
Profit for the period	**19.548**	**3.391**	**-**	**19.548**	**3.391**	**(17.585)**	**(3.391)**	**(1.963)**	**-**	**-**
Shareholders' equity	**354.930**	**82.458**	**(43.913)**	**317.158**	**76.317**	**-**	**-**	**(1.963)**	**14.735**	**(3.009)**

	Operations on shareholders' equity – Changes for the period: Issue of new Group shares	Issue of new third-party shares	Purchase of Group own shares	Purchase of third-party own shares	Extraord. dividend payout	Change in capital instruments	Derivatives on own shares	Stock options period	Group profit for the the period 31/12/2005	Group profit for the period 31/12/2005	Group Sharehold. equity as at 31/12/2005	Third-party Sharehold. equity as at 31/12/2005
Capital:												
a) common shares	-	-	-	-	-	-	-	-	-	-	20.000	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Share premium												
Reserves:												
a) profits	-	-	-	-	-	-	-	-	-	-	275.731	68.895
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:												
a) available for sale	-	-	-	-	-	-	-	-	-	-	4.922	68
b) tangible fixed assets	-	-	-	-	-	-	-	-	-	-	30.256	4.345
c) special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-
d) other	-	-	-	-	-	-	-	-	-	-	-	-
Capital instruments												
Own shares	-	-	-	-	-	-	-	-	-	-	(979)	-
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30.938**	**6.471**	**30.938**	**6.471**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30.938**	**6.471**	**360.868**	**79.779**

Statement highlighting the impact of adjustments necessitated by the adoption of international accounting standards on the statement summarising movements of consolidated shareholders' equity for financial year 2005 drafted according to previous accounting standards.

CONSOLIDATED CASH FLOW STATEMENT *(in thousands of euro)*

Direct Method

A) OPERATING ACTIVITY	
1. Operations	**89.313**
interest receivable collected (+)	367.123
interest payable paid (-)	(134.412)
dividends and similar income	6.490
net commissions (+/-)	194.788
staff expenses	(189.774)
net premiums collected (+)	57.897
other insurance income/expenses (+/-)	(81.878)
other costs (-)	(134.169)
other revenue (+)	38.955
taxes (-)	(35.707)
2. Liquidity generated (absorbed) by financial assets	**(849.688)**
financial assets held for trading	(118.312)
financial assets available for sale	13.724
due from customers	(717.092)
due from banks	(13.025)
other assets	(14.983)
3. Liquidity generated (absorbed) by financial liabilities	**780.101**
due to banks	(158.815)
due to customers	959.814
outstanding securities	(74.101)
financial liabilities held for trading	3.624
other liabilities	49.579
Net liquidity generated (absorbed) by operating activity	**19.726**
B. INVESTMENT ACTIVITIES	
1. Liquidity generated by:	**9.560**
sale of equity investments	-
sale/payment of financial assets held to maturity	-
sale of tangible fixed assets	5.762
sale of intangible fixed assets	297
sale of subsidiaries and company branches	3.501
2. Liquidity (absorbed) by:	**(42.031)**
purchase of equity investments	(1.357)
purchase of financial assets held to maturity	(228)
purchase of tangible fixed assets	(28.144)
purchase of intangible fixed assets	(12.302)
purchase of subsidiaries and company branches	-
Net liquidity generated (absorbed) by investment activity	**(32.471)**
C. PROVISIONING ACTIVITIES	
issue/purchase of own shares	-
issue/purchase of capital instruments	-
distribution of dividends and other aims	(1.963)
Net liquidity generated (absorbed) by provisioning activity	**(1.963)**
NET LIQUIDITY GENERATED (ABSORBED) IN THE PERIOD	**(14.708)**
RECONCILIATION	
Cash and available liquidity at the start of the period	**106.262**
Total net liquidity generated (absorbed) for the period	(14.708)
Cash and available liquidity at the end of the period	**91.554**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS / INTERNATIONAL FINANCIAL REPORTING STANDARDS

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ADOPTION OF IAS/IFRS IN ITALY AND REFERENCE LEGISLATION

With Commission Regulation no. 1606/2002, the European Union established that the IAS/IFRS international accounting standards must be applied to the consolidated financial statements of listed companies as from 1 January 2005. Nevertheless, this Regulation leaves member States the freedom to extend the obligation (or option) to the individual statements of listed and unlisted companies. The options granted by the Regulation have been exercised by Italian Legislators with Law no. 306/2004, and particularly article 25, which delegates the Government to adopt a special legislative decree setting out guidelines. For this purpose, on 26 February 2005, the Italian Government issued Legislative Decree no. 38 regulating the sphere of application of IAS in Italy. This decree extended the field of application of IAS/IFRS standards, on an optional basis for 2005 and on a mandatory basis from 2006, to include the individual financial statements of listed companies, banks and other supervised financial institutions and unlisted insurance companies. Furthermore, article 9 of this Decree states that the power to define the layout and format of the financial statements of banks remains with Banca d'Italia. Regarding this matter, the supervisory authorities issued Notice no. 262 on 22 December 2005 governing the minimum content of the layouts of the financial statements, explanatory notes and report on operations.

Finally it must be added that on 21 February 2006 the Italian Banking Association (ABI) issued Notice no. 3 in its series on taxation, in which it sets out the fiscal repercussions for companies of adoption of the international accounting standards.

FIRST-TIME APPLICATION OF IAS/IFRS BY GRUPPO BANCA SELLA

With reference to the information set out in the above paragraph, Finanziaria Bansel (Parent Company of the Gruppo Banca Sella) is obliged to draft its consolidated financial statements for the financial year 2005 in compliance with IAS/IFRS international accounting standards, inasmuch as it is the Parent Financial company of a banking group registered in the special list as per article 64 of Legislative decree no. 385/1993. Group companies, which are obliged to draft individual statements beginning from 2006 as per IAS/IFRS, have exercised the option granted by Legislative Decree no. 38 allowing them not to follow international accounting standards for the layout of their 2005 statements.

Hence, these consolidated statements are drafted according to IAS/IFRS standards validated by the European Commission on 31 December 2005 and by the instruction contained in Banca d'Italia Notice no. 262 of 22 December 2005.

With reference to the main options provided for in IFRS 1 for first application, we draw attention to the following points:

- the Group has taken advantage of the exemption not to reopen business combinations. Hence goodwill and positive consolidation differences arising from business combinations completed by the Group in previous years were not subject to reassessment according to the different methods provided for by the international accounting standards;
- the Group elected that the starting book value on the transition date should be the fair value of property at 31 December 2003 in substitution of the cost. The decision to use the fair value on the transition date means it is possible to value at cost. The fair value of the asset on the transition date is counterbalanced by the shareholders' equity;
- the Group opted not to re-enter the financial assets that had been transferred or written off before 1 January 2004, in the case where these write-off did not comply with the provisions for elimination of IAS 39. This exemption was applied to the securitisation transaction of performing loans performed by Banca Sella in 2000 (completed in 2001 with the issue of securities), and to the securitization of leases performed by Biella Leasing during 2001 (completed in 2002

with the issue of securities) which, in the case of revolving leases, performed the last transfer on 28 November 2003;

- the Group did not take advantage of the option provided for in IAS 19 ("Employee benefits") to use the "corridor" method, which consents not to show part of the actuarial gains and losses when the variation from the previous exercise is lower than 10%. Hence, all actuarial gains and losses are disclosed;
- the derivative contracts declared for hedging according to the previous accounting standards which did not comply with the conditions set out in IAS 39 on the date of adoption of the IFRS were reclassified as "trading" contracts.

The Group's Consolidated Balance Sheet opened at 1 January 2004 in compliance with IAS/IFRS. The international accounting standards used to draft the balance sheet are different from the previous accounting principles applied to the financial statements to 31 December 2003. The effect of adjusting the opening asset and liability balances to the new standards, net of taxation, was included directly among shareholdes' equity as a variation of reinvested profits.

In accordance with IFRS 1, the Consolidated Financial Statements were drafted together with comparative information from a previous year set out according to IAS/IFRS. Nevertheless the Group took advantage of the option provided for by IFRS 1 of not presenting comparative information compliant with accounting standards IAS 32, regarding the disclosure and presentation of financial statements, and IAS 39, concerning the recognition and measurement of financial instruments for the year 2004, along with IFRS 4. This must be taken into consideration when comparing data.

In order to illustrate the effects on the financial position and economic prospects of the Group of adapting from the previous accounting principles to IAS/IFRS standards the reconciliation provided for in IFRS 1 was implemented.

ILLUSTRATION OF THE MAIN IMPACTS OF APPLICATION OF IAS/IFRS ON CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 2003 AND AT 31 DECEMBER 2004

There now follows an illustration of the main differences between international accounting standards and the accounting principles that were previously applied, along with the ensuing adjustments attributed directly as a variation of consolidated shareholders' equity with reference to 31 December 2003. As already stated, in light of the previously mentioned options that have been exercised, this demonstration concerns all international accounting standards with the exception of IAS 32, IAS 39 and IFRS 4.

Tangible fixed assets

As previously indicated, the Group elected that the starting book value on the transition date should be the fair value of property, rather than the historical cost. Thus, starting from the transition date the revalued amount of the asset becomes the base value of the cost model ("revaluation" model as defined by IAS 16).

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

Adoption of the fair value as the starting book value has led to an increase of € 23,8 million gross of taxation in consolidated assets at 1 January 2004. The amount has remained unchanged in subsequent financial years.

Goodwill and other positive consolidation differences

IAS 38 does not allow depreciation of intangible fixed assets whose useful life is unlimited (including goodwill and positive consolidation differences). Furthermore, international accounting standards require verification that these intangible fixed assets have undergone a long-term reduction in value by comparing their book value with their recoverable value on an annual basis and every time there is evidence of a possible reduction in the long-term value. These checks must be made according to the procedures laid out in IAS 36.

The previous accounting principles required systematic depreciation of the value of goodwill and positive consolidation differences from which negative consolidation differences had previously been deducted.

According to the new requirements of IAS, verification of the existence of long-term loss of value on goodwill caused adjustments to consolidated shareholders' equity of € 654.000 at 1 January 2004, maintained among the assets of subsequent periods.

On 31 December 2004 the existence of long-term value reductions was ascertained with reference to the positive consolidation differences involving negative adjustments worth € 10,1 million to the consolidated shareholders' equity.

On 31 December 2004 the reversal of the depreciation for positive consolidation differences brought a positive adjustment to the consolidated shareholders' equity of € 12,1 million gross of taxation.

Allocation of the negative consolidation differences that were previously deducted from the positive differences led to a positive adjustment of shareholders' equity worth € 9,2 million.

Other intangible fixed assets

IAS 38 only recognises costs incurred for the acquisition or generation of intangible fixed assets if the intangible fixed assets are identifiable, if they are likely to generate future economic benefits and if the cost of the asset can be measured reliably. If an intangible asset does not satisfy these requirements, and more generally those specifically described in IAS 38, the costs incurred for acquiring or generating the intangible asset must be charged to the Income Statement of the financial year in which it was incurred. The requisites of the previous accounting principles that were applied for recognising intangible fixed assets among balance sheet assets were slightly different and less restrictive. On the basis of these differences it was necessary when first applying IAS/IFRS to remove the residual book values of intangible fixed assets that were entered in the consolidated statements to 31 December 2003 and which did not satisfy the requisites prescribed by IAS 38. Among these were expenses incurred by the Bank for the protected pension supplement for senior personnel via access to the sector solidarity fund instituted in 2002.

The adjustments described brought a decrease in consolidated shareholders' equity to the value of € 3,9 million gross of taxation on the date of first application of IAS/IFRS, and a decrease of € 6,8 million at 31 December 2004.

Actuarial values of commitments for the disbursement of staff severance indemnities (TFR), commitments for the disbursement of supplementary social security contributions and commitments for the disbursement of deferred compensation.

IAS 19 governs the accounting for employee benefits by employers. In the area of post-employment benefits the standard defines procedures for differentiated disclosure between "defined contribution plans" and "defined benefit plans". Commitments for disbursement of staff severance indemnities were taken to be a defined benefit plan. According to IAS 19 disclosure of the obligation and costs related to a defined benefit plan requires an actuarial estimated of the amount that the company would have to pay to the employee when the employment contract terminates. The reference international accounting standard particularly requires future protection of the already matured benefit sums on the basis of estimated demographic and financial variables in order to determine the amount that will probably be paid when employment ceases. Thus calculated, this obligation must also be discounted back to take account of the time that is likely to pass before the payment is actually made to the employees. With the previous accounting principles, the liabilities and costs of staff severance indemnities were determined by assuming that the sums would be paid to all employees at the reference date of the financial statements. As previously stated, the Group did not take advantage of the option provided for in IAS 19 to use the "corridor" method, which consents not to show part of the actuarial gains and losses when the variation from the previous exercise is lower than 10%. Hence, all actuarial gains and losses are disclosed.

The adjustments described brought an increase in consolidated shareholders' equity to the value of € 1,8 million gross of taxation on the date of first application of IAS/IFRS. On 31 December 2004 the positive adjustment to shareholders' equity, gross of taxation, stood at € 737.000.

Eliminating and discounting back provisions for risks and charges and other liabilities

IAS 37 allows provisions to be allocated only when they have present obligations deriving from past events for which an outflow of economic resources is expected and for which a reliable estimate of the amount of the obligation can be made. The same standard states that the estimate of the amount of the obligation must include the expected amount of time before the payment will actually be made.

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

For these differences, when first applying IAS/IFRS it was necessary to reverse the liabilities entered in the financial statements to 31 December 2003 that were considered incompatible with the more stringent rules of the international standards. The residual liabilities were adjusted in order to align the current value of charges that are likely to be incurred to extinguish the obligation. The adjustments described brought an increase in consolidated shareholders' equity of € 25 million gross of taxation on the date of first application of IAS/IFRS. On 31 December 2004 the positive adjustment to consolidated shareholders' equity, gross of taxation, was € 20,4 million.

Application of IAS 17 for leasing contracts

IAS 17 states that financial leasing contracts, where the Group companies are lessors, are entered with a credit worth the algebraic sum of the accounting balance and the opening costs/revenues, capitalized and redistributed according to the interest rate contained in the lease, observing the reference finance plan. This credit was disclosed by replacing the asset that had been entered in the financial statements in observance of the method suggested by the previous accounting principles.

The impact of this adjustment was negative on net consolidated shareholders' equity at 1 January 2004, standing at € 2,6 million, and on the net consolidated shareholders' equity to 31 December 2004, with € 2,2 million.

Valuation of assets held for sale

In the case of non-current assets and liabilities, for which it is likely that the book value can be recovered through sale or continuous use, if there is immediate disposability for sale and if there are active and concrete plans to sell the asset or liability in the short-term, must be valued at the lower of the book value and the fair value net of transfer costs.

The impact of applying this standard was negative on net consolidated shareholders' equity to 31 December 2004, to the value of € 5,7 million.

Changes to consolidation

IAS 27 requires that all subsidiary companies be consolidated using the line by line consolidation principles. The previous accounting principles included a series of reasons for exclusion from consolidation. In particular, excluded from line by line consolidation were subsidiaries that performed no banking or financial activities or activities that were cored to these. In order to apply these provisions, the following companies were not consolidated line by line in the consolidated financial statements to 31 December 2003: C.B.A. Vita S.p.A., Sella Life LTD and Brosel S.p.A. These shareholding were entered in the consolidated statements using the equity method.

When first applying IAS/IFRS it was necessary to line by line consolidate the previously listed companies. The change in accounting required by international standards brought an increase in shareholders' equity of € 2,3 million gross of taxation on the date of first application of IAS/IFRS. On 31 December 2004 the positive adjustment to shareholders' equity, gross of taxation, was € 2,4 million.

Taxation of adjustments made as a consequence of application of IAS/IFRS

The previously described adjustments demand an analysis from the point of view of taxation. Legislative Decree no. 38 of 28 February 2005 amended Presidential Decree no. 917 of 22 December 1986, and Legislative decree no. 46 of 15 December 1997. These changes were needed to define the procedures for dealing with the effects of introducing IAS/IFRS on current fiscal legislation regarding IRES (Corporation tax) and IRAP (Regional trade tax). The new tax regulations are generally geared towards neutralising the effects of application of IAS/IFRS standards on determining taxable income. They establish that adjustments entered as changes to shareholders' equity during first application must increase/decrease the taxable income determined by article 83 of Presidential Decree no. 917/1986.

In the light of the above standard, during first-time application disclosure was made of the assets and liabilities of prepaid and deferred taxes for the specific gross adjustments directly credited/debited to the reserve components of shareholders' equity. The overall taxation effect on the above adjustments brought a decrease in consolidated shareholders' equity of € 9,3 million on the date of first application of IAS/IFRS A. On 31 December 2004 the adjustment to consolidated shareholders' equity was negative for € 9,5 million.

It was also necessary to include among tax liabilities the deferred taxes for the differences between the book value, before adoption of IAS/IFRS, and the taxable value of tangible fixed assets assigned within the Group during previous financial periods, in accordance with Law 218 of 30 July 1990 (the so-called Amato Law). The negative effect of this on the net consolidated shareholders' equity at 1 January 2004 was € 8 million and € 7,9 million on the net consolidated shareholders' equity at 31 December 2004.

Summary of the impact of first-time application of international accounting standards on net consolidated shareholders' equity

After allocating to minority shareholders their share of the previously described adjustments, the first application of the international accounting standards caused an overall increase of € 30,4 million to the consolidated shareholders' equity at 1 January 2004. The overall impact on consolidated shareholders' equity to 31 December 2004 totalled € 23,6 million.

ILLUSTRATION OF THE MAIN IMPACTS OF APPLICATION OF IAS/IFRS ON CONSOLIDATED FINANCIAL RESULTS FOR 2004

The differences between the previous accounting principles and the international standards have had an impact on the consolidated results for 2004, details of which are provided in the summary of reconciliation between the operating result determined using the previous accounting principles and the result achieved using the IAS/IFRS.

After allocating to minority shareholders their share of the adjustments, application of the international accounting standards caused an overall negative adjustment of € 7,2 million to the consolidated profit and loss result for 2004.

ILLUSTRATION OF THE MAIN IMPACTS OF APPLICATION OF IAS 32 AND 39 AND IFRS 4 ON NET CONSOLIDATED SHAREHOLDERS' EQUITY FOR 2004

As a result of the previously mentioned exemption option that has been exercised, the date of first application of IAS 32 and 39 and IFRS 4 is 1 January 2005. There now follows a demonstration of the main differences emerging between the new accounting standards and those that were previously applied and the ensuing adjustments attributed directly as a variation of net consolidated shareholders' equity with reference to 1 January 2005.

Analytical valuation of impaired loans

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

IAS 39 prescribes that impaired loans be valued analytically, also taking into account the recovery times of credit exposure. Unlike previous years to 2004, this means determining the current value of expected recovery.

According to the requirements of IFRS 1, expected recovery flows are the same used to prepare the financial statements at 31 December 2004 and drafted in compliance with national accounting standards. In order to correctly apply the international standards, these flows have been discounted back. As it was impossible to determine the exact rate of interest at the time of the changeover for impaired loans existing on 31 December 2004, the nominal rate, as recorded in the archives of the banks and companies of the Group was used as the discount rate at the time of first application. This rate was later reduced to the usury threshold limit rate at 31 December 2004 or replaced by the legal rate for those positions that had a nominal rate of nought.

The adjustments described brought a decrease in consolidated assets of € 23,7 million gross of taxation on 1 January 2005, the date of first application of IAS 39.

Collective valuation of performing loans

IAS 39 states that loans that present no anomalies must be valued "collectively" by dividing them into uniform categories characterised by similar levels of credit risk. Loans must only be depreciated when there is objective evidence of a reduction in their value. With reference to performing loans, it is believed that this evidence is demonstrated by a worsening of two fundamental parameters: PD (Probability of Default) and LGD (Loss Given Default). The maximum synergy was sought with the "New Capital Accord (Basel II)" when defining how to determine these parameters.

At first application of the standards, as the data for these parameters were not available at the time of disbursement, in order to value the performing loans the future financial flows were depreciated by the product of the two parameters measured at 31 December 2004. This method differs from the one used in application of the previous accounting principles. Application of the new methods brought a decrease in consolidated assets of € 36,2 million gross of taxation at 1 January 2005, the date of first application of IAS 39.

Other effects of credit valuation

Among the other effects of valuation are found those deriving from the application of the "amortised cost" method prescribed in IAS 39 as a valuation criteria for loans after initial disclosure at fair value.

Amortised cost is defined by IAS 39 as being the value at initial recognition plus/minus principal repayments, write-downs/write-ups and amortisation of the difference between the amount disbursed and the sum repayable at maturity. This difference is typically due to charges/revenues incurred/collected in advance and attributable to the granted loan. The actual interest rate is defined as the rate that brings the actual value of future credit flows, for principal and interest, to equal the amount granted, adjusted for charges/revenues incurred/collected in advance and attributable to the loan that is being valued. In financial terms, this method of disclosure enables distribution of the economic effect of the charges/revenues incurred/collected in advance across the expected residual life of the loan. According to the previous accounting principles, loans were disclosed at their nominal value and a number of charges/revenues incurred/collected in advance, when attributable to the issued loan, were fully and immediately debited/credited to the income statement.

Application of the new amortised cost method brought an overall decrease in consolidated shareholders' equity of € 6,1 million gross of taxation at 1 January 2005.

Valuation of financial assets held for trading

Securities classified under "Financial assets held for trading" are valued at fair value. For first application these securities were revalued using a year-end spot value (price of money) and capital gains on unlisted securities that had not been posted previously were disclosed. Securities with no active market were valued using special valuation models.

This portfolio also includes financial derivative instruments for trading represented among the assets or liabilities on the basis of their positive or negative fair value. Among the derivatives are also implicit derivative contracts stripped of the structured bond issues.

The more stringent rules prescribed by the new standards for presenting hedging transactions involved reclassification under this item of a number of derivatives that were previously classified as hedging instruments.

The adjustments described brought a decrease in consolidated shareholders' equity of € 1,2 million at 1 January 2005.

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

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

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

The ensuing adjustment to the various ways of disclosing financial assets and liabilities, for which there is a fair value hedge relationship with other financial instruments, brought an increase to the consolidated shareholders' equity at 1 January 2005 of € 501.000 gross of taxation.

Valuation of financial assets available for sale

After the initial disclosure, IAS 39 requires all financial assets that are classified as being available for sale to be valued at fair value. For first application of the international accounting standards this category reclassified a number of debt securities as well as the shareholdings that cannot be qualified as control, cross-shareholding or joint control.

With the previous accounting principles, both types of securities were valued at cost and were only depreciated in the case of long-term loss of value.

The adjustments deriving from the different valuation of these assets brought an increase in consolidated assets of € 889.000 gross of taxation at 1 January 2005, the date of first application of the new standards.

Regarding the shareholdings that cannot be qualified for control, cross-shareholding and joint control, as these concern financial instruments that do not have a market price listed on an active market and whose fair value cannot be reliably determined, they are maintained at cost and depreciated in the event that long-term value losses occur. Among overall stakes held at cost is included the 7,96% shareholding held in Borsa Italiana S.p.A. corresponding to 1.291.184 shares at an average book value of € 12,17 per share.

Application of amortised cost to insurance assets

Being part of Gruppo Banca Sella the insurance companies C.B.A. Vita S.p.A. and Sella Life Ltd and the insurance brokers Brosel S.p.A. took advantage of the option to apply IFRS 4 regarding insurance contracts, as from 1 January 2005.

This determined an increase in consolidated shareholders' equity of € 2,2 million gross of taxation at 1 January 2005.

Taxation of adjustments made as a consequence of application of IAS 32 and 39

As in the case of first-time application of other international accounting standards, disclosure was made of the assets and liabilities of prepaid and deferred taxes for the specific gross adjustments directly credited/debited to the reserve components of shareholders' equity. The overall taxation effect on the above adjustments brought a decrease in consolidated shareholders' equity of € 6,1 million at 1 January 2005.

Summary of the impact of first-time application of IAS 32 and 39 on net consolidated shareholders' equity

After allocating to minority shareholders their share of the previously described adjustments, the first application of IAS 32 and 39 caused an overall decrease of € 37,8 million to the consolidated shareholders' equity at 1 January 2005.

Summary of the impact of first-time application of all international accounting standards on net consolidated shareholders' equity

In conclusion, the series of adjustments needed for first application of the international accounting standards caused an overall decrease of € 14,2 million to the consolidated shareholders' equity at 1 January 2005. With the previous accounting principles consolidated shareholders' equity stood at € 332,3 million, and falls to € 317,2 million at 1 January 2005.

The impact of first application of IAS/IFRS standards was quantified on the basis of all principles that have so far been validated by the European Commission (including IAS 32 and 39) and according to the amendments introduced to national tax regulations by Legislative Decree no. 38 on 28 February 2005.

RECONCILIATION TABLES PRESCRIBED BY IFRS 1

Below are presented the reconciliation tables drawn up in accordance with IFRS 1 and which supplement the illustration of the impact of first-time application of international accounting standards:

- reconciliation between shareholders' equity determined according to Legislative Decree 87/1992 (previous accounting standards) and shareholders' equity determined according to IAS/IFRS standards, with reference to 1 January 2004 (without IAS 32 and 39), 31 December 2004 (without IAS 32 and 39) and 1 January 2005 (with IAS 32 and 39);
- reconciliation between the financial results determined according to Legislative Decree no. 87/1992 (previous accounting standards) and the financial results determined according to IAS/IFRS standards, with reference to the entire financial year 2004 (without IAS 32 and 39);
- evidence of the impact of adjustments made as a

consequence of adopting the international accounting standards in the items of the reclassified Balance Sheet drafted according to previous accounting principles with reference to the dates 1 January 2004 (without IAS 32 and 39) and 31 December 2004 (with and without IAS 32 and 39);

- evidence of the impact of adjustments made as a consequence of adopting the international accounting standards in the items of the reclassified Income Statement drafted according to previous accounting principles with reference to 31 December 2004 (without IAS 32 and 39);
- evidence of the impact of adjustments made as a consequence of adopting the international accounting standards on the summary of movements in shareholders' equity with reference to the entire financial year 2004 (with and without IAS 32 and 39);
- reconciliation between the shareholders' equity and profit of the Parent Company (drafted according to previous accounting principles) and the shareholders' equity and consolidated profit (drafted according to international accounting standards).

Reconciliation between shareholders' equity drafted according to the previous accounting standards and those drawn up in accordance with international accounting standards

(in thousands of euro)	01/01/2004 Effect of transition to IAS/IFRS (*)	31/12/2004 Effect of transition to IAS/IFRS (*)	01/01/2005 Effect of transition to IAS/IFRS
Shareholders' equity as per Leg. Decr. 87/1992	**307.189**	**332.319**	**332.319**
Own shares	(979)	(979)	(979)
Shareholders' equity as per Leg. Decr. 87/1992 minus own shares	**306.210**	**331.340**	**331.340**
Tangible and intangible fixed assets			
Revaluation of land and buildings	23.769	23.769	23.769
Goodwill impairment	(654)	(654)	(654)
Writedown of positive consolidation differences	-	(10.085)	(10.085)
Elimination of depreciation on positive consolidation differences	-	12.071	12.071
Negative consolidation differences previously compensated by positive differences	9.124	9.191	9.191
Write-off of non-capitalisable intangible fixed assets	(3.919)	(6.763)	(6.763)
Recalculation of depreciation of tangible and intangible fixed assets	1.715	5.790	5.790
Liability reserves			
Discounting of staff severance indemnities provision	1.763	737	737
Elimination and discounting of liability reserves	25.027	20.378	20.378
Loans			
Application of implicit interest rate to financial leasing contracts	(2.561)	(2.229)	(2.229)
Application of amortised cost to loans	-	-	(6.095)
Discounting of future collection flows of impaired loans	-	-	(23.661)
Collective valuation of performing loans	-	-	(36.193)
Financial assets and hedging derivatives			
Valuation of financial assets held for trading	-	-	(1.226)
Valuation at fair value of hedging derivative contracts and hedged instruments	-	-	501
Valuation of financial assets available for sale	-	-	889
Other adjustments			
Valuation at sale price of assets held for sale	-	(5.711)	(5.711)
Effect of full consolidation of companies previously valued with the equity method	2.321	2.434	3.028
Application of amortised cost to insurance assets	-	-	(2.224)
Removal from liabilities of repurchased own shares	-	-	31
Other	(688)	(429)	(451)
Taxation			
Taxation on adjustments	(9.316)	(9.476)	14.017
Deferred taxes on differences between book value and taxable value of assigned tangible fixed assets in compliance with Law 218/1990	(8.069)	(7.932)	(7.932)
Tax attributable to third parties	**(8.080)**	**(7.501)**	**(1.360)**
Total taxation effect deriving from application of IAS/IFRS	**30.432**	**23.590**	**(14.182)**
Shareholders' equity IAS/IFRS	**336.642**	**354.930**	**317.158**

(*) Does not include the effects of application of IAS 32, 39 and IFRS 4.

Reconciliation between financial results drafted according to the previous accounting standards and those drawn up in accordance with international accounting standards

(in thousands of euro)	01/01/2004 Effect of transition to IAS/IFRS (*)
Profit as per Leg. Decr. 87/1992	**26.770**
Tangible and intangible fixed assets	
Elimination of depreciation on positive consolidation differences	12.071
Writedown of positive consolidation differences	(10.085)
Write-off of non-capitalisable intangible fixed assets	(2.844)
Recalculation of depreciation of tangible and intangible fixed assets	4.075
Liability reserves	
Elimination and discounting of liability reserves	(4.649)
Discounting of staff severance indemnities provision	(1.026)
Loans	
Application of implicit interest rate to financial leasing contracts	332
Other adjustments	
Valuation at sale price of assets held for sale	(5.711)
Other	240
Taxation	**(160)**
Tax attributable to third parties	**535**
Total taxation effect deriving from application of IAS/IFRS	**(7.222)**
Profit IAS/IFRS	**19.548**

(*) *Does not include the effects of application of IAS 32, 39 and IFRS 4.*

Evidence of the impact of adjustments made as a consequence of adopting the international accounting standards in the items of the reclassified Balance Sheet to 31 December 2003 drafted in accordance with previous accounting rules

(in thousands of euro)	31/12/2003	Effect of transition to IAS/IFRS (*)	01/01/2004 IAS/IFRS (*)
Cash and liquidities with central banks and post offices	90.630	(390)	90.240
Due from banks	1.568.466	24.342	1.592.808
Due from customers	4.805.166	(32.430)	4.772.736
Securities	1.174.258	792.598	1.966.856
Equity investments	40.526	(36.082)	4.444
Tangible fixed assets	170.590	26.853	197.443
Intangible fixed assets, positive consolidation differences and positive shareholders' equity differences	72.606	3.748	76.354
Other assets	477.103	(22.633)	454.470
Total assets	**8.399.345**	**756.006**	**9.155.351**

(in thousands of euro)	31/12/2003	Effect of transition to IAS/IFRS (*)	01/01/2004 IAS/IFRS (*)
Due to banks	750.849	(1.651)	749.198
Due to customers, debt securities and subordinated liabilities	6.695.908	(23.360)	6.672.548
Liability reserves	120.021	(7.330)	112.691
Other liabilities	455.078	(34.779)	420.299
Technical reserves	-	783.463	783.463
Minority interests	71.279	9.231	80.510
Shareholders' equity:	306.210	30.432	336.642
- share capital, reserves, reserve for general banking risks, negative consolidation differences and negative shareholders' equity differences, minus own shares	293.386	43.256	336.642
- net profit	12.824	(12.824)	-
Total liabilities and shareholders' equity	**8.399.345**	**756.006**	**9.155.351**

(*) *Does not include the effects of application of IAS 32, 39 and IFRS 4.*

Evidence of the impact of adjustments made as a consequence of adopting the international accounting standards in the items of the reclassified Balance Sheet to 31 December 2004 drafted in accordance with previous accounting rules

(in thousands of euro)	31/12/2004	Effect of transition to IAS/IFRS (*)	31/12/2004 IAS/IFRS (*)	Effect of transition to IAS/IFRS (**)	01/01/2005 IAS/IFRS (**)
Cash and liquidities with central banks and post offices	106.711	(449)	106.262	-	106.262
Due from banks	1.478.226	7.372	1.485.598	-	1.485.598
Due from customers	5.189.348	(8.395)	5.180.953	(62.966)	5.117.987
Securities	1.203.686	898.015	2.101.701	2.571	2.104.272
Equity investments	40.990	(36.427)	4.563	-	4.563
Tangible fixed assets	182.386	25.966	208.352	-	208.352
Intangible fixed assets, positive consolidation differences and positive shareholders' equity differences	56.300	3.306	59.606	-	59.606
Other assets	459.214	(37.852)	421.362	(238)	421.124
Total assets	**8.716.861**	**851.536**	**9.568.397**	**(60.633)**	**9.507.764**

(in thousands of euro)	31/12/2004	Effect of transition to IAS/IFRS (*)	31/12/2004 IAS/IFRS (*)	Effect of transition to IAS/IFRS (**)	01/01/2005 IAS/IFRS (**)
Due to banks	632.368	1.438	633.806	-	633.806
Due to customers, debt securities and subordinated liabilities	7.177.500	31.694	7.209.194	-	7.209.194
Liability reserves	120.433	(5.528)	114.905	(22.779)	92.126
Other liabilities	381.547	(58.766)	322.781	107.417	430.198
Technical reserves	-	850.323	850.323	(101.358)	748.965
Minority interests	73.673	8.785	82.458	(6.141)	76.317
Shareholders' equity:	331.340	23.590	354.930	(37.772)	317.158
- share capital, reserves, reserve for general banking risks, negative consolidation differences and negative shareholders' equity differences minus own shares	304.570	30.812	335.382	(18.224)	317.158
- net profit	26.770	(7.222)	19.548	(19.548)	-
Total liabilities and net assets	**8.716.861**	**851.536**	**9.568.397**	**(60.633)**	**9.507.764**

(*) Does not include the effects of application of IAS 32, 39 and IFRS 4.
(**) Includes the effects of application of IAS 32, 39 and IFRS 4.

Evidence of the impact of adjustments made as a consequence of adopting the international accounting standards in the items of the reclassified Income Statement for the financial year 2004 drafted in accordance with previous accounting rules

(in thousands of euro)	2004	Effect of transition of IAS/IFRS (*)	2004 IAS/IFRS (*)
Net interest income	200.871	17.561	218.432
Net fees	185.819	(3.702)	182.117
Dividends and profit on equity investments valued with the equity method	4.623	(272)	4.351
Dealing profits	26.021	15.306	41.327
Net interest and other banking income	**417.334**	**28.893**	**446.227**
Write-downs/write-ups for loan impairment	(45.319)	1.008	(44.311)
Net operating result of financial operations	**372.015**	**29.901**	**401.916**
Net premiums and income/charges from insurance operations	-	(24.069)	(24.069)
Net operating result of financial and insurance operations	**372.015**	**5.832**	**377.847**
Staff expenses	(178.711)	(3.332)	(182.043)
Other administrative expenses	(131.523)	1.957	(129.566)
Provisions for risks and charges	(10.077)	1.447	(8.630)
Write-downs to tangible and intangible fixed assets	(45.033)	7.979	(37.054)
Other operating charges/income	43.618	(2.529)	41.089
Operating costs	**(321.726)**	**5.522**	**(316.204)**
Profit on ordinary activities	**50.289**	**11.354**	**61.643**
Extraordinary profit (loss)	14.846	(14.846)	-
Profits (losses) from assets held for sale	-	(5.363)	(5.363)
Income taxes	(34.439)	1.098	(33.341)
Net profit	**30.696**	**(7.757)**	**22.939**
Net profit attributable to minority interests	3.926	(535)	3.391
Net income attributable to the Parent company	**26.770**	**(7.222)**	**19.548**

(*) Does not include the effects of application of IAS 32, 39 and IFRS 4.

Evidence of the impact of adjustments made as a consequence of adopting the international accounting standards in the summary of movements in consolidated shareholders' equity for the financial year 2004 drafted in accordance with previous accounting rules

(in thousands of euro)	Shareholders' equity at 31/12/2003	Adjustments IAS/IFRS (*)	Shareholders' equity at 01/01/2004	Dividends and other allocations	Reserve changes	Shareholders' equity at 31/12/2004	Adjustments IAS/IFRS (**)	Shareholders' equity at 01/01/2005
Share capital:								
a) ordinary shares	**20.000**	-	**20.000**	-	-	**20.000**	-	**20.000**
b) other shares	**-**	-	**-**	-	-	**-**	-	**-**
Reserves:								
a) profit	**263.086**	29.439	**292.525**	(1.843)	539	**291.221**	(19.271)	**271.950**
b) other shares	**-**	-	**-**	-	-	**-**	-	**-**
Valuation reserves:								
a) available for sale	**-**	-	**-**	-	-	**-**	1.047	**1.047**
b) tangible fixed assets	**-**	-	**-**	-	-	**-**	-	**-**
c) special revaluation laws	**11.279**	13.817	**25.096**	-	44	**25.140**	-	**25.140**
d) other	**-**	-	**-**	-	-	**-**	-	**-**
Own shares	**(979)**	-	**(979)**	-	-	**(979)**	-	**(979)**
Net profit	**12.824**	(12.824)	**-**	-	-	**19.548**	(19.548)	**-**
Shareholders' equity	**306.210**	**30.432**	**336.642**	**(1.843)**	**583**	**354.930**	**(37.772)**	**317.158**

(*) Changes made to closing balances of the previous financial year as a consequence of applying IAS/IFRS accounting standards with the exception of IAS 32, 39 and IFRS 4.
(**) Changes made to closing balances of the previous financial year as a consequence of applying accounting standards IAS 32, 39 and IFRS 5.

Reconciliation between the shareholders' equity and profits of the Parent Company (drafted according to previous accounting principles) and the shareholders' equity and consolidated profits (drafted according to international accounting standards)

(in thousands of euro)	Net profit 2004	Shareholders' equity at 31/12/2004	Shareholders' equity at 01/01/2005
Balances as per financial statements of Parent Company as per Leg. Decr. 87/1992	**2.007**	**137.331**	**137.331**
Deduction of own shares	-	(979)	(979)
Cancellation of intragroup dividends collected during the period	(5.818)	-	-
Differences between shareholders' equity of subsidiaries and the book value, minus minority interest	-	(34.335)	(72.107)
Net profit for the period of subsidiaries, minus minority interests	23.167	23.167	23.167
Difference between the pro rata share of shareholders' equity and the book value of equity investments	-	229.554	229.554
Net profit for the period of subsidiaries, valued using the equity method for the Group	192	192	192
Balances as per IAS/IFRS consolidated balance sheet	**19.548**	**354.930**	**317.158**
	(*)	(*)	(**)

(*) Does not include the effects of application of IAS 32, 39 and IFRS 4.
(**) Includes the effects of application of IAS 32, 39 and IFRS 4.

PART A - ACCOUNTING POLICIES

A.1 GENERAL SECTION

SECTION 1
DECLARATION OF CONFORMITY TO INTERNATIONAL ACCOUNTING PRINCIPLES

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

The balance reflects, on a consolidated basis, the economic and patrimonial standing of the companies belonging to the Gruppo Banca Sella. The financial statements used for drafting the consolidated financial statements were those set for by the companies of the Group with reference to the 2005 accounting period, rectified, where it was deemed necessary, to adjust them to the IAS/IFRS.

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

Accounting principles IAS/IFRS

Accounting principle	Title
IAS 1	Presentation of the Financial Statements
IAS 2	Remainders
IAS 7	Financial statement
IAS 8	Accounting principles, changes in estimates and mistakes
IAS 10	Events that occurred after the date of reference of the financial year
IAS 11	Long-term orders
IAS 12	Income taxes
IAS 14	Sector report
IAS 16	Real estate, equipment and machinery
IAS 17	Leasing
IAS 18	Revenues
IAS 19	Personnel benefits
IAS 20	Accounting of public contributions
IAS 21	Effects of exchange variations of foreign currencies
IAS 23	Financial expenses
IAS 24	Balance report for the related sections
IAS 26	National insurance fund
IAS 27	Consolidated and separate balance
IAS 28	Equity investments in associated companies
IAS 29	Accounting information in hyper-inflated economies
IAS 30	Requested information for balance of banks and financial institutions
IAS 31	Equity investments in joint ventures
IAS 32	Financial instruments: balance statement and supplementary information
IAS 33	Share benefits
IAS 34	Intermediate financial statements
IAS 36	Durable value reduction of assets
IAS 37	Earmarking, potential liabilities and assets
IAS 38	Intangible assets
IAS 39	Financial instruments: accounting and evaluation
IAS 40	Real estate investment
IAS 41	Agriculture
IFRS 1	Initial adoption of international accounting principles
IFRS 2	Payment based on shares

IFRS 3	Company aggregations
IFRS 4	Insurance contracts
IFRS 5	Non current assets owned for sale and ceased operative assets
IFRS 6	Exploration and evaluation of mineral resources

Interpretations

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

SECTION 2
GENERAL DRAFTING PRINCIPLES

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

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

The consolidated financial statements have been drawn up clearly and represents truthfully and correctly the patrimonial situation, the financial situation and the economic result of operations carried out.

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

If in exceptional circumstances, the application of a disposition which is foreseen by the international accounting principles is incompatible with the truthful and correct representation of the patrimonial situation, of the financial one and of the economic result, it will not be applied. In the Explanatory notes reasons are given for the eventual derogation and its influence on the representation of the patrimonial situation, the financial one and the economic result.

SECTION 3
CONSOLIDATION AREA AND METHODS

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

Complete consolidation consists in the acquisition "line by line" of the Balance Sheet and Income Statement aggregates of the controlled companies. After attribution to third parties, in voce propria, of their shares of the shareholders' equity and of the economic result, the value of the equity investments is annulled to counterbalance the residual value of the shareholders' equity belonging to the controlled company. The resulting differences of this operation, if positive, are taken over – after incidental allocation to assets or liabilities of the controlled company – as goodwill in the entry "Intangible fixed assets" on the date of the first consolidation.

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

The economic results of a controlled company that is bought during the period are included in the consolidated financial statements starting from the date of its purchase. On the other hand, the economic results of a controlled company that is sold are included in the consolidated financial statements up to the date when controlling ceased. The difference between the amount of transfer and the accounting value at the time of divestment (including eventual exchange differences purchased each time in the shareholders' equity at consolidation), is shown in the Income Statement. Wherever necessary the financial statements of the consolidated companies, that could eventually be drafted on the basis of different accounting criteria, are rendered consistent with the principles of the Group.

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

The equity method foresees the initial registration of investment at cost and its subsequent adjustment on the basis of its shares in the shareholders' equity of the company. The differences between the value of investment and the shareholders' equity of the subsidiary, are treated the same way as the differences of line by line consolidation as mentioned above. When increasing the value of the patrimonial profit share eventual potential voting rights are not considered. The profit share income performance of the subsidiary, is accounted for at the specific entry of the consolidated Income Statement.

The patrimonial-financial situation and the economic result of the consolidated companies whose accounting currency is different from the euro is converted on the basis of the following rules:

- the Balance Sheet assets and liabilities are converted at the exchange rate of closure at end of the financial year;
- profits and charges of the Income Statement are converted at average exchange rates of the financial year;
- all the differences of exchange deriving from the conversion are accounted for in a specific and separate reserve constituting part of the shareholders' equity. The above-mentioned reserve is eliminated through contextual debit/credit of the Income Statement at the time of eventual transfer of the equity investment.

During the year the following important operations took place with regards to equity investments in the Group:

- increase of the participation in the following companies:
  - Sella Bank Luxembourg S.A.: from 88,95 % to 100%;
  - Banca di Palermo S.p.A.: from 77,65% to 79,56%;
- decrease of the participation in the following company:
  - International Capital Gestion S.A. following the partial transfer of the participation from 84,49% to 33,49%;
- zeroing the participation of the Group in the following companies:
  - Insel S.r.l. following its takeover by Banca Sella S.p.a.;
  - Gestnord Intermediazione S.I.M.p.a. and Sella Investimenti Banca S.p.a. following the merger into the new Banca Patrimoni e Investimenti S.p.a.;
  - International Capital Bourse, S.A. following the transfer of the entire participation held by International Capital Holding S.A.;
  - Sella Trust Lux S.A. following transfer of the entire participation held by Sella Holding N.V.

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

Name of company	Head office	Type of relationship	Ownership Owner	Ownership %	% Voting rights
A. Companies					
A.1 Line by line consolidation					
1. FINANZIARIA BANSEL S.p.A.	Biella	1			
2. SELBAN S.p.A.	Biella	1	A.1 1	92,9650%	92,9650%
3. BANCA SELLA S.p.A.	Biella	1	A.1 1	95,0200%	95,0200%
			A.1 2	4,9800%	4,9800%
4. SELLA DISTRIBUZIONE S.p.A.	Biella	1	A.1 3	100,0000%	100,0000%
5. GESTNORD FONDI SGR S.p.A.	Milano	1	A.1 3	86,0519%	86,0519%
			A.1 6	1,2222%	1,2222%
			A.1 17	10,0000%	10,0000%
6. SELLA CONSULT SIMp.A.	Biella	1	A.1 3	79,0081%	79,0081%
			A.1 17	10,0000%	10,0000%
			A.1 1	3,4750%	3,4750%
7. SELLA CAPITAL MANAGEMENT SGR S.p.A.	Milano	1	A.1 3	85,9261%	85,9261%
			A.1 6	2,5000%	2,5000%
			A.1 17	10,0000%	10,0000%
8. BIELLA LEASING S.p.A.	Biella	1	A.1 3	76,8409%	76,8409%
9. SELLA CORPORATE FINANCE S.p.A.	Biella	1	A.1 3	99,5000%	99,5000%
			A.1 8	0,5000%	0,5000%
10. IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 3	100,0000%	100,0000%
11. IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 3	100,0000%	100,0000%
12. SELSOFT DIRECT MARKETING S.p.A.	Biella	1	A.1 3	100,0000%	100,0000%
13. SELIR S.r.l.	Romania	1	A.1 23	99,9017%	99,9017%
14. B.C. FINANZIARIA S.p.A.	Biella	1	A.1 3	82,8103%	82,8103%
15. FIDUCIARIA SELLA SIM p.A.	Biella	1	A.1 3	43,0500%	43,0500%
			A.1 2	30,0000%	30,0000%
			A.1 17	10,0000%	10,0000%
16. SELFID S.p.A.	Biella	1	A.1 2	88,0000%	88,0000%
17. BANCA BOVIO CALDERARI S.p.A.	Trento	1	A.1 14	71,0000%	71,0000%
18. SELLA SOUTH HOLDING S.p.A.	Biella	1	A.1 3	100,0000%	100,0000%
19. SELLA BANK AG	Switzerland	1	A.1 23	78,6912%	78,6912%
20. SELLA CAPITAL MARKETS SIM S.p.A.	Milano	1	A.1 3	80,0060%	80,0060%
in liquidation			A.1 5	10,0000%	10,0000%
			A.1 17	4,9418%	4,9418%
			A.1 30	3,9914%	3,9914%
21. SELLA SYNERGY INDIA Ltd.	India	1	A.1 23	99,9999%	99,9999%
22. BANCA DI PALERMO S.p.A.	Palermo	1	A.1 18	74,5590%	74,5590%
			A.1 35	5,0000%	5,0000%
23. SELLA HOLDING N.V.	The Netherlands	1	A.1 3	100,0000%	100,0000%
24. SELLA BANK LUXEMBOURG S.A.	Luxembourg	1	A.1 23	76,3400%	76,3400%
			A.1 3	23,6600%	23,6600%
25. SELLA ADVISER IRELAND Ltd.	Ireland	1	A.1 23	100,0000%	100,0000%
in liquidation					

Name of company	Head office	Type of relationship	Ownership Owner	%	% Voting rights
26. SELLA FUND MANAGEMENT IRELAND Ltd. *in liquidation*	Ireland	1	A.1 23	100,0000%	100,0000%
27. CONSEL S.p.A.	Torino	1	A.1 3	76,8409%	76,8409%
28. INTERNATIONAL CAPITAL HOLDING S.A.	France	1	A.1 23	94,0766%	94,0766%
29. SECURSEL S.r.l.	Biella	1	A.1 1	80,0000%	80,0000%
30. BANCA ARDITI GALATI S.p.A.	Lecce	1	A.1 18	51,2500%	51,2500%
31. BANCA PATRIMONI E INVESTIMENTI S.p.A.	Torino	1	A.1 3	56,1140%	56,1140%
			A.1 6	7,2190%	7,2190%
			A.1 1	0,0001%	0,0001%
32. EASY NOLO S.p.A.	Biella	1	A.1 3	84,4444%	84,4444%
33. SELLA AUSTRIA FINANCIAL SERVICES AG	Austria	1	A.1 23	93,9130%	93,9130%
34. BROSEL S.p.A.	Biella	1	A.1 3	60,5000%	60,5000%
			A.1 17	10,0000%	10,0000%
35. C.B.A. VITA S.p.A.	Milano	1	A.1 3	78,2667%	78,2667%
			A.1 5	8,0000%	8,0000%
			A.1 17	5,0000%	5,0000%
36. SELLA LIFE Ltd.	Ireland	1	A.1 23	100,0000%	100,0000%

LEGEND:
(1) Type of relationship:

1 = majority of voting rights within Shareholders' meetings
2 = dominating influence in the Shareholders' meetings
3 = agreements with other partners
4 = other forms of control
5 = unitary management ex. art. 26, par. 1 of the "legislative decree 87/92"
6 = unitary management ex. Art. 26, par. 2 of the "legislative decree 87/92"
7 = joint control

(2) Voting rights in the Shareholders' meetings distinguishing between actual and potential

SECTION 4
EVENTS OCCURRED AFTER THE DATE OF REFERENCE OF THE FINANCIAL YEAR

After the closure of operations, the Parent company perfected or started concluding a few operations that hold particular importance within the strategic plan or that will have a significant impact on operations in 2006. In particular we point out the following:

- on 1 January 2006 within Gruppo Banca Sella a new bank was created that took the historical name of Banca Sella S.p.A.; it replaces the current one as regards relations with customers, the network of Italian branches, credit lending activities, investment and private banking services. At the same time the company up to now called Banca Sella, was newly named Sella Holding Banca S.p.A. and assumes the role of a specialized subject in offering banking services both in favour of all the banks and companies of the Group and in favour of outside companies;
- on 31 January 2006 a merger project was started to incorporate Fiduciaria Sella SIMp.A. in Gestnord Fondi SGR S.p.A. in order to reorganize asset management operations. This operation, concluded on 3 April 2006, also foresaw the change in the company name from Gestnord Fondi SGR S.p.A. to Sella Gestioni SGR S.p.A.;
- two new branches of Banca Arditi Galati were opened in Lecce and Andria and one of Banca di Palermo in Siracusa;
- the first few days of April foresee the opening of a new branch of Banca Sella in Saronno, the 300th of the Group.

SECTION 5
OTHER ASPECTS

Upon initial application of the international accounting principles we have made use of the right to not present comparative information in accordance with accounting principles IAS 32, 39 and IFRS 4 regarding the evaluation of financial instruments, thereto including derivatives.

The information contained in the following parts B and C of the consolidated Explanatory notes are thus supplied as a means of comparison with the preceding financial year but with the following specifications.

Information on the consolidated Balance Sheet (Part B)

Under a formal profile the information to be supplied as comparative material would be that corresponding to the balance shown in the Balance Sheet on 31 December 2004. As mentioned before, such information is not completely comparable with that referred to on 31 December 2005 because of application of IAS 32 and 39 starting from 1 January 2005. Upon initial application of the above-mentioned principles an opening Balance Sheet as at 1 January 2005 was however drafted and it proves to be comparable to the information referred to on 31 December 2005.

It must be pointed out that in accordance with the transitory dispositions issued by the Banca d'Italia upon publication of Memorandum no. 262 of 22 December 2005 we have made use of the right to:

- not supply the details that refer to the types of operations in the tables relating to the product breakdown of Balance Sheet balances;
- not supply the tables and the information related to the annual variations of the different financial portfolios;
- supply the information with reference to the companies subject to consolidation without supplying divisions between companies belonging to the banking Group, insurance companies and other companies included in the consolidation.

Information on the consolidated Income Statement (Part C)

Information regarding 2004 operations to compare to 2005 is not available. Even supplying adapted information is not possible. As regards the above-mentioned in all of the plans foreseen by Memorandum no. 262 of 22 December 2005 the Income Statement balance for operations pertaining to 2004 have been listed. These balances do not take into account the effects of application of IAS 32 and 39 and therefore the variations compared to the previous operations are not listed nor commented.

Furthermore it is made known that in accordance with the transitory dispositions issued by the Banca d'Italia upon publication of Memorandum no. 262 of 22 December 2005 we have made use of the right to:

- not supply details regarding the differences related to hedging operations;
- supply only those entries related to "total income/ charges of hedging operations";
- supply information with reference to companies subject to consolidation without supplying divisions between companies that belong to the banking Group, insurance companies and other companies included in the consolidation.

With reference to the information contained in part E regarding the risks and the relative hedging policies it is furthermore made known that in accordance with the transitory dispositions issued by the Banca d'Italia upon publication of Memorandum no. 262 of 22 December 2005 we have made use of the right to:

- draft with reference to the comment on credit risk, only tables from A.1.1 to A.1.8;
- draft with reference to the comment on derivatives financial instruments only tables A.1, A.2.1, A.2.2, A.3, A.4, A.5, B.1, B.2 and B.3.

Other quantitative information has been supplied in different form compared to what is foreseen by the above-mentioned Memorandum.

A.2 - MAIN ENTRIES OF THE FINANCIAL STATEMENTS

1 – FINANCIAL ASSETS HELD FOR TRADING

Only debt and capital securities are classified in this category and the positive value of the derivative contracts held for trading. Among the derivative contracts are included those incorporated in complex financial instruments that were subject to separate take-over due to:

- their economic characteristics and the risks are not necessarily related to the characteristics of the underlying contract;
- the incorporated instruments, even if separate, satisfy the definition of derivative;
- the hybrid instruments that they belong to are not quantified at fair value with the relative variations assessed at Income Statement.

The initial entry of the financial assets takes place upon the date of regulation, for debt and capital securities and at the time of subscription for the derivative contracts.

Upon initial entering the financial assets held for trading are taken over at cost, considered as fair value of the instrument. Eventual implicit derivatives present in complex contracts not necessarily related to these and having the characteristics to satisfy the definition of derivative are separated from the primary contract and evaluated at fair value, whereas the proper relevant accounting criteria is applied to the primary contract.

Subsequent to the initial entering, the financial assets held for trading are valued at fair value.

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

Capital shares and the related derivative instruments whose fair value cannot be determined in a reliable way according to the above-mentioned guidelines, are maintained at cost.

The financial assets are cancelled when contractual rights expire on the derivative financial flows of the same assets or when the financial assets are assigned transferring substantially all of the risks/benefits connected to them.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Included in the present category are non-derivative financial assets that are not otherwise classified as “credits”, “assets held for trading” or “assets held to maturity”.

In particular, included in this entry is the share profit-sharing not held for trading and not qualified for control, co-relatedness and joint control.

The initial entering of the financial asset takes place on the date of regulation for the debt or capital securities and upon the date of allocation in case of other financial assets not classified as credits.

Upon initial entering the assets are accounted at cost, intended as fair value of the instrument, including costs or profit from trading directly attributable to the instrument itself. If the entry takes place after re-classification of the “assets held to maturity”, the entering value is represented by fair value at the time of transferal.

After initial entering, assets available for sale continue to be valued at fair value, with accounting at Income Statement of the corresponding value at depreciated cost, while the gains or the losses deriving from a variation of fair value are assigned to a specific “Reserve of shareholders' equity” up until the financial asset is not cancelled or an enduring loss of value is not found. At the time of transfer, the gains or losses are entered at Income Statement.

With reference to the non-qualifying controlled, connected and joint controlled shares profit-sharing, seeing that these instruments of principal do not have a listed market price in an active market and therefore are impossible to have their fair value determined in a reliable manner, are kept at cost and depreciated in the case of durable value loss. Furthermore, the profit-sharing detained in the companies MTS S.p.A. and Banca Cesare Ponti S.p.A. were registered at fair value, intended as the price agreed upon for the transfer to outside third parties; these transfers, for which formal agreements were in place on the date of financial statements, were perfected during the course of the first months of operations in 2006.

Examination of the existence of objective evidence of durable value reduction is carried out at each financial statement closure or interim closure. If the reasons for the durable loss of value cease to apply due to an event that takes place after entering, write-ups are carried out with allocation at Income Statement. The amount of the write-up cannot in any case exceed the depreciated cost that the instrument would have had in absence of previous adjustments.

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

3 – FINANCIAL ASSETS HELD TO MATURITY

Classified in the present category are debt securities with fixed or adjustable payments and fixed maturity date, which one intends and has the ability to detain up to maturity. If after a change of opinion or ability it is not deemed appropriate to keep an investment as detained up till maturity, it is reclassified among assets available for sale.

Initial entering of the financial asset takes place upon regulation. At the time of initial entering the financial assets classified in the present category are taken over at cost including eventual costs and profits that are directly attributable. If the entering in this category takes place for reclassification from the "assets available for sale", the fair value of the asset at the time of reclassification is taken on as a new depreciated cost of the asset itself.

After the initial entering, the financial assets held to maturity are valued at depreciated cost, using the method of the actual interest rate. Profits or losses referred to the variations of fair value of the assets held to maturity are shown in the Income Statement when the operations are cancelled. Upon closure of the financial statements and in between year periods, inspection is carried out regarding the existence of objective evidence of decreasing value. If evidence supports this, the amount of loss is measured as the difference between accountancy value of the operation and the current value of estimated future financial flows, discounted at the original actual interest rate. The amount of the loss is shown in the Income Statement. If the reasons of the loss of value are removed following an event that took place after the entering of the loss of value, write-ups take place with allocation on the Income Statement.

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

4 – CREDITS

Credits include due to customers and due to banks, both allocated directly and bought by third parties, that foresee fixed payments or anyway determinable, that are not quoted in an active market and that are not classified at the beginning among the financial assets available for sale. Under the entry credits we also have commercial credits, repurchase agreement operations, credits originating from financial leasing operations and securities bought in subscriptions or private placement, with determined or determinable payments, not quoted in active markets.

The first entering of a credit takes place upon the date of disbursement or, in the case of a security, on that of regulation, on the basis of fair value of the financial instrument. The latter is normally equal to the amount disbursed, or the price of subscription, including costs/profits directly traceable to the single credit and determinable already from the origin of the operation, even if liquidated in a subsequent period. Costs that are excluded are those that even though they have the above-mentioned characteristics, are subject to reimbursement on behalf of the debtor counterpart or that fit in the normal internal administrative costs. For the credit operations eventually concluded on different conditions from those of the market, fair value is determined using specific evaluation techniques; the difference compared to the amount allocated or the price of subscription is directly allocated to the Income Statement. Swap agreements and repurchase agreement operations with obligation of forward repurchase or resale are registered in the financial statements as operations of collecting or loan. In particular, the operations of spot sale and of forward repurchase are stated in the financial statements as debts for the spot amount received, while the operations of spot purchase and of forward resale are shown as credits for the given spot amount.

After the initial entering, the credits are valued at depreciated cost, equal to the value of initial entering reduced/increased of the reimbursements of principal, the write-downs/write-ups and the depreciation – calculated with the method of actual interest rate – of the difference between the amount disbursed and that reimbursable on expiration, typically traceable to costs/profits allocated directly to the single credit. The actual interest rate is determined by calculating the rate that equals the current value of future credit flows, for principal and interest, to the amount disbursed inclusive of costs/profits connected to the credit. This accounting method, using financial logic, allows the distribution of the economic effect of the costs/profits through the residual life period of the credit. The method of the depreciated cost is not used for credits whose brief duration renders the effect of the application of the discounting-back logic negligible. This credit is valued at the historical cost and the costs/profits referred to these are attributable to Income Statement. Similar criteria of valorization is adopted for credit without definite or revocable expiration.

At each financial statements closure or between-year period ascertainment of credit is carried out to determine those which, following events that took place after their entering, show objective evidence of a possible decrease in value. Falling within this frame work is credit which has been attributed the status of non-performing, watchlist, or restructured loan according to the current regulations of the Banca d'Italia, coherent with the IAS rules.

Such impaired credit is subject to an analytical evaluation procedure and the amount of the write-down for each credit is equal to the difference between the balance value of the same at the time of evaluation (depreciated cost) and the current value of the foreseen future cash flows, calculated applying the actual original interest rate. The foreseen cash flows keep track of expected recovery time, the presumed value of returns of eventual guarantees and of costs that is presumed will be sustained to recover the credit statement. The cash flows relative to credit whose recovery is foreseen within a brief time are not discounted back. The actual original rate of each credit remains unvaried in time even if a restructuring of the relation took place whereby a variation in the contractual rate occurred and also when the relation becomes, in practice, non-interest bearing of the contractual interests.

The write-down is entered in the Income Statement. The original value of the credit is restored in the following financial years in as much as the reasons that determined the write-down cease to exist, as long as this evaluation can be objectively connected to an event that took place after the write-down itself. Write-ups are entered at Income Statement and cannot in any case exceed the depreciated cost that the credit would have had in absence of the previous write-down.

The credits for which single individual objective proof of losses have not been found, i.e. usually performing credit, including those towards counterparts that are residents of risk countries, are subject to joint evaluation. Such evaluation takes place for categories of homogenous credit in terms of credit risk and the relative percentages of losses are estimated taking into account the PD (Probability of Default) and the LGD (Loss Given Default) determined on the basis of Basel II Agreement. This way the estimate of latent losses is calculated for each credit category. The write-down determined jointly is allocated at Income Statement. At the time of each financial statement closure and interim closure any additional write-down or write-up is recalculated in a different way with reference to the entire portfolio of performing credits at the same date.

Transferred credit is cancelled from Balance Sheet assets only if the transfer entailed substantial transfer of all risks and benefits connected to this credit. On the other hand, if the risks and benefits related to the transferred credit have been kept, these continue to be registered among Balance Sheet assets, even if legally the ownership of the credit has been indeed transferred. Whenever it is impossible to ascertain the substantial transfer of risks and benefits, the credit is cancelled from the financial statements if no type of control was kept on it. On the contrary, maintaining, even only in partially, such control entails keeping the credit in the financial statements in the amount that equals its residual involvement, measured from the statement showing value changes of the transferred credit and its variations of financial flows. Lastly, the transferred credit is cancelled from the financial statements when contractual rights have been kept for receiving the relative cash flows, with the contextual acceptance of an obligation to pay such flows, and only those to other third parties.

5 – FINANCIAL ASSETS EVALUATED AT FAIR VALUE

Gruppo Banca Sella did not foresee for the 2005 balance adoption of the so-called fair value option, i.e. it did not make use of the possibility to evaluate at fair value, with allocation of the result of the evaluation in the Income Statement, financial assets that are different from those for which the IAS 39 requires application of the fair value criteria by virtue of the specific functional destination. Therefore, what is evaluated at fair value with allocation of the result of the evaluation in the Income Statement are only financial assets classified in the trading portfolio, that are subject to fair value coverage and the hedging derivative contracts.

6 – HEDGING OPERATIONS

In the assets and liabilities entries we have hedging derivatives, which at the date of reference of the financial statements present respectively a positive and negative fair value.

The hedging operations of risks are finalized to neutralize potential losses detectable on a specific financial instrument or on a group of financial instruments, traceable to a specific risk, through the profits that can be traced on a different financial instrument or group of financial instruments in case that particular risk should actually occur.

The IAS 39 foresees the following types of hedging:

- fair value hedging, whose aim is to cover the exposure of fair value variation of a balance-sheet item that is attributable to a particular risk;
- financial flow hedging, whose aim is to cover the exposure to variations of future cash flows attributable to particular risks associated to balance-sheet items;
- hedging of a currency investment, that aims to cover the risk of an investment in a foreign company expressed in currency.

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

At the consolidated financial statements level, only the instruments that involve an outside counterpart can be designated as hedging instruments. Any outcome that can be traced to internal transactions carried out between different entities of the Group is eliminated.

The derivative instrument is devised as hedging if there are formalized records of the relationship between the hedging instrument and the hedging instrument and if it is effective when hedging begins, prospectively, during the entire life of the same. The effectiveness of the hedging depends on the measure in which the fair value variations of the hedged instrument or of the relative expected financial flows prove compensated from those of the hedging instrument. Therefore the effectiveness is appraised by the comparison of the above-mentioned variations, bearing in mind the objective pursued by the company when hedging was undertaken.

Effectiveness is had (within the limits established by the interval 80-125%) when the fair value variations (or the cash flows) of the financial hedging instrument neutralizes almost completely the variations of the hedged instrument, for the risk element that is the object of the hedging. Evaluation of effectiveness is carried out every six months using:

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

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

The hedging derivatives are evaluated at fair value therefore, in case of fair value hedging, the variations of fair value of the hedged element is compensated with the variation of fair value of the hedging instrument. This compensation is recognized through the Income Statement showing of the value variations, referred both to the hedged element (as concerns the variations produced by the underlying risk factor), and the hedging instrument. The eventual difference, that represents the partial ineffectiveness of the hedging, is therefore the net economic effect.

7 – EQUITY INVESTMENTS

The entry includes the profit-sharing detained in associated companies, that are entered on the basis of the equity method. Companies considered associated are those that are not controlled but where one has significant influence. It is presumed that the company has significant influence in all cases where it detains 20% or a superior quota of the voting rights and independently from the quota that is owned, whenever it has the right to participate in management and financial decisions of the equity investments.

Initial entering of financial assets takes place at the date of regulation. Upon initial take-over the financial assets classified in the present category are taken over at cost.

If there is proof that the value of an equity investment could have undergone a reduction, an estimate of the recoverable value of the equity investment itself is carried out, bearing in mind the current value of the future financial flows that the equity investment will be able to generate, including the value of the divestment of the investment. If recovery value proves to be inferior to the accounting value, the relative difference is put at Income Statement. If the reasons for the loss of value are removed following an event that occurred after the accounting of the reduction in value, value recovery is carried out with allocation at Income Statement.

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

8 – TANGIBLE FIXED ASSETS

Tangible fixed assets include land, instrumental property, real estate investments, technical equipment, furniture and furnishings and all kinds of equipment. These are tangible fixed assets detained for use in the production or supply of goods and services, to be rented to third parties, or for administrative purposes and that are deemed to be used for more periods. Lastly, the entry includes improvements on and the accretion expenses supported for third party goods that cannot be ascribable to the entry “other assets”.

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

The tangible fixed assets, including non-instrumental properties, are valued at cost, subtracting eventual depreciation and loss of value. The tangible fixed assets are systematically depreciated during their operating term, adopting as a criteria of depreciation the method of constant quotas, except for land, whether it was purchased as a single unit or incorporated in the value of the buildings, as they have an undefined operating term. In case their value is incorporated in the value of the building, in virtue of application of the per-items approach, they are considered separable from the building; division between the value of the land and the value of the building is based on the survey of independent experts only for detained “cielo-terra” properties.

At each balance closure, if there is any indication that an operation may have undergone a loss of value, a comparison is carried out between the charging value of the asset and its recovery value, equal to the lesser of the fair value, net of eventual sales costs, and the relative use value of the good, intended as the current value of future flows originating from the fixed asset. Eventual write-downs are accounted at Income Statement. If the reasons that brought about the accounting of the loss cease to exist, a write-up takes place that cannot exceed the value the asset would have had, net of depreciation calculated in absence of previous losses of value.

A tangible fixed asset is eliminated from the Balance Sheet at the time of divestment or when the asset is permanently withdrawn from use and from its divestment future economic benefits are not foreseen.

9 – INTANGIBLE FIXED ASSETS

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

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

The other intangible assets are subscribed at cost including eventual accessory charges only if it is likely that the future economic benefits attributable to the operation actually occur and if the cost of the operation itself can be predictably determined. On the contrary the cost of the intangible asset is accounted at Income Statement in the financial year in which it was incurred.

As concerns goodwill, each time there is proof of loss of value and in any case at least once a year after the predisposition of the tri-yearly plan, a test is carried out on the inexistence of durable value reductions. For this purpose the item that generates financial flows is identified to which goodwill is attributed. The amount of the eventual reduction of value is determined on the basis of the difference between the value of entry of goodwill and its recovery value, if inferior. This recovery value is equal to the higher amount between the fair value of the generating item of financial flows, net of eventual sales costs, and the relative value of use. The value of use is the current value of expected future financial flows of the generating items to which goodwill has been attributed. The subsequent write-downs are accounted at Income Statement.

The cost of intangible fixed assets is depreciated at constant quotas on the basis of the relative useful life term. If the useful life term is undefined, depreciation does not take place, but only periodical testing of the adequacy of the subscription value of the intangible fixed assets. At each financial statements closure, in the presence of evident loss of value, an estimate of the recovery value of the operation is undertaken. The amount of the loss, accounted at Income Statement, is equal to the difference between the accounting value of the operation and the recoverable value.

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

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

Classified in the present entry are assets/liabilities that are non-current and groups of assets/liabilities held for sale. In particular, these assets/liabilities are valued at the lesser between the value of charges and their fair value net of transfer costs. The relative profits and charges are listed in the Income Statement in a separate entry net of taxation.

11 – CURRENT AND DEFERRED TAXATION

The entries include respectively the current and prepaid tax operations and the current and deferred tax liabilities.

The taxes on income are accounted in the Income Statement except for those relative to entries charged or accredited directly to shareholders' equity. Funding for income taxes is determined on the basis of a prudent forecast of the current tax charges, of what is anticipated and what is deferred.

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

The assets for taxes paid in advance are entered in the Balance Sheet if their recovery is probable. Liabilities for deferred taxes are entered in the Balance Sheet, with the only exception of assets entered in the Balance Sheet for an amount that exceeds the recognized tax value and of the tax suspension reserves, for which it is reasonable to believe that undertakings of operations that entail taxation will not be carried out. The assets and liabilities entered for taxes paid in advance and deferred are systematically evaluated to keep track of eventual modifications that have taken place in the rules or in the tax rates.

12 – PROVISION FOR RISKS AND CHARGES

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

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

A provision to provisions for risks and charges is made solely when:

- there is a current obligation (legal or implied) resulting from a past event;
- it is likely that economic resources will have to be used to produce economic benefits to settle the obligation;

- an accurate estimate of the amount of the obligation can be made.

In cases where considerable time has passed, provisions are back-discounted using current market rates. The effect of said back-discounting is entered in the Income Statement.

13 – OUTSTANDING DEBTS AND SECURITIES

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

The first entry of such financial liabilities takes place at the time of receipt of the collected sums or of the issue of the debt security. The first entry is carried out on the basis of fair value of the liabilities, normally equal to the amount collected or the price of issue, increased with the eventual additional costs/profits directly attributable to the single operation of funding or of issue and not reimbursed by the creditor counterpart. Internal administrative costs are excluded.

After initial entering, the financial liabilities are evaluated at depreciated cost with the method of effective interest rate. An exception to this are the short-term liabilities where the temporal factor is irrelevant, that are entered for the collected value and whose eventually allocated costs are attributed to the Income Statement. Furthermore it is made known that the instruments for collecting that are subject to an effective hedging relation are valued on the basis of the rules foreseen for hedging operations.

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

The financial liabilities are cancelled from the financial statements when it appears they have expired or being extinct. Cancellation takes place even in the presence of repurchase of securities previously issued. The difference between accounting value of the liability and the amount paid to repurchase it is registered on the Income Statement. The replacing on the market of one's own securities after their repurchase is considered as a new issue with entry at the new price of placement, without any effect on the Income Statement.

14 – TRADING FINANCIAL LIABILITIES

The entry includes the negative value of trading derivative contracts valued at fair value.

Included, furthermore, are the implicit derivatives that according to IAS 39 were broken up from the host compound financial instruments.

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

Financial liabilities are cancelled from the financial statements when they prove to have expired or become discharged.

15 – FINANCIAL LIABILITIES EVALUATED AT FAIR VALUE

Gruppo Banca Sella did not foresee for the 2005 financial statements the adoption of the so-called fair value option, i.e. it did not make use of the possibility of evaluating at fair value, with allocation of the outcome of the evaluation in the Income Statement, financial liabilities different from those for which IAS 39 requires the application of the fair value criteria in virtue of the specific functional destination. Therefore, only financial liabilities that are subject to fair value hedging and hedging derivative contracts classified in the dealing portfolio are evaluated at fair value with allocation of the outcome of the evaluation in the Income Statement.

16 – CURRENCY OPERATIONS

Foreign currency operations are registered, at the time of initial entering, in the account currency, applying to the foreign currency amount the current exchange rate at the time of the operation.

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

- the monetary items are converted at the exchange rate of the closure date;
- the non-monetary items evaluated at historical cost are converted at the exchange rate existing at the time of the operation; to convert the items of profits and costs an exchange that approximates the exchanges at the date of operations is often used, for example an average exchange for the period;
- the non-monetary items evaluated at fair value are converted using the exchange rates existing at the time of closure.

Exchange differences that derive from the regulation of monetary items or from conversion of monetary elements at different rates from the initial ones or from conversion of the previous financial statements, are accounted in the Income Statement of the period in which they take place.

When a profit or a loss relative to a non-monetary item is accounted at shareholders' equity, the exchange difference relative to this item is also accounted to shareholders' equity. On the other hand, when an earning or a loss is accounted on the Income Statement, the relative exchange difference is also accounted in the Income Statement.

17 – INSURANCE ASSETS AND LIABILITIES

IFRS 4 defines an insurance contract as a contract on the basis of which one of the parties (the insurer) accepts a significant insurance risk from a third party (insured), agreeing to refund the latter when the policy holder suffers damages as a consequence of a specific uncertain future event (the insured event).

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

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

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

On the basis of the analysis carried out on the portfolio policies, all contracts of the Non-life sector as well as those referred to in the Life sector that have significant components of insurance risk, fall within the sphere of application of IFRS 4 (insurance contracts).

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

Technical reserves – Non-life sector

The premium reserve for damages was calculated following the principles of the ISVAP no. 360/D memorandum of 21/1/1999 and specifically calculating analytically the quota with the *pro-rata temporis* method of accounted gross premiums of future financial year charges, deducting from these the relative purchasing commissions. The same method was also applied for determining the premium reserves charged to the reinsures.

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

The accident reserve is determined analytically through the evaluation of all the open accident files at the end of the financial year and on the basis of technically prudent estimates that allow the reserved amount to be sufficient to meet compensation that needs to be carried out. The accident reserve also includes earmarking for late reporting.

The quota of the accident reserve charged to the reinsures reflects the recovery on the amounts reserved, as foreseen by the standing agreements.

<u>Technical reserves – Life sector</u>

The mathematical reserves on life insurance, determined according to actuarial criteria, are in line with what is foreseen by articles 24 and 25 of Legislative Decree no. 174 of 17 March 1995. They prove to be adequate for coverage of the commitments undertaken with the interested parties, as per the technical report predisposed and undersigned by the registrar entrusted by the Company. In particular special attention was given to what is foreseen by the dispositions regarding adjustments of the technical bases for income related services and also to provision ISVAP 1801 G of 21/02/2001 regarding the constitution of additional reservations to meet foreseeable returns of the funds managed separately.

<u>L.A.T.</u>

To verify the suitability of the technical reserves it is foreseen that a Company carry out a test of sufficiency to check them out, the so-called "Liability Adequacy Test", based on the current values of future cash flows. If from this evaluation it appears that the accounting value of the insurance liabilities, net of the relative capitalized purchasing costs and intangible assets, is insufficient, the difference must be accounted in the Income Statement.

<u>Shadow accounting</u>

Contracts with re-evaluation of performance connected to returns of separate management are classified as insurance or investment contracts, with discretional profit interest characteristics (DPF). The DPF component comes from the existence of gains and losses arising on disposal from unrealized profit. IFRS 4 (par. 30) allows the modification of accounting principles in order that capital gains or losses arising accounted but not realized on an operation influences the measuring of the insurance liabilities, from the related deferred purchasing costs and the related intangible assets as though it were a realized component.

The write-down that follows is accounted at shareholders' equity only if the same treatment is adopted for the realized capital gains or losses.

On the other hand, latent capital gains or losses on assets accounted directly at Income Statement (including depreciation for durable value loss) entail corresponding write-downs of the accounted insurance liabilities directly on the Income Statement.

<u>Other liabilities</u>

This entry also includes, the managing charges of the investment classified C.B.A. Vita contracts that are recognized as profits, in accordance with IAS 18, when the service is carried out.

This implies that the service component is deferred and accounted at Income Statement linearly during the length of the contract in order to compensate the performance costs sustained by the Company. The estimate of the duration of the policy considers the propensity to liquidate on behalf of the insured, for the tested products on which the Group has matured experience, of the expectations evaluated during the study phase, for new products. The recurring components, such as commissions receivable, commissions payable and asset management costs are allocated to the Income Statement of the accounting period in which they are generated.

<u>Aspects of the Income Statement related to insurance management</u>

As regards insurance contracts, in accordance with IFRS 4, entry in Income Statement is foreseen for premiums that include the amounts of the specific accounting period deriving from the issue of contracts, net of cancellations, for the variation of technical reserves, that represent the variation of future commitments towards policy holders deriving from insurance contracts, for the commission fees of the accounting period owed to the intermediaries and the cost of damages, redemption and due dates of accounting period fees.

18 – OTHER INFORMATION

Securitizations

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

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

The credits that belong to the latter securitization operation were re-entered in the consolidated financial statements as it was impossible to carry out de-recognition on them as established by IAS 39.

Benefits for employees

Staff severance is subscribed on the basis of its actuarial value. For purposes of discounting back, what is used is the method of unitary credit projection that foresees the projection of future disbursements on the basis of statistical historical analysis and the demographic curve and financial discounting back of these flows on the basis of a market interest rate.

Dividends and recognition of revenue

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

Own shares

Eventual own shares that are detained are reduced from shareholders' net equity.

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

PART B - INFORMATION ABOUT CONSOLIDATED BALANCE SHEET
ASSETS

SECTION 1
CASH AND LIQUIDITIES - ITEM 10

1.1 Cash and liquidities: composition

	31/12/2005	31/12/2004
a) Cash	81.770	95.891
b) Deposits at central banks	9.784	10.371
Total	**91.554**	**106.262**

SECTION 2
FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

2.1 Financial assets held for trading: product breakdown

Items/Value	31/12/2005			31/12/2004		
	Listed	Unlisted	Total	Listed	Unlisted	Total
A. Cash assets						
1. Debt securities	1.118.509	41.662	**1.160.171**	1.382.119	47.157	**1.429.276**
2. Equities	4.641	2	**4.643**	694	1	**695**
3. Mutual funds units	387.822	-	**387.822**	307.104	-	**307.104**
4. Loans	-	-	**-**	-	-	**-**
5. Impaired assets	-	-	**-**	-	-	**-**
6. Assets sold but not derecognised	315.307	-	**315.307**	-	-	**-**
Total A	**1.826.279**	**41.664**	**1.867.943**	**1.689.917**	**47.158**	**1.737.075**
B. Derivative instruments						
1. Financial derivatives	6.602	43.917	**50.519**	-	28.802	**28.802**
2. Credit derivatives	-	-	**-**	-	-	**-**
Total B	**6.602**	**43.917**	**50.519**	**-**	**28.802**	**28.802**
Total (A+B)	**1.832.881**	**85.581**	**1.918.462**	**1.689.917**	**75.960**	**1.765.877**

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

Items/Value	31/12/2005	31/12/2004
A. CASH ASSETS		
1. Debt securities	**1.160.171**	**1.429.276**
a) Governments and Central Banks	790.239	853.312
b) Other public-sector bodies	799	1.038
c) Banks	200.087	195.486
d) Other issuers	169.046	379.440
2. Equities	**4.643**	**695**
a) Banks	-	36
b) Other issuers:	4.643	659
- insurance companies	89	134
- financial companies	1.805	190
- non-financial companies	2.501	92
- other	248	243
3. Mutual funds units	**387.822**	**307.104**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other	-	-
6. Assets sold but not derecognised	**315.307**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other issuers	315.307	-
Total A	**1.867.943**	**1.737.075**
B. DERIVATIVE INSTRUMENTS		
a) Banks	31.367	20.502
b) Customers	19.152	8.300
Total B	**50.519**	**28.802**
Total (A + B)	**1.918.462**	**1.765.877**

2.3 Financial assets held for trading: derivative trading instruments

Type of derivatives/ underline	Interest rates	Currency and gold	Equities	Loans	Other	31/12/2005	31/12/2004
A) LISTED DERIVATIVES							
1) Financial derivatives:	**95**	**-**	**1.277**	**-**	**-**	**1.372**	**1.885**
with exchange of principal							
- purchased options	-	-	-	-	-	-	-
- other derivatives	95	-	-	-	-	95	97
with no exchange of principal							
- purchased options	-	-	1.277	-	-	1.277	1.787
- other derivatives	-	-	-	-	-	-	1
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-	-
with no exchange of principal	-	-	-	-	-	-	-
Total A	**95**	**-**	**1.277**	**-**	**-**	**1.372**	**1.885**
B) UNLISTED DERIVATIVES							
1) Financial derivatives:	**4.093**	**24.588**	**20.466**	**-**	**-**	**49.147**	**26.917**
with exchange of principal							
- purchased options	-	4.272	-	-	-	4.272	-
- other derivatives	-	19.880	-	-	-	19.880	19.107
with no exchange of principal							
- purchased options	3.359	-	20.466	-	-	23.825	-
- other derivatives	734	436	-	-	-	1.170	7.810
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-	-
with no exchange of principal	-	-	-	-	-	-	-
Total B	**4.093**	**24.588**	**20.466**	**-**	**-**	**49.147**	**26.917**
Total (A + B)	**4.188**	**24.588**	**21.743**	**-**	**-**	**50.519**	**28.802**

SECTION 3
FINANCIAL ASSETS AT FAIR VALUE – ITEM 30

Gruppo Banca Sella currently has no transactions of this type.

SECTION 4
FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Financial assets available for sale: product breakdown

Items/Value	31/12/2005			31/12/2004		
	Listed	Unlisted	Total	Listed	Unlisted	Total
1. Debt securities	182.505	9.743	**192.248**	183.825	8.932	**192.757**
2. Equities	8	56.278	**56.286**	8	59.963	**59.971**
3. Mutual funds units	149	-	**149**	417	-	**417**
4. Loans	-	-	**-**	-	-	**-**
5. Impaired assets	-	-	**-**	-	-	**-**
6. Assets sold but not derecognised	-	-	**-**	-	-	**-**
Total	**182.662**	**66.021**	**248.683**	**184.250**	**68.895**	**253.145**

As described in Part A, for shareholdings represented by unlisted financial instruments, not managed for trading purposes and not qualifiable for control, cross shareholding and joint control, the book value is maintained at cost since it is held that, at the moment, it is not possible to accurately determine the fair value. Hence, stakes held in MTS S.p.A. and Banca Cesare Ponti S.p.A. are entered at their fair value, taken to be the price established for sale to third parties from outside of the Group; these sales, for which formal agreements existed at the date of the financial statements, were concluded during the firs part of the 2006 financial year.

Among overall stakes held at cost is included the 7,96% shareholding held in Borsa Italiana S.p.A. corresponding to 1.291.184 shares at an average book value of € 12,17 per share.

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

Items/Value	31/12/2005	31/12/2004
1. Debt securities	**192.248**	**192.757**
a) Governments and Central Banks	157.210	179.112
b) Other public-sector bodies	-	-
c) Banks	1.980	4.713
d) Other issuers	33.058	8.932
2. Equities	**56.286**	**59.971**
a) Banks	11.919	20.528
b) Other issuers:	44.367	39.443
- insurance companies	-	-
- financial companies	15.689	13.110
- non-financial companies	27.837	19.538
- other	841	6.795
3. Mutual funds units	**149**	**417**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other	-	-
6. Assets sold but not derecognised	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**248.683**	**253.145**

4.3 Financial assets available for sale: hedged assets

Assets/Type of cover	Hedged assets			
	31/12/2005		31/12/2004	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	182.505	-	183.825	-
2. Equities	-	-	-	-
3. Mutual funds units	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
Total	**182.505**	**-**	**183.825**	**-**

4.4 Financial assets available for sale: micro-hedged assets

Items/Components	31/12/2005	31/12/2004
1. Financial assets with fair value micro-hedging		
a) interest rate risk	-	-
b) price risk	-	-
c) exchange rate risk	-	-
d) credit risk	-	-
e) multiple risks	182.505	183.825
2. Financial assets with cash flow micro-hedging		
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**182.505**	**183.825**

SECTION 5
FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

5.1 Financial assets held to maturity: product breakdown

Type of transaction / Group components	31/12/2005 Book value	31/12/2005 Fair value	31/12/2004 Book value	31/12/2004 Fair value
1. Debt securities	82.907	87.111	58.154	61.423
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not derecognised	-	-	24.525	26.041
Total	**82.907**	**87.111**	**82.679**	**87.464**

5.2 Financial assets held to maturity: borrowers/issuers

Type of transaction/Value	31/12/2005	31/12/2004
1. Debt securities	**82.907**	**82.679**
a) Governments and Central Banks	79.787	79.545
b) Other public-sector bodies	335	349
c) Banks	2.013	2.013
d) Other issuers	772	772
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other	-	-
3. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other	-	-
4. Assets sold but not derecognised	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public-sector bodies	-	-
c) Banks	-	-
d) Other	-	-
Total	**82.907**	**82.679**

SECTION 6
DUE FROM BANKS – ITEM 60

6.1 Due from banks: product breakdown

Type of transaction/Value	31/12/2005	31/12/2004
a) Due from central banks	**230.529**	**242.632**
1. Term deposits	1.495	1.463
2. Required reserves	223.366	241.169
3. Due from repurchase agreements	-	-
4. Other	5.668	-
B) Due from banks	**1.268.096**	**1.242.968**
1. Current accounts and demand deposits	346.357	164.626
2. Term deposits	398.267	352.629
3. Other loans	523.472	715.691
4. Debt securities	-	10.022
5. Impaired assets	-	-
6. Assets sold but not derecognised	-	-
Total (book value)	**1.498.625**	**1.485.600**

6.2 Due from banks: assets subject to micro-hedging

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

SECTION 7
DUE FROM CUSTOMERS – ITEM 70

7.1 Due from customers: product breakdown

Type of transaction/Value	31/12/2005	31/12/2004
1. Current accounts	708.601	734.184
2. Repurchase agreements	-	-
3. Mortgages	1.898.306	1.794.191
4. Credit cards, personal loans and loans guaranteed by salary	673.870	648.648
5. Financial leasing	717.713	604.260
6. Factoring	-	-
7. Other transactions	1.458.112	1.243.944
8. Debt securities	-	-
9. Impaired assets	142.047	155.726
10. Assets sold but not derecognised	258.295	-
Total (book value)	**5.856.944**	**5.180.953**

For the sub-item "Impaired assets" see Part E – Information on risks and related hedging policies, Credit risk section.

7.2 Due from customers: breakdown by borrowers/issuers

Type of transaction/Value	31/12/2005	31/12/2004
1. Debt securities issued by:		
a) Governments	-	-
b) other public-sector bodies	-	-
c) other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Loans to:		
a) Governments	13.122	11.425
b) other public-sector bodies	16.581	28.438
c) other	5.426.899	4.985.364
- non-financial companies	2.769.871	2.437.956
- financial companies	383.049	174.573
- insurance companies	-	-
- other	2.273.979	2.372.835
3. Impaired assets:		
a) Governments	-	-
b) other public-sector bodies	-	-
c) other	142.047	155.726
- non-financial companies	82.735	93.576
- financial companies	397	741
- insurance companies	-	-
- other	58.915	61.409
4. Assets sold but not derecognised:		
a) Governments	-	-
b) other public-sector bodies	-	-
c) other	258.295	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	258.295	-
Total	**5.856.944**	**5.180.953**

7.3 Due from customers: assets subject to micro-hedging

Type of transaction/Value	31/12/2005
1. Receivables subject to fair value micro-hedging:	**1.237.929**
a) interest rate risk	1.237.929
b) exchange rate risk	-
c) credit risk	-
d) multiple risks	-
2. Receivables subject to cash flow micro-hedging:	**-**
a) interest rate risk	-
b) exchange rate risk	-
c) other	-
Total	**1.237.929**

SECTION 8
HEDGING DERIVATIVES – ITEM 80

8.2 Hedging derivatives: breakdown by contract type and underlying assets

Derivative type /Underlying assets	Interest rates	Currency and gold	Equities	Loans	Other	Total
A. LISTED						
1. Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal						
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
with no exchange of principal						
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-
swith no exchange of principal	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) UNLISTED						
1. Financial derivatives	**3.395**	**-**	**-**	**-**	**-**	**3.395**
with exchange of principal						
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
with no exchange of principal						
- purchased options	-	-	-	-	-	-
- other derivatives	3.395	-	-	-	-	3.395
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-
with no exchange of principal	-	-	-	-	-	-
Total B	**3.395**	**-**	**-**	**-**	**-**	**3.395**
Total (A+B)	**3.395**	**-**	**-**	**-**	**-**	**3.395**

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

Transaction/Type of cover	Fair Value						Cash flow	
	Micro					Macro	Micro	Macro
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks			
1. Financial assets available for sale	-	-	-	-	-	x	-	x
2. Loans	-	-	-	x	-	x	-	x
3. Financial assets held to maturity	x	-	-	x	-	x	-	x
4. Portfolio	x	x	x	x	x	-	x	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	3.395	-	-	x	-	x	-	x
2. Portfolio	x	x	x	x	x	-	x	-
Total liabilities	**3.395**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 9
VALUE ADJUSTMENTS FOR FINANCIAL ASSETS SUBJECT TO MACRO-HEDGING – ITEM 90

Gruppo Banca Sella currently has no macro-hedging transactions.

SECTION 10
EQUITY INVESTMENTS – ITEM 100

10.1 Stakes in jointly controlled companies (valued at equity) and in companies subject to significant influence: information on equity investments

Name	Registered Office	Type of relationship	Shareholding relationship		% Voting rights
			Investor company	% Ownership	
B. COMPANY					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Monaco	associated	Sella Holding NV	45,0000%	45,0000%
SELCRE S.p.A. in liquidation	Biella	associated	Brosel S.p.A.	39,0000%	39,0000%
			Banca Sella S.p.A.	10,0000%	10,0000%
INTERNATIONAL CAPITAL GESTION S.A.	France	associated	International Capital Holding S.A.	33,4950%	33,4950%

10.2 Stakes in jointly controlled companies and in companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Consolidated book value
A. EQUITY METHOD					
A.2 subject to significant influence					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	56.725	5.720	646	10.747	4.838
SELCRE S.p.A. in liquidation	29.295	42.026	(17.178)	20.954	10
INTERNATIONAL CAPITAL GESTION S.A.	3.970	3.873	225	2.841	951
Total					**5.799**

SECTION 11
TECHNICAL RESERVES CHARGED TO REINSURERS – ITEM 110

11.1 Technical reserves charged to reinsurers: breakdown

	31/12/2005	31/12/2004
A. Non-life	**379**	**134**
A.1 unearned premium reserve	310	94
A.2 outstanding claims reserve	69	40
A.3 other reserves	-	-
B. Life	**1.800**	**994**
B.1 actuarial reserves	1.758	970
B.2 outstanding claims reserve	-	-
B.3 other reserves	42	24
C. Technical reserves where the investment risk is born by the policyholders	**-**	**-**
C.1 reserves relating to mutual funds and index-linked contracts	-	-
C.2 reserves deriving from the administration of pension funds	-	-
Total	**2.179**	**1.128**

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

Opening balance	**1.128**
A. Non-life	**245**
A.1 unearned premium reserve	216
A.2 outstanding claims reserve	29
A.3 other reserves	-
B. Life	**806**
B.1 actuarial reserves	788
B.2 outstanding claims reserve	-
B.3 other reserves	18
C. Technical reserves where the investment risk is born by the policyholders	**-**
C.1 reserves relating to mutual funds and index-linked contracts	-
C.2 reserves deriving from the administration of pension funds	-
Closing balance	**2.179**

SECTION 12
TANGIBLE ASSETS – ITEM 120

12.1 Tangible assets: breakdown of assets valued at cost

Assets/Value	31/12/2005	31/12/2004
A. Assets for operational use		
1.1 owned	**208.280**	**200.942**
a) land	33.253	31.931
b) buildings	141.500	139.892
c) furniture	4.640	5.443
d) electronic equipment	14.294	11.285
e) other	14.593	12.391
1.2 acquired through financial leasing	**3.096**	**3.646**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	3.096	3.646
e) other	-	-
Total A	**211.376**	**204.588**
B. Assets held for investment purposes		
2.1 owned	**4.264**	**3.764**
a) land	1.034	1.034
b) buildings	3.230	2.730
c) other	-	-
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) other	-	-
Total B	**4.264**	**3.764**
Total (A + B)	**215.640**	**208.352**

12.3 Tangible assets for operational use: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	**31.931**	**150.374**	**16.330**	**117.366**	**13.122**	**329.123**
A.1 Total net reductions	-	10.482	10.887	102.435	731	124.535
A.2 Opening balance	**31.931**	**139.892**	**5.443**	**14.931**	**12.391**	**204.588**
B. Additions	**2.512**	**6.585**	**1.068**	**11.918**	**3.610**	**25.693**
B.1 Purchases	2.512	6.474	931	11.839	3.576	25.332
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-ups	-	-	-	-	-	-
B.4 Increases in fair value attributable to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 additions due to exchange rate differences	-	21	11	5	-	37
B.6 Transfer from properties held for investment purposes	-	-	-	-	-	-
B.7 Other changes	-	90	126	74	34	324
C. Reductions	**1.190**	**4.977**	**1.871**	**9.459**	**1.408**	**18.905**
C.1 Disposals	1.100	899	142	74	642	2.857
C.2 Depreciation	-	3.126	1.729	9.338	756	14.949
C.3 Write-downs for impairment attributable to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value attributable to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Reductions due to exchange rate differences	57	92	-	-	1	150
C.6 Transfers to:	-	776	-	-	-	776
a) tangible assets held for investment purposes	-	776	-	-	-	776
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	33	84	-	47	9	173
D. Net closing balance	**33.253**	**141.500**	**4.640**	**17.390**	**14.593**	**211.376**
D.1 Total net reductions	-	13.608	12.616	111.773	1.487	139.484
D.2 Gross closing balance	**33.253**	**155.108**	**17.256**	**129.163**	**16.080**	**350.860**
E. Valuation at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.4 Tangible assets held for investment purposes annual changes

	Land	Buildings	Total
A. Opening balance	**1.034**	**2.730**	**3.764**
B. Additions	**-**	**796**	**796**
B.1 Purchases	-	20	20
B.2 Capitalised improvement expenses	-	-	-
B.3 Additions in fair value	-	-	-
B.4 Write-downs	-	-	-
B.5 Additions due to exchange rate differences	-	-	-
B.6 Transfers from properties held for operational use	-	776	776
B.7 Other changes	-	-	-
C. Reductions	**-**	**296**	**296**
C.1 Disposals	-	-	-
C.2 Depreciation	-	132	132
C.3 Reductions in fair value	-	-	-
C.4 Write-downs for impairment	-	164	164
C.5 Reductions due to exchange rate differences	-	-	-
C.6 Transfers from other asset portfolios:	-	-	-
a) properties for operational use	-	-	-
b) non-current assets due for sale	-	-	-
C.7 Other changes	-	-	-
D. Closing balance	**1.034**	**3.230**	**4.264**
E. Valuation at fair value	**-**	**-**	**-**

SECTION 13
INTANGIBLE ASSETS – ITEM 130

13.1 Intangible assets: breakdown by asset type

Assets/values	31/12/2005			31/12/2004		
	Limited useful life	Unlimited useful life	Total	Limited useful life	Unlimited useful life	Total
A.1 Goodwill:	**x**	**41.039**	**41.039**	**x**	**42.978**	**42.978**
A.1.1 attributable to the Group	x	41.039	41.039	x	42.978	42.978
A.1.2 attributable to minorities	x	-	-	x	-	-
A.2 Other intangible assets:	**18.377**	**-**	**18.377**	**16.628**	**-**	**16.628**
A.2.1 Assets valued at cost	18.377	-	18.377	16.628	-	16.628
a) intangible assets generated internally	-	-	-	-	-	-
b) other assets	18.377	-	18.377	16.628	-	16.628
A2.2 Assets valued at fair value:	-	-	-	-	-	-
a) intangible assets generated internally	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**18.377**	**41.039**	**59.416**	**16.628**	**42.978**	**59.606**

As indicated in IAS 36 (paragraphs 8, 9, 10), for each reference date on the financial statements, an organisation has to check whether an asset may have reduced in value (impairment test). Regardless of whether or not there are any indications of long-term impairment, goodwill must be tested on a minimum annual basis. In accordance with IAS 36, an asset suffers long-term impairment when its book value is greater than its recoverable value, which is the higher between its fair value less selling costs and its value in use. The impairment test for goodwill entered in the financial statements to 31/12/2005 was carried out by defining the value in use of the goodwill and comparing it against the relevant book value.
Estimation of value in use was carried out by discounting income flows, determined according to the most recently formulated plan communicated to the Parent Company.
The analysis showed the absence of long-term impairment losses for almost all goodwill entered in the financial statements, with the exception of goodwill deriving from the consolidation of International Capital Holding and Sella Bank Luxembourg totalling € 1,6 million.

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Gross opening balance	**42.978**	**-**	**-**	**33.284**	**-**	**76.262**
A.1 Total net reductions	-	-	-	16.656	-	16.656
A.2 Net opening balance	**42.978**	**-**	**-**	**16.628**	**-**	**59.606**
B. Additions	**532**	**-**	**-**	**13.093**	**-**	**13.625**
B.1 Purchases	452	-	-	12.213	-	12.665
B.2 Additions in internal intangible assets	x	-	-	-	-	-
B.3 Write-ups	x	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- shareholders' equity	x	-	-	-	-	-
- income statement	x	-	-	-	-	-
B.5 Additions due to exchange rate differences	-	-	-	36	-	36
B.6 Other changes	80	-	-	844	-	924
C. Reductions	**2.471**	**-**	**-**	**11.344**	**-**	**13.815**
C.1 Disposals	843	-	-	297	-	1.140
C.2 Write-downs	1.628	-	-	10.567	-	12.195
- amortization	x	-	-	10.567	-	10.567
- depreciations	-	-	-	-	-	-
- shareholders' equity	x	-	-	-	-	-
- income statement	1.628	-	-	-	-	1.628
C.3 Reductions in fair value	-	-	-	-	-	-
- shareholders' equity	x	-	-	-	-	-
- income statement	x	-	-	-	-	-
C.4 Transfers to non-current assets due for sale	-	-	-	-	-	-
C.5 Reductions due to exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	480	-	480
D. Net closing balance	**41.039**	**-**	**-**	**18.377**	**-**	**59.416**
D.1 Total net write-downs	-	-	-	76.905	-	76.905
E. Gross closing balance	**41.039**	**-**	**-**	**95.282**	**-**	**136.321**
F. Valuation at cost	**-**	**-**	**-**	**-**	**-**	**-**

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

14.1 Prepaid tax assets: breakdown

	Setting off the income statement			Setting off shareholders' equity	31/12/2005	31/12/2004
	Tax losses	Write-downs to loans	Others			
- IRES	3.959	6.957	41.576	3.553	**56.045**	**18.590**
- IRAP	247	262	1.962	538	**3.009**	**922**
- Other	-	-	-	-	-	-
Total	**4.206**	**7.219**	**43.538**	**4.091**	**59.054**	**19.512**

Prepaid taxes were entered with reference to the temporary deductible differences and refer mainly to write-downs on loans, to provisions for risks and charges and write-downs on equities.

14.2 Deferred tax liabilities: breakdown

	Setting off the income statement	Setting off shareholders' equity	31/12/2005	31/12/2004
- IRES	8.526	595	**9.121**	**17.102**
- IRAP	1.103	1	**1.104**	**2.128**
- Other	-	-	-	-
Total	**9.629**	**596**	**10.225**	**19.230**

Deferred taxes were entered with reference to the temporary deductible differences and mainly reffered to appreciation of assets during the first application of international accounting standards.

14.3 Changes to prepaid taxes (setting off income statement)

	31/12/2005
1. Opening balance	**19.512**
2. Additions	**45.953**
2.1 Prepaid taxes paid during the year:	45.953
a) relating to previous years	-
b) due to changes in accounting policies	24.751
c) write-ups	-
d) other	21.202
2.2 New taxes cancelled during the year	-
2.3 Other additions	-
3. Reductions	**10.502**
3.1 Prepaid taxes cancelled during the year:	10.502
a) transfers	10.502
b) depreciation for unrecoverable items	-
c) changes in accounting policies	-
3.2 Reductions in tax rates	-
3.3 Other reductions	-
4. Closing balance	**54.963**

14.4 Changes to deferred taxes (setting off income statement)

	31/12/2005
1. Opening balance	**11.298**
2. Additions	**5.665**
2.1 Deferred taxes during the year:	5.665
a) relating to previous years	-
b) due to changes in accounting policies	1.258
c) other	4.407
2.2 New taxes or increases in tax rates	-
2.3 Other additions	-
3. Reductions	**7.334**
3.1 Deferred taxes cancelled during the year:	7.334
a) transfers	7.334
b) due to changes in accounting policies	-
c) other	-
3.2 Reductions in tax rates	-
3.3 Other reductions	-
4. Closing balance	**9.629**

14.5 Changes to prepaid taxes (setting off shareholders' equity)

	31/12/2005
1. Opening balance	**-**
2. Additions	**4.091**
2.1 Prepaid taxes paid during the year:	4.091
a) relating to previous years	-
b) due to changes in accounting policies	-
c) other	4.091
2.2 New taxes or increases in tax rates	-
2.3 Other additions	-
3. Reductions	**-**
3.1 Prepaid taxes cancelled during the year:	-
a) transfers	-
b) writedowns for unrecoverable items	-
c) due to changes in accounting policies	-
3.2 Reductions in tax rates	-
3.3 Other reductions	-
4. Closing balance	**4.091**

14.6 Changes to deferred taxes (setting off shareholders' equity)

	31/12/2005
1. Opening balance	**7.932**
2. Additions	**591**
2.1 Deferred taxes paid during the year:	591
a) relating to previous years	-
b) due to changes in accounting policies	-
c) other	591
2.2 New taxes or increases in tax rates	-
2.3 Other additions	-
3. Reductions	**7.927**
3.1 Deferred taxes cancelled during the year:	7.927
a) transfers	7.927
b) due to changes in accounting policies	-
c) other	-
3.2 Reductions in tax rates	-
3.3 Other reductions	-
4. Closing balance	**596**

14.7 Other information

Some Group companies were involved in the so-called realignment of taxes to financial statement values (article 1, paragraph 469 of Law 266/05). Realigned assets consist of property assigned in turn with uninterrupted tax values, in accordance with article 7 of Law 208/90 (the so-called Amato Law). Realignment of these differentials, which can be obtained by paying 12% substitute tax (or 6% for instrumental property), cancelled the entire deferred taxation that was set aside following the differentials between the accounting value and the taxation value of these assets (c. € 7,9 million). At the same time current tax liabilities were set aside, corresponding to the substitute tax (c. € 2,5 million). Both effects were offset directly among shareholders' equity, with a positive effect of c. € 5,4 million.
Some Group companies carried out a tax revaluation of properties, taking advantage of the opportunity provided by the a.m. Law 266/2005, again by the payment of substitute tax. The positive effect on the shareholders' equity, induced by the reduction in deferred tax liabilities, by the increase in prepaid taxes net of substitute tax, amounted to c. € 6 million.

SECTION 15
NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES – ITEM 150 (ASSETS) AND ITEM 90 (LIABILITIES)

15.1 Non-current assets and groups of assets held for sale: breakdown by type of assets

	31/12/2005	31/12/2004
A. Individual assets		
A.1 Equity investments	-	-
A.2 Tangible assets	-	-
A.3 Intangible assets	-	-
A.4 Other non-current assets	-	-
Total A	**-**	**-**
B. Groups of assets (sold units)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets valued at fair value	-	-
B.3 Financial assets available for sale	-	1.122
B.4 Financial assets held to maturity	-	-
B.5 Receivables due from banks	-	5.129
B.6 Receivables due from customers	-	1.775
B.7 Equity investments	-	-
B.8 Tangible assets	-	513
B.9 Intangible assets	-	882
B.10 Other assets	-	2.668
Total B	**-**	**12.089**
C. Liabilities associated with individual assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities associated with groups of assets held for sale		
D.1 Due to banks	-	60
D.2 Due to customers	-	268
D.3 Securities in issue	-	-
D.4 Financial trading liabilities	-	-
D.5 Financial liabilities valued at fair value	-	-
D.6 Reserves	-	6.228
D.7 Other liabilities	-	2.032
Total D	**-**	**8.588**

The assets entered in the total B and associated liabilities entered in total D refer to the companies International Capital Bourse S.A. and International Capital Gestion S.A. These companies are included in this section owing to the commencement, during 2004, of activities for their transfer.
The sale was completed, as forecast, during 2005, and item 310 of the income statement shows the losses deriving from the evaluation of assets and liabilities during the transfer, in relation to the offers received.

SECTION 16
OTHER ASSETS – ITEM 160

16.1 Other assets: breakdown

	31/12/2005	31/12/2004
Items in transit	2.125	424
Items being processed	32.448	14.902
Current account cheques drawn against third parties	57.581	55.189
Current account cheques drawn against the bank	17.481	29.315
Advances made by tax authorities for third parties	5.205	32.957
Commission and fees in the process of collection	41.079	29.828
Expenses for improvements to third-party property	3.334	3.911
Miscellaneous payment orders in process of collection	62.727	66.786
Pensions recognised and pending payment by INPS (Social Security Service)	50.468	-
Advances made to suppliers	8.944	8.654
Offset of foreign exchange transactions	-	24.400
Consolidation adjustments	630	1.657
Other	65.433	65.659
Total	**347.455**	**333.682**

INFORMATION ABOUT CONSOLIDATED BALANCE SHEET LIABILITIES

SECTION 1
DUE TO BANKS - ITEM 10

1.1 Due to banks: product breakdown

Type of transaction / Group components	31/12/2005	31/12/2004
1. Due to central banks	**-**	**-**
2. Due to banks	**474.991**	**633.806**
2.1 Current accounts and demand deposits	39.299	103.818
2.2 Time deposits (including fixed deposit accounts)	269.864	191.509
2.3. Loans	122.319	244.060
2.3.1 financial leasing	-	-
2.3.2 others	122.319	244.060
2.4 Debt servicing commitments to repurchase own capital	-	-
2.5. Liabilities on assets sold but not written-off	43.509	94.146
2.5.1 repurchase agreements	43.509	94.146
2.5.2 others	-	-
2.6 Miscellaneous debts	-	273
Total	**474.991**	**633.806**

SECTION 2
DUE TO CUSTOMERS - ITEM 20

2.1 Due to customers: product breakdown

Type of transaction / Group components	31/12/2005	31/12/2004
1. Current accounts and demand deposits	5.321.615	4.745.464
2. Time deposits and fixed deposit accounts	219.199	177.287
3. Third-party funds in administration	15.690	17.681
4. Loans	380	252
4.1 financial leasing	-	-
4.2 others	380	252
5. Debt servicing commitments to repurchase own capital	-	-
6. Liabilities on assets sold but not written-off	765.906	628.425
6.1 repurchase agreements liabilities	504.828	628.425
6.2 others	261.078	-
7. Miscellaneous debts	386.564	180.431
Total	**6.709.354**	**5.749.540**

SECTION 3
OUTSTANDING SECURITIES - ITEM 30

3.1 Outstanding securities: product breakdown

Type of securities/Group components	31/12/2005		31/12/2004	
	Book value	Fair value	Book value	Fair value
A. Listed securities	**501.688**	**501.688**	**401.574**	**401.574**
1. Bonds	501.688	501.688	401.574	401.574
2. Other	-	-	-	-
B. Unlisted securities	**846.168**	**846.168**	**1.020.383**	**1.020.383**
1. Bonds	705.583	705.583	881.473	881.473
2. Other	140.585	140.585	138.910	138.910
Total	**1.347.856**	**1.347.856**	**1.421.957**	**1.421.957**

3.2 Details of item 30 “Outstanding securities: subordinated securities (current regulations)

	31/12/2005	31/12/2004
- subordinated securities	248.368	256.071
Total	**248.368**	**256.071**

3.3 Details of item 30 “Outstanding securities”: micro-hedged securities

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

SECTION 4
TRADING LIABILITIES - ITEM 40

4.1 Financial trading liabilities: product breakdown

Type of securities/Group components	31/12/2005				31/12/2004			
	NV	FV		FV*	NV	FV		FV*
		L	NL			L	NL	
A. Cash liabilities								
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives								
1. Financial derivatives	x	-	41.321	x	x	-	37.697	x
1.1 From trading	x	-	41.321	x	x	-	37.697	x
1.2 Connected with fair value option	x	-	-	x	x	-	-	x
1.3 Other	x	-	-	x	x	-	-	x
2. Credit derivatives	x	-	-	x	x	-	-	x
2.1 From trading	x	-	-	x	x	-	-	x
2.2 Connected with fair value option	x	-	-	x	x	-	-	x
2.3 Other	x	-	-	x	x	-	-	x
Total B	**x**	**-**	**41.321**	**x**	**x**		**37.697**	**x**
Total (A+B)	**-**	**-**	**41.321**	**-**	**-**		**37.697**	**-**

KEY:
FV = fair value
FV= fair value calculated excluding variations in value due to change in issuer's credit rating from date of issue.*
NV = nominal or notional value
L = listed
NL = not listed

4.4 Financial trading liabilities: derivatives

Type of derivatives/Underlying assets	Interest rate	Currency and gold	Equities	Loans	Other	31/12/2005	31/12/2004
A) LISTED DERIVATIVES							
1. Financial derivatives	**80**	**-**	**1.726**	**-**	**6.540**	**8.346**	**1.258**
with exchange of principal	80	-	-	-	6.540	6.620	4
- options issued	-	-	-	-	-	-	-
- other derivatives	80	-	-	-	6.540	6.620	4
with no exchange of principal	-	-	1.726	-	-	1.726	1.254
- options issued	-	-	1.702	-	-	1.702	1.247
- other derivatives	-	-	24	-	-	24	7
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-	-
with no exchange of principal	-	-	-	-	-	-	-
Total A	**80**	**-**	**1.726**	**-**	**6.540**	**8.346**	**1.258**
B) UNLISTED DERIVATIVES							
1. Financial derivatives	**15.594**	**13.613**	**3.657**	**-**	**111**	**32.975**	**36.439**
with exchange of principal	-	13.097	960	-	-	14.057	32.241
- options issued	-	4.272	-	-	-	4.272	-
- other derivatives	-	8.825	960	-	-	9.785	32.241
with no exchange of principal	15.594	516	2.697	-	111	18.918	4.198
- options issued	3.921	-	2.697	-	-	6.618	10
- other derivatives	11.673	516	-	-	111	12.300	4.188
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-	-
with no exchange of principal	-	-	-	-	-	-	-
Total B	**15.594**	**13.613**	**3.657**	**-**	**111**	**32.975**	**36.439**
Total (A+B)	**15.674**	**13.613**	**5.383**	**-**	**6.651**	**41.321**	**37.697**

SECTION 5
FINANCIAL LIABILITIES ASSESSED AT FAIR VALUE - ITEM 50

Gruppo Banca Sella is not currently involved in this type of operation.

SECTION 6
HEDGE DERIVATIVES - ITEM 60

6.1 Hedge derivatives: breakdown by type of contract and underlying assets

Type of derivatives/Underlying assets	Interest rates	Currency and gold	Equites	Loans	Other	31/12/2005
A) LISTED						
1) Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
with no exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-
with no exchange of principal	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) UNLISTED						
1) Financial derivatives:	**11.995**	**-**	**-**	**-**	**-**	**11.995**
with exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
with no exchange of principal	11.995	-	-	-	-	11.995
- options issued	-	-	-	-	-	-
- other derivatives	11.995	-	-	-	-	11.995
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of principal	-	-	-	-	-	-
with no exchange of principal	-	-	-	-	-	-
Total B	**11.995**	**-**	**-**	**-**	**-**	**11.995**
Total (A+B) 2005	**11.995**	**-**	**-**	**-**	**-**	**11.995**
Total (A+B) 2004	**-**	**-**	**-**	**-**	**-**	**-**

6.2 Hedge derivatives: by hedged portfolio and type of hedge

Operations/Type of hedge	Fair value hedge						Financial flows hedge	
	Micro					Macro	Micro	Macro
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks			
1. Financial assets available for sale	-	-	-	-	-	x	-	x
2. Credits	11.995	-	-	x	-	x	-	x
3. Financial assets held to maturity	x	-	-	x	-	x	-	x
4. Portfolio	x	x	x	x	x	-	x	-
Total assets	**11.995**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	x	-	x
2. Portfolio	x	x	x	x	x	-	x	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 7
VALUE ADJUSTMENT OF FINANCIAL LIABILITIES WITH MACRO HEDGE - ITEM 70

Gruppo Banca Sella currently has no macro hedges.

SECTION 8
TAX LIABILITIES - ITEM 80

See section 14 under Assets.

SECTION 9
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE - ITEM 90

See section 15 under Assets.

SECTION 10
OTHER LIABILITIES - ITEM 100

10.1 Other liabilities: breakdown

	31/12/2005	31/12/2004
Liability items in transit	1.357	20
Caution deposits from third parties	249	68
Tax payables on behalf on third parties	12.472	12.041
Write-downs for illiquid items in portfolio	83.061	55.745
Sums available to clients	37.400	77.274
Semi-finished items	10.614	6.748
Debts with suppliers and commissions payable	66.262	59.723
Payable for staff expenses	27.697	24.379
Payable for guarantees and commitments	2.838	2.806
Receivables for insurance activity	195.585	-
Transfers and payments to be processed	87.488	34.888
Other liabilities	57.976	40.501
Total	**582.999**	**314.193**

SECTION 11
STAFF SEVERANCE INDEMNITIES - ITEM 110

11.1 Staff severance indemnities: annual variation

A. Opening balance	**40.950**
B. Additions	**6.387**
B.1 Allocated funds	5.773
B.2 Other additions	614
C. Reductions	**1.391**
C.1 Severance payments made	1.391
C.2 Other reduction	-
D. Closing balance	**45.946**

SECTION 12
PROVISIONS FOR RISKS AND CHARGES - ITEM 120

12.2 Provisions for risks and charges: breakdown

Items/ Components	31/12/2005	31/12/2004
1. Reserves for company pensions	-	-
2. Other reserves for risks and charges	33.923	17.164
2.1 Defendant litigation and claims from clients	12.079	6.588
2.2 Operating risk for Group companies	9.491	1.300
2.3 Bankruptcy revocations	4.251	1.922
2.4 Other	8.102	7.354
Total	**33.923**	**17.164**

Claims could be made against the company Sella Bank Luxembourg as a result of presumed liabilities relating to its activity with certain counterparties; as a consequence, investigations have been conducted to determine potential risk. Sella Holding Banca, which exercises direct and indirect control over said company, has undertaken to indemnify it against any consequent charges, by providing it with the necessary financial support in order to maintain minimum capital requirements to ensure company operations. Based on the controls performed by Group resources, by the auditing firm appointed by the local regulatory authority, and based on the opinion of outside legal consultants, it is believed that the amount entered at the balance sheet is the best estimate of the potential liability that could be incurred.

12.2 Provision for risks and charges: annual variation

Items/Components	31/12/2005	
	Pensions	Other
A. Opening balance	**-**	**17.164**
B. Additions	**-**	**26.749**
B.1 Allocated for period	-	20.442
B.2 Variations due to changes over time	-	33
B.3 Variations due to changes in discount rate	-	-
B.4 Other	-	6.274
C. Reductions	**-**	**9.990**
C.1 Funds used during period	-	6.209
C.2 Variations due to changes in discount rate	-	3
C.3 Other	-	3.778
D. Closing balance	**-**	**33.923**

SECTION 13
TECHNICAL RESERVES - ITEM 130

13.1 Technical reserves: breakdown

	Direct business	Indirect business	31/12/2005	31/12/2004
A. Non-life sector	**1.054**	**-**	**1.054**	**499**
A.1 premiums reserves	681	-	681	249
A.2 claims reserves	249	-	249	175
A.3 other reserves	124	-	124	75
B. Life sector	**313.775**	**-**	**313.775**	**470.579**
B.1 actuarial reserves	305.469	-	305.469	462.424
B.2 reserves for sums to pay	2.244	-	2.244	4.047
B.3 other reserves	6.062	-	6.062	4.108
C. Technical reserves when investment risk is supported by insurers	**356.957**	**-**	**356.957**	**379.245**
C.1 reserves related to contracts whose performance is connected with mutual fund and market indexes	356.957	-	356.957	379.245
C.2 reserves deriving from pension fund management	-	-	-	-
D. Total technical reserves	**671.786**	**-**	**671.786**	**850.323**

13.2 Technical reserves: annual variation

	31/12/2004	Variation	31/12/2005
A. Non-life sector	**499**	**555**	**1.054**
A.1 premiums reserves:	249	432	681
- reserves for premium portions	249	432	681
- reserves for outstanding risks	-	-	-
A.2 claims reserves:	175	74	249
- reserves for compensation and direct expenses	115	64	179
- reserves for settlement costs	-	-	-
- reserves for damages incurred and not yet reported	60	10	70
A.3 other reserves	75	49	124
B. Life sector	**470.579**	**(156.804)**	**313.775**
B.1 actuarial reserves	462.424	(156.955)	305.469
B.2 reserves for sums to pay	4.047	(1.803)	2.244
B.3 other reserves	4.108	1.954	6.062
C. Technical reserves when investment risk is supported by insurers	**379.245**	**(22.288)**	**356.957**
C.1 reserves related to contracts whose performance is connected with mutual funds and market indexes	379.245	(22.288)	356.957
C.2 reserves deriving from pension fund management	-	-	-
D. Total technical reserves	**850.323**	**(178.537)**	**671.786**

SECTION 14
REDEEMABLE SHARES - ITEM 150

Gruppo Banca Sella is not currently involved in this type of operation.

SECTION 15
GROUP EQUITY - ITEMS 140, 160, 170, 180, 190, 200 AND 220

15.1 Group equity: breakdown

Items/Values	31/12/2005	31/12/2004
1. Capital	20.000	20.000
2. Share premium	-	-
3. Reserves	275.731	291.221
4. (Own shares)	(979)	(979)
5. Assessment reserves	35.178	25.140
6. Capital instruments	-	-
7. Group profits (losses) for the period	30.938	19.548
Total	**360.868**	**354.930**

15.2 "Capital" and "Own shares": breakdown

	Shares issued	Shares underwritten and not yet paid	31/12/2005	31/12/2004
A. Capital				
A.1 ordinary shares	20.000	-	20.000	20.000
A.2 preferred shares	-	-	-	-
A.3 other shares	-	-	-	-
Total	**20.000**		**20.000**	**20.000**
B. Own shares				
B.1 ordinary shares	(979)	-	(979)	(979)
B.2 preferred shares	-	-	-	-
B.3 other shares	-	-	-	-
Total	**(979)**	**-**	**(979)**	**(979)**

15.3 Capital - number of Parent company shares: annual variation

Items/Type	Ordinary	Other	Total
A. Total shares at start of period	**-**	**-**	**-**
- entirely paid	40.000.000	-	40.000.000
- not entirely paid	-	-	-
A.1 Own shares (-)	(378.944)	-	(378.944)
A.2 Outstanding shares: initial values	**39.621.056**	**-**	**39.621.056**
B. Additions	**-**	**-**	**-**
B.1 New issues	-	-	-
- for payment:	-	-	-
- merger operations	-	-	-
- bond conversion	-	-	-
- warrant options	-	-	-
- others	-	-	-
- free of charge:	-	-	-
- to employees	-	-	-
- to directors	-	-	-
- others	-	-	-
B.2 Sale of own shares	-	-	-
B.3 Other variations	-	-	-
C. Reductions	**-**	**-**	**-**
C.1 Cancellation	-	-	-
C.2 Acquisition of own shares	-	-	-
C.3 Company sale operations	-	-	-
C.4 Other variations	-	-	-
D. Outstanding shares: final values	**39.621.056**	**-**	**39.621.056**
D.1 Own shares (+)	378.944	-	378.944
D.2 Total shares at end of period	-	-	-
- entirely paid	40.000.000	-	40.000.000
- not entirely paid	-	-	-

15.4 Capital: other information

On 31/12/2005 capital was made up of 40.000.000 ordinary shares with nominal value of € 0,50. There was no change from 31/12/2004.

15.5 Reserves: other information

The item “reserves” includes:
- legal reserve set up in accordance with law using allocations of at least 5% of annual net profits;
- statutory reserve set up in past based on corporate by-laws, allocating fixed share of annual profits;
- reserve according to Law 218 of 30/7/1990, set up when the merger was carried out in accordance with the aforementioned law;
- other reserves (special reserve, capital gains to be reinvested and extraordinary reserve), deriving from allocation of shares of profits;
- consolidation reserves and first application of IAS/IFRS accounting principles, which comprise:
  · reserves generated following elimination of book value of shareholdings as counter-items to corresponding part of shareholders’ equity of same;
  · reserves generated following net equity assessment of consolidated shareholdings using said method;
  · the effects generated by the transition to the international accounting principles described in the relevant chapter.

15.6 Assessment reserves: breakdown

Items/Components	31/12/2005	31/12/2004
1. Financial assets available for sale	4.922	-
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Foreign investments hedge	-	-
5. Financial flows hedge	-	-
6. Exchange rate differences	-	-
7. Non-current assets	-	-
8. Special revaluation laws	30.256	25.140
Total	**35.178**	**25.140**

15.7 Assessment reserves: annual variation

	Financial assets available for sale	Tangible assets	Intangib. assets	Foreign investments hedge	Financial flows hedge	Exchange rate differen.	Non-current assets being sold off	Special revaluation laws	Total
A. Opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25.140**	**25.140**
B. Additions	**4.947**	**-**	**-**	**-**	**-**	**-**	**-**	**5.116**	**10.063**
B.1 Positive variations in fair value	4.947	-	-	-	-	-	-	x	4.947
B.2 Other	-	-	-	-	-	-	-	5.116	5.116
C. Reductions	**25**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25**
C.1 Negative variations in fair value	25	-	-	-	-	-	-	x	25
C.2 Other	-	-	-	-	-	-	-	-	-
D. Closing balance	**4.922**	**-**	**-**	**-**	**-**	**-**	**-**	**30.256**	**35.178**

15.8 Assessment reserves for financial assets available for sale: breakdown

	31/12/2005		
Assets/Values	Positive reserve	Negative reserve	Total
1. Debt securities	975	-	975
2. Equities	3.972	(20)	3.952
3. Mutual funds units	-	(5)	(5)
4. Loans	-	-	-
Total	**4.947**	**(25)**	**4.922**

15.9 Assessment reserves for financial assets available for sale: annual variation

	Debt securities	Equities	Mutual funds units	Loans	Total
1. Opening balance	**-**	**-**	**-**	**-**	**-**
2. Positive variations	**2.374**	**3.972**	**-**	**-**	**6.346**
2.1 Increases in fair value	2.374	3.972	-	-	6.346
2.2 Allocation of negative reserves to income statement	-	-	-	-	-
- from depreciation	-	-	-	-	-
- from sale	-	-	-	-	-
2.3 Other variations	-	-	-	-	-
3. Negative variations	**1.399**	**20**	**5**	**-**	**1.424**
3.1 Reductions in fair value	1.177	20	5	-	1.202
3.2 Depreciation adjustments	-	-	-	-	-
3.3 Transfer of positive reserves to income statement: from sale	222	-	-	-	-
3.4 Other variations	-	-	-	-	-
4. Closing balance	**975**	**3.952**	**(5)**	**-**	**4.922**

SECTION 16
MINORITY INTEREST - ITEM 210

16.1 Minority interest: breakdown

Items/Values	31/12/2005	31/12/2004
1. Capital	-	-
2. Share premium	-	-
3. Reserves	68.895	75.427
4. (Own shares)	-	-
5. Assessment reserves	4.413	3.640
6. Capital instruments	-	-
7. Profits (losses) for the period pertaining to third parties	6.471	3.391
Total	**79.779**	**82.458**

16.2 Assessment reserves pertaining to third-parties: breakdown

Items/Components	31/12/2005	31/12/2004
1. Financial assets available for sale	68	-
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Foreign investments hedge	-	-
5. Financial flows hedge	-	-
6. Exchange rate differences	-	-
7. Non-current assets being sold off	-	-
8. Special revaluation laws	4.345	3.640
Total	**4.413**	**3.640**

16.4 Assessment reserves for financial assets available for sale: breakdown

	31/12/2005		
Assets/Values	Positive reserve	Negative reserve	Total
1. Debt securities	63	-	63
2. Equities	11	6	5
3. Mutual funds units	-	-	-
4. Loans	-	-	-
Total	**74**	**6**	**68**

16.5 Assessment reserves: annual variation

	Financial assets available for sale	Tangible assets	Intangible assets	Foreign investments hedge	Financial flows hedge	Exchange rate differences	Non-current assets being sold off	Special revaluation laws	Total
A. Opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.640**	**3.640**
B. Additions	**74**	**-**	**-**	**-**	**-**	**-**	**-**	**705**	**779**
B.1 Additions in fair value	74	-	-	-	-	-	-	x	74
B.2 Other	-	-	-	-	-	-	-	705	705
C. Reductions	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**
C.1 Reductions in fair value	6	-	-	-	-	-	-	x	6
C.2 Other	-	-	-	-	-	-	-	-	-
D. Closing balance	**68**	**-**	**-**	**-**	**-**	**-**	**-**	**4.345**	**4.413**

OTHER INFORMATION

1. Guarantees given and commitments

Operations	31/12/2005	31/12/2004
1) Guarantees given of a financial nature	**49.671**	**48.873**
a) banks	1.875	4.466
b) customers	47.796	44.407
2) Guarantees given of a commercial nature	**337.872**	**247.347**
a) banks	43.577	382
b) customers	294.295	246.965
3) Irrevocable commitments to issue funds	**197.938**	**316.234**
a) banks	48.675	15.112
i) certain use	48.292	15.112
ii) uncertain use	383	-
b) customers	149.263	301.122
i) certain use	109.009	267.640
ii) uncertain use	40.254	33.482
4) Commitments underlying credit derivatives: hedging sales	**-**	**-**
5) Assets used as collateral for third-party bonds	**82.804**	**35.922**
6) Other commitments [(*)]	**72.865**	**63.412**
Total	**741.150**	**711.788**

[(*)] *This item contains commitments to third parties to place equities and commitments to subsidiaries for operating risks.*

2. Assets used as collateral for own liabilities and commitments

Portfolios	31/12/2005	31/12/2004
Financial assets held for trading	547.286	606.058
Financial assets measured at fair value	-	-
Financial assets available for sale	-	-
Financial assets held to maturity	34.689	54.063
Due from banks	-	-
Due from customers	-	-
Tangible assets	-	-

4. Composition of investments for unit-linked and index-linked policies

	31/12/2005	31/12/2004
I Land and buildings	-	-
II Investment in Group companies and participated companies:	-	-
1. shares and stock	-	-
2. bonds	-	-
3. loans	-	-
III Mutual fund shares	-	-
IV Other financial investments:	620.371	598.198
1. shares and stock	-	-
2. bonds and other fixed-income securities	610.086	595.568
3. deposits with other lenders	-	-
4. miscellaneous financial investments	10.285	2.630
V Other assets	-	-
VI Available liquidity	-	-
Total	**620.371**	**598.198**

5. Asset management and brokerage on behalf of third-party: banking Group

Type of services	31/12/2005	31/12/2004
1. Trading of financial instruments on behalf of third-party	**129.308.509**	**182.598.661**
a) Purchases	64.168.103	90.387.570
1. regulated	63.879.783	89.727.262
2. not regulated	288.320	660.308
b) Sales	65.140.406	92.211.091
1. regulated	64.830.791	91.551.183
2. not regulated	309.615	659.908
2. Asset management	**6.348.024**	**6.323.531**
a) Individual	6.007.428	5.954.940
b) Collective	340.596	368.591
3. Custody and administration of securities	**32.992.884**	**30.096.478**
a) Third-party securities on deposit: related to custodian bank activity (excluding asset management)	5.581.839	4.655.382
1. securities issued by companies in the consolidation area	-	-
2. other securities	5.581.839	4.655.382
b) other third-party securities on deposit (excluding asset management): other	9.684.042	9.346.243
1. securities issued by companies in the consolidation area	495.312	667.318
2. other securities	9.188.730	8.678.925
c) third-party securities deposited with third parties	16.597.486	15.083.476
d) own securities deposited with third parties	1.129.517	1.011.377
4. Other operations	**-**	**-**

PARTE C - INFORMATION ABOUT CONSOLIDATED INCOME STATEMENT

SECTION 1
INTEREST - ITEMS 10 AND 20

1.1 Interest receivable and similar income: breakdown

Items/Technical forms	Performing financial assets Debt Securities	Performing financial assets Loans	Impaired financial assets	Other assets	31/12/2005	31/12/2004
1. Financial assets held for trading	28.657	-	-	17	28.674	28.676
2. Financial assets measured at fair value	-	-	-	-	-	-
3. Financial assets available for sale	19.350	-	-	31	19.381	17.746
4. Financial assets held to maturity	3.305	-	-	-	3.305	2.936
5. Due from banks	526	35.271	-	1.883	37.680	35.821
6. Due from customers	288	249.209	2.402	21.636	273.535	255.319
7. Derivative hedges	x	x	x	-	-	-
8. Transferred but not written off assets	-	3.322	-	-	3.322	-
9. Other assets	x	x	x	1.226	1.226	1.195
Total	**52.126**	**287.802**	**2.402**	**24.793**	**367.123**	**341.693**

1.3 Interest receivable and similar income: other information

1.3.1. Interest receivable on financial assets in foreign currencies

	31/12/2005	31/12/2004
- on assets in foreign currencies	19.710	11.059

1.3.2 Interest receivable on financial leasing operations

	31/12/2005	31/12/2004
- on financial leasing operations	33.810	28.060

1.3.3 Interest receivable on loans with third party funds in administration

	31/12/2005	31/12/2004
- on loans with third party funds in administration	1	2

1.4 Interest payable and similar expenses: breakdown

Items/Technical forms	Accounts payable	Securities	Other liabilities	31/12/2005	31/12/2004
1. Due to banks	24.170	x	75	24.245	24.795
2. Due to customers	61.264	x	1	61.265	65.822
3. Outstanding securities	x	28.424	721	29.145	26.589
4. Financial trading liabilities	3.727	-	-	3.727	3.518
5. Financial liabilities measured at fair value	-	148	-	148	178
6. Financial liabilities from assets sold but not written off	9.009	-	-	9.009	-
7. Other liabilities and provisions	x	x	125	125	6
8. Derivative hedges	x	x	6.748	6.748	2.353
Total	**104.918**	**28.572**	**922**	**134.412**	**123.261**

1.6 Interest payable and similar expenses: other information

1.6.1 Interest payable on liabilities in foreign currencies

	31/12/2005	31/12/2004
- on liabilities in foreign currencies	9.612	9.656

1.6.3 Interest payable from third party funds in administration

	31/12/2005	31/12/2004
- from third party funds in administration	2	2

SECTION 2
COMMISSIONS - ITEMS 40 AND 50

2.1 Commission receivable: breakdown

Type of services/sectors	31/12/2005	31/12/2004
a) guarantees given	**2.547**	**2.449**
b) credit derivatives	**-**	**19**
c) management, brokerage and advisory services	**154.442**	**160.930**
1. trading of financial instruments	33.132	50.317
2. trading of foreign currencies	1.760	1.280
3. asset management:	67.487	63.721
3.1 individual	33.450	31.600
3.2 collective	34.037	32.121
4. custody and management of securities	1.979	2.001
5. custodian bank services	7.655	9.156
6. placement of securities	11.331	11.285
7. collection of orders	22.220	13.571
8. consulting activity	1.058	870
9. distribution of third-party services:	7.820	8.729
9.1 asset management	85	78
9.1.1 individual	85	78
9.1.2 collective	-	-
9.2 insurance products	5.053	3.651
9.3 other products	2.682	5.000
d) collection and payment services	**93.954**	**83.397**
e) servicing for securitisation operations	**760**	**958**
f) factoring services	**-**	**-**
g) collection and receiving	**-**	**-**
h) other services	**44.409**	**40.361**
Total	**296.112**	**288.114**

2.2 Commission receivable: distribution channels for products and services (current regulations)

Channels/Sectors	31/12/2005	31/12/2004
a) Own branches	**60.364**	**64.786**
1. asset management	53.333	55.287
2. placement of securities	3.455	4.035
3. third-party products and services	3.576	5.464
b) Out-of-branch services	**20.826**	**14.841**
1. asset management	14.151	8.429
2. placement of securities	4.708	5.992
3. third-party products and services	1.967	420
c) Other distribution channels	**5.448**	**4.108**
1. asset management	3	5
2. placement of securities	1.669	1.258
3. third-party products and services	3.776	2.845

2.3 Commission payable: breakdown

Services/Sectors	31/12/2005	31/12/2004
a) guarantees received	**101**	**7**
b) credit derivatives	**-**	**-**
c) management, brokerage and advisory services	**45.831**	**60.086**
1. trading of financial instruments	17.100	22.892
2. trading of foreign currencies	66	8
3. asset management	2.582	2.394
3.1 own portfolio	2.501	2.242
3.2 third-party portfolio	81	152
4. custody and management of securities	3.202	2.853
5. trading of financial instruments	5.846	4.335
6. out-of-branch provision of securities, products and services	17.035	27.604
d) collection and payment services	**49.377**	**43.174**
e) other services	**6.015**	**2.730**
Total	**101.324**	**105.997**

SECTION 3
DIVIDENDS AND SIMILAR INCOME - ITEM 70

3.1 Dividends and similar income: breakdown

Items/Income	31/12/2005		31/12/2004	
	Dividends	Income from O. I. C. R. units	Dividends	Income from O. I. C. R. units
A. Financial assets held for trading	3.529	-	2.365	-
B. Financial assets available for sale - other	2.961	-	1.986	-
C. Financial assets measured at fair value - other	-	-	-	-
D. Shareholdings	-	x	-	x
Total	**6.490**	**-**	**4.351**	**-**

O.I.C.R. = Organisms for the Collective Investment of Savings (i.e. mutual funds and sicavs)

SECTION 4
RESULT OF TRADING ACTIVITY - ITEM 80

4.1 Net result of trading activity: breakdown

Operations/Income components	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading losses (D)	Net result (A+B)-(C+D) 31/12/2005
1. Financial trading assets	**10.335**	**36.136**	**8.555**	**6.713**	**31.203**
1.1 Debt securities	9.127	15.881	8.548	4.018	12.442
1.2 Equities	273	7.566	4	2.270	5.565
1.3 O.I.C.R. units	935	12.689	3	154	13.467
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	271	(271)
2. Financial trading liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Accounts payable	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**x**	**x**	**x**	**x**	**687**
4. Derivative instruments	**1.915**	**40.819**	**3.203**	**39.360**	**171**
4.1 Financial derivatives:	1.915	40.819	3.203	39.360	171
- on debt securities and interest rates	838	11.538	1.780	12.459	(1.863)
- on equities and stock indexes	1.077	29.281	1.423	26.901	2.034
- on foreign currencies and gold	x	x	x	x	2.212
- others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**12.250**	**76.955**	**11.758**	**46.073**	**34.273**

SECTION 5
RESULT OF HEDGING ACTIVITY - ITEM 90

5.1 Net result of hedging activity: composition

The "Net result of hedging activity" entered to the Income Statement shows a loss of € 0,3 million and consists of € 2,2 million of income and € 2,5 million of expenses.

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

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

Items/Income components	31/12/2005			31/12/2004		
	Profits	Losses	Net profit	Profits	Losses	Net profit
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	9.628	211	9.417	5.237	-	5.237
3.1 Debt securities	-	-	-	-	-	-
3.2 Equities (*)	9.628	211	9.417	5.237	-	5.237
3.3 O.I.C.R. units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**9.628**	**211**	**9.417**	**5.237**	**-**	**5.237**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	370	201	169	-	-	-
Total liabilities	**370**	**201**	**169**	**-**	**-**	**-**

(*)The amount of € 9,4 million includes capital gains resulting from the dismissal of shareholdings in Unicredit Banca Mediocredito S.p.A. for € 2,2 million, MTS Società per il Mercato dei Titoli di Stato S.p.A. for € 6,1 million and Bancapulia S.p.A. for € 1,1 million.

SECTION 7
NET RESULT OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE - ITEM 110

Gruppo Banca Sella does not have any outstanding operations of this type.

SECTION 8
WRITE-DOWNS/WRITE-UPS DUE TO IMPAIRMENT - ITEM 130

8.1 Net write-downs for impairment of receivables: breakdown

Operations/Income components	Write-downs			Write-ups					
	Specifications		In portfolio	Specifications		In portofolio			
	Write-offs	Others		A	B	A	B	31/12/2005	31/12/2004
A. Due from banks	-	-	-	-	-	-	-	-	-
B. Due from customers	1.063	47.553	4.604	1.137	10.903	-	79	(41.101)	(43.882)
Total	**1.063**	**47.553**	**4.604**	**1.137**	**10.903**	**-**	**79**	**(41.101)**	**(43.882)**

KEY:
A: from interest
B: other write-ups

8.2 Net write-ups for impairment of financial assets available for sale: breakdown

Operations/Income components	Write-downs		Write-ups		31/12/2005	31/12/2004
	Specifications		Specifications			
	Write-offs	Others	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equities	-	155	x	x	(155)	(429)
C. O.I.C.R. units	-	-	x	-	-	-
D. Due from banks	-	-	-	-	-	-
E. Due from customers	-	-	-	-	-	-
Total	**-**	**155**	**-**	**-**	**(155)**	**(429)**

KEY:
A: from interest
B: other write-ups

SECTION 9
NET PREMIUMS - ITEM 150

9.1 Net premiums: breakdown

Premiums from insurance activity	Direct business	Indirect business	31/12/2005	31/12/2004
A. Life sector				
A.1 Gross recorded premiums (+)	59.389	-	59.389	104.615
A.2 Premiums transferred for re-insurance (-)	(2.520)	x	(2.520)	(798)
A.3 Total	56.869	-	56.869	103.817
B. Non-life sector				
B.1 Gross recorded premiums (+)	2.169	-	2.169	1.246
B.2 Premiums transferred for re-insurance (-)	(926)	x	(926)	(481)
B.3 Changes to gross amount of premium reserve (+/-)	(432)	-	(432)	(12)
B.4 Changes to premium reserve to be paid by re-insurers (+/-)	217	-	217	(76)
B.5 Total	1.028	-	1.028	677
C. Total net premiums	**57.897**	**-**	**57.897**	**104.494**

SECTION 10
BALANCE OF OTHER INCOME AND EXPENSES FROM INSURANCE OPERATIONS - ITEM 160

10.1 Balance of other income and expenses from insurance operations: breakdown

Items	31/12/2005	31/12/2004
1. Net change in technical reserves	74.286	(80.612)
2. Claims paid during the financial year	(157.775)	(50.182)
3. Other income and expenses from insurance operations	1.611	270
Total	**(81.878)**	**(130.524)**

10.2 Breakdown of the sub-item "Net change in technical reserves"

Net change in technical reserves	31/12/2005	31/12/2004
1. Life sector		
A. Actual reserves	53.769	(13.312)
A.1 Gross annual value	52.982	(13.558)
A.2 Shares to be paid by re-insurers (-)	787	246
B. Other technical reserves	(1.722)	(154)
B.1 Gross annual value	(1.698)	(161)
B.2 Shares to be paid by re-insurers (-)	(24)	7
C. Technical reserves when investment risk is born by the insured	22.288	(67.146)
C.1 Gross annual value	22.288	(67.146)
C.2 Shares to be paid by re-insurers (-)	-	-
Total "Life sector reserves"	**74.335**	**(80.612)**
2. Non-life sector		
Change in other technical reserves from the non-life sector other than claims reserves net of re-insurance transfers	(49)	-
Total "Non-life sector reserves"	**(49)**	**-**
Total	**74.286**	**(80.612)**

10.3 Breakdown of the sub-item "Claims paid during the financial year"

Claims expenses	31/12/2005	31/12/2004
Life sector: expenses related to claims, net of re-insurance transfers		
A. Amounts paid	(158.943)	(47.149)
A.1 Gross annual value	(158.988)	(47.198)
A.2 Shares to be paid by re-insurers (-)	45	49
B. Change in reserve for sums to be paid	1.803	(2.410)
B.1 Gross annual value	1.803	(2.410)
B.2 Shares to be paid by re-insurers (-)	-	-
Total "Life sector claims"	**(157.140)**	**(49.559)**
Non-life sector: expenses related to claims, net of recoveries and re-insurance transfers		
C. Amounts paid	(589)	(623)
C.1 Gross annual value	(795)	(822)
C.2 Shares to be paid by re-insurers (-)	206	199
D. Changes in recoveries net of shares to be paid by re-insurers	-	-
E. Changes to claims reserve	(46)	-
E.1 Gross annual value	(75)	14
E.2 Shares to be paid by re-insurers (-)	29	(14)
Total "Non-life sector claims"	**(635)**	**(623)**
Total	**(157.775)**	**(50.182)**

10.4 Breakdown of the sub-item "Other income and expenses from insurance operations"

	31/12/2005	31/12/2004
LIFE SECTOR		
Income	**2.244**	**617**
- Other technical income net of reinsurance transfers	1.016	379
- Income and unrealised capital gains relevant to investments benefiting the insured, who assume related risk	-	-
- Change in commissions and other acquisition expenses to be amortised	-	-
- Commissions and shareholdings in profits received by re-insurers	1.228	238
Expenses	**(466)**	**(359)**
- Other technical expenses, net of reinsurance transfers	(57)	(5)
- Expenses and unrealised capital losses relevant to investments benefiting the insured, who assume related risk	-	-
- Acquisition commissions	-	-
- Other acquisition expenses	(355)	(325)
- Collection commissions	(54)	(29)
Total life sector	**1.778**	**258**
NON-LIFE SECTOR		
Income	**343**	**130**
- Other technical income net of reinsurance transfers	2	-
- Change in commissions and other acquisition expenses to be amortised	-	-
- Commissions and shareholdings in profits received by re-insurers	341	130
Expenses	**(510)**	**(118)**
- Other technical income, net of reinsurance transfers	(31)	(2)
- Acquisition commissions	(417)	(52)
- Other acquisition expenses	(5)	(5)
- Collection commissions	(57)	(59)
Total non-life sector	**(167)**	**12**
Total	**1.611**	**270**

SECTION 11
ADMINISTRATIVE EXPENSES - ITEM 180

11.1 Staff expenses: breakdown

Type of expense/sector	31/12/2005	31/12/2004
1) Salaried employees	**192.588**	**179.847**
a) Wages and Salaries	147.305	133.728
b) Social security charges	33.245	33.007
c) Staff severance	805	1.142
d) Social security expenses	-	-
e) Allocations to the staff severance provision	5.773	6.749
f) Allocations to the provision for pensions and similar:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
g) Payments to external complimentary social security provisions:	4.255	4.079
- defined-contribution	4.255	4.079
- defined-benefit	-	-
h) Costs deriving from payment agreements based on own equity instruments	-	-
i) Other benefits in favour of employees	1.205	1.142
2) Other staff	**970**	**163**
3) Directors	**1.989**	**2.033**
Total	**195.547**	**182.043**

11.2 Average number of employees by category

	31/12/2005	31/12/2004
Salaried employees:		
a) executive cadres	66	71
b) total 3rd and 4th-level cadres	379	348
c) remaining salaried employees	3.327	3.259
Other staff	8	21
Total	**3.780**	**3.699**

11.5 Other administrative expenses: breakdown

	31/12/2005	31/12/2004
1) Indirect taxes	26.096	20.528
- Stamp duty and stock exchange contract taxes	20.890	15.436
- Substitute tax pursuant to Presidential Decree 601/73	1.579	1.823
- Municipal real estate taxes	521	479
- Other indirect taxes	3.106	2.790
2) Payable rental and lease fees	21.864	17.546
3) Maintenance and management expenses	5.078	8.548
4) Cleaning of premises	1.782	1.566
5) Electric power, heating and water	4.430	3.589
6) Print-outs and stationery	1.675	1.613
7) Postal, telephone and data transmission	13.579	14.201
8) Security	2.408	2.368
9) Transport	2.852	2.782
10) Insurance premiums	3.217	3.096
11) Advertising, publicity and publishing initiatives	2.677	2.441
12) Entertainment expenses	891	614
13) Associative contributions	1.134	1.129
14) Contributions to entities and associations	151	170
15) Subscriptions to newspapers, magazines and publications	325	307
16) Expenses for professional services:	16.071	18.796
- Consulting	8.024	12.270
- Legal fees	5.799	4.701
- Commercial information and searches	2.248	1.825
17) Expenses for IT services and third-party processing	19.993	19.114
18) Remuneration paid to statutory auditors	2.074	2.512
19) Other expenses	7.872	9.053
Total	**134.169**	**129.973**

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

12.1 Net allocations to provisions for risks and charges

	31/12/2005	31/12/2004
For bankruptcy revocatory actions and legal proceedings as defendant	7.755	2.292
For operating risks of Sella Bank Luxembourg S.A.	2.748	1.641
For operating risks of Group companies	6.749	-
For miscellaneous expenses	3.788	4.697
Total	**21.040**	**8.630**

SECTION 13
NET WRITE-DOWNS/WRITE-UPS OF TANGIBLE ASSETS - ITEM 200

13.1 Net write-downs of tangible assets: breakdown

Assets/components	Amortisation (a)	Write-downs due to impairment (b)	Write-ups (c)	Net result (a+b-c)
A. Tangible assets				
A.1 Owned	15.081	164	-	15.245
- for functional use	14.949	-	-	14.949
- for investment	132	164	-	296
A.2 Acquired through financial leasing	-	-	-	-
- for functional use	-	-	-	-
- for investment	-	-	-	-
Total	**15.081**	**164**	**-**	**15.245**

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

14.1 Net write-downs of intangible assets: breakdown

Assets/components	Amortisation (a)	Write-downs due to impairment (b)	Write-ups (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	10.567	-	-	10.567
- generated within the company	-	-	-	-
- others	10.567	-	-	10.567
A.2 Acquired through financial leasing	-	-	-	-
Total	**10.567**	**-**	**-**	**10.567**

SECTION 15
OTHER OPERATING INCOME AND EXPENSES - ITEM 220

15.1 Other operating expenses: breakdown

	31/12/2005	31/12/2004
1) Amortisation of expenses for leasehold improvements	3.386	1.853
2) Losses related to operating risks	7.791	1.854
3) Repayment of interest on operations of collection and clearing house payments	1.524	1.257
4) Other expenses	7.869	7.038
Total	**20.570**	**12.002**

15.2 Other operating income: breakdown

	31/12/2005	31/12/2004
Receivable rental and leasing fees	1.125	1.607
Charges to third parties	24.354	17.731
- tax credits	24.113	17.527
- insurance premiums	241	204
Recovery of expenses and other revenue on deposits and current accounts	12.002	10.054
Income for software services	6.117	4.186
Income on securitisation	3.169	4.206
Recovery of interest on operations of collection and clearing house payments	902	820
Income on insurance brokerage activity	1.826	2.368
Other income	10.030	14.133
Total	**59.525**	**55.105**

SECTION 16
PROFITS (LOSSES) FROM EQUITY INVESTMENTS - ITEM 240

16.1 Profits (losses) from equity investments: breakdown

Income components/Sectors	31/12/2005	31/12/2004
1) Jointly controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Profits from sale	-	-
3. Write-ups	-	-
4. Other positive changes	-	-
B. Charges	-	-
1. Depreciations	-	-
2. Write-downs for impairment	-	-
3. Losses from sale	-	-
4. Other negative changes	-	-
Net profit	**-**	**-**
2) Companies subjected to significant influence		
A. Income	297	464
1. Revaluations	-	-
2. Profits from sale	-	234
3. Write-ups	-	-
4. Other positive changes	297	230
B. Charges	418	117
1. Depreciations	-	-
2. Write-downs for impairment	-	-
3. Losses from sale	416	-
4. Other negative changes	2	117
Net profit	**(121)**	**347**
Total	**(121)**	**347**

SECTION 17
NET RESULT OF FAIR VALUE MEASUREMENT OF TANGIBLE AND INTANGIBLE ASSETS - ITEM 250

Gruppo Banca Sella does not have any outstanding operations of this type.

SECTION 18
WRITE-DOWNS TO GOODWILL - ITEM 260

18.1 Write-downs to goodwill: breakdown

The write-down for € 1,6 million relative to financial 2005 relates to the depreciation to goodwill deriving from consolidation of the company International Capital Holding S.A. for € 1,0 million (€ 10,1 million in financial year 2004) and Sella Bank Luxembourg for € 0,6 million.

SECTION 19
PROFITS (LOSSES) FROM DISMISSAL OF INVESTMENTS - ITEM 270

19.1 Profits (losses) from dismissal of investments: breakdown

Income components/Sectors	31/12/2005	31/12/2004
A. Real estate	101	-
- Profits from dismissal	101	-
- Losses from dismissal	-	-
B. Other assets	50	7
- Profits from dismissal	68	7
- Losses from dismissal	(18)	-
Net profit	**151**	**7**

SECTION 20
FISCAL YEAR INCOME TAXES ON CURRENT OPERATIONS - ITEM 290

20.1 Fiscal year income taxes on current operations: breakdown

Income components/Sectors	31/12/2005	31/12/2004
1. Current taxes (-)	46.860	36.126
2. Change in current taxes from previous financial years (+/-)	-	-
3. Reduction of current financial year taxes (+)	-	-
4. Change in pre-paid taxes (+/-)	(12.546)	(5.023)
5. Change in deferred taxes (+/-)	1.393	2.238
Taxes for the period (-) (-1+/-2+3+/-4+/-5)	**35.707**	**33.341**

20.2 Reconciliation of theoretical tax burden and actual reported tax burden

Description	Taxable base	Rate	Income taxes
Profits from current operations gross of taxes	73.116	-	-
Nominal rate	-	37,250%	27.236
Tax-free dividends	6.166	-3,141%	(2.297)
Capital gains on capital securities exempt from taxes	8.684	-4,424%	(3.235)
Losses for the period not covered by pre-paid taxes	5.924	3,018%	2.207
Expenses not deductible exclusively from the IRAP taxable base	217.061	12,617%	9.225
Non-deductible write-downs to goodwill	1.628	0,829%	606
Other differences	5.274	2,687%	1.965
Actual rate		**48,836%**	**35.707**

SECTION 21
PROFITS (LOSSES) FROM GROUPS OF ASSETS FROM HELD FOR SALE NET OF TAXES - ITEM 310

21.1 Profits (Losses) from groups of assets held for sale net of taxes: breakdown

Income components/Sectors	31/12/2005	31/12/2004
Group of assets/liabilities		
1. Income	-	-
2. Expenses	-	205
3. Result of measurement of groups of associated assets and liabilities	-	(5.568)
4. Profits (losses) from recovery	-	-
5. Taxes	-	-
Profits (losses)	**-**	**(5.363)**

SECTION 22
MINORITY INTEREST PROFIT (LOSS) FOR THE PERIOD - ITEM 330

22.1 Item 330 "Minority interests profit": detailed items

	31/12/2005	31/12/2004
Banca Arditi Galati SpA	2.033	955
Biella Leasing SpA	1.465	1.454
Consel S.p.A.	773	499
Banca Bovio Calderari S.p.A.	580	902
Banca Patrimoni e Investimenti S.p.A.	375	(259)
Banca di Palermo S.p.A.	255	284
C.B.A. Vita S.p.A.	222	155
Sella Consult SIMp.A.	148	174
Fiduciaria Sella SIMp.A.	133	186
Brosel S.p.A.	171	105
Others	316	(1.064)
Minority interests profit for the period	**6.471**	**3.391**

SECTION 23
OTHER INFORMATION

No other information is provided beyond that already supplied in the previous sections.

SECTION 24
PROFIT PER SHARE

	31/12/2005	31/12/2004
Net profit for the year of the Parent company (thousands of euros)	30.938	19.548
Number (current and average) of common shares issued	40.000.000	40.000.000
Own shares (deduction)	(378.944)	(378.944)
	39.621.056	39.621.056
Profit per share (in euros)	0,7808	0,4934

PART D – SECTOR INFORMATIVE REPORT

PRIMARY REPORT

The primary report relating to segment reporting reflects the organisation structure with which Gruppo Banca Sella operated and monitored its own results during 2005.

Gruppo Banca Sella Group developed its business activity through seven business divisions: Banks and Italian Distribution network, Large Clients, Institutional and International, Finance, Assets under Management and Private Banking, Bankassurance, Banking Services, Consumer Credit. In addition to the business divisions, the Central Structure handles, through the Parent company, the services relating to guidance, support and control of the other sectors within the Group.

BANKS AND ITALIAN DISTRIBUTION NETWORK

The Banks and Italian Distribution Network division looks after businesses operating through a distribution network and which are mainly involved in credit lending. The divisional area is composed of the following companies: Banca Sella, Banca Arditi Galati, Banca di Palermo, Banca Bovio Calderari, Sella Consult, Selsoft Direct Marketing, Biella Leasing and the Technical Analysis department.

The activity of the area is backed by Banks and Networks co-ordination, which is responsible for monitoring the objectives of the banks and distribution networks of Gruppo Banca Sella and for organising, co-ordinating and checking the commercial initiatives from start to finish, and the Corporate Business Area which is responsible for offers to businesses with particular focus on small/medium sized firms. Lastly, the Technical Analysis department supplies Gruppo Banca Sella with a wide range of analysis and operational indicators relating to the principal financial markets.

LARGE CLIENTS, INSTITUTIONAL AND INTERNATIONAL

The Large Clients, Institutional and International division groups together various companies which are highly specialised according to customer type and services, as well as international companies.

It is made up of the following companies: Banca Patrimoni e Investimenti, Sella Corporate Finance, Brosel, Selfid, Sella Capital Management, International Capital Holding, Sella Bank Luxembourg, Sella Bank AG, Sella Austria Financial Services (in liquidation), the agency in Miami.

FINANCE

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

ASSETS UNDER MANAGEMENT AND PRIVATE BANKING

The Assets under Management and Private Banking division manages savings through the companies Gestnord Fondi Sgr and Fiduciaria Sella (Sella Gestioni Sgr, created by the merger of Gestnord Fondi with Fiduciaria Sella, began operating on 1 April 2006).

The area is also responsible for co-ordination of the Group's Private Banking.

BANKASSURANCE

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

BANKING SERVICES

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

The following companies are part of the area: Selir, Sella Synergy India Ltd. for the IT, Easy Nolo for the payment systems, Immobiliare Sella and Immobiliare Lanificio Maurizio Sella for the area Property Technical and Safety.

CONSUMER CREDIT

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

CENTRAL STRUCTURE

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

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

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

Criteria used to calculate the profitability of the Business Areas:

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

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

The condensed profit and loss account is reclassified in the same way as that adopted in the Board of Directors Report.
Hereunder is a table relating to the primary report.

Primary report prospect (in euro million)

	Banks and Italian Distrib. Networks	Large Clients Institutional International	Assets under manag. and Priv. banking	Bankassurance	Banking Services	Consumer credit	Finance	Central structure	Total
INCOME STATEMENT:									
30. Net interest income	166,7	7,1	0,4	0,0	7,7	17,6	11,8	3,8	215,0
120. Net interest and other banking income	281,3	48,1	10,8	6,5	45,8	24,8	8,8	17,9	444,0
230. Operating costs	(180,7)	(46,6)	(8,6)	(4,5)	(40,9)	(14,1)	(6,3)	(21,7)	(323,5)
Operating profit	**100,5**	**1,5**	**2,2**	**2,0**	**4,9**	**10,7**	**2,5**	**(3,9)**	**120,5**
280. Current operating profit (loss) pre-tax	53,1	(8,4)	2,2	2,0	4,3	6,3	2,5	4,0	66,0
320. Profit (loss) for the year	28,9	(8,5)	1,4	1,5	2,9	3,4	3,1	4,7	37,4
OTHER INFORMATION:									
Total assets (pre-elision)	7.006,0	1.139,0	35,3	919,8	28,3	470,2	2.359,9	1.006,8	
No. employees	1.958	209	76	21	699	147	36	652	3.798

SECONDARY REPORT

On the basis of the management's approach and the organisational decisions of the Group, disclosure split according to geographical areas constitutes the secondary report requested by the IAS 14. Hereunder is a condensed outline of the main operating figures for Italy, where the majority of the Group's activity is concentrated, and the rest of the world.

Hereunder is a table relating to the secondary report.

Secondary Informative Prospect (in euro million)

	Italy	Rest of the world	Total
INCOME STATEMENT:			
30. Net interest income	212,1	3,0	215,0
120. Net interest and other banking income	423,9	20,1	444,0
230. Operating costs	(298,4)	(25,0)	(323,5)
Operating profit	**125,4**	**(4,9)**	**120,5**
280. Current operating profit (loss) pre-tax	73,9	(7,9)	66,0
Profit (loss) for the year	45,6	(8,2)	37,4
OTHER INFORMATION:			
Total assets (pre-elision)	12.078,2	887,1	
No. employees	3.429	369	3.798

PART E - INFORMATIVE REPORT ON RISKS AND THEIR RELEVANT HEDGING

SECTION 1
BANKING GROUP RISKS

Policies regarding assumption of risks are set by the Parent company's corporate bodies (Board of Directors, Executive Committee), which rely on the support of the Control Committee and the ALM Committee to periodically monitor the level of risk assumed. The Strategic Planning, Budgetary Control, Risk Management and Control Services ensure the recognition, measurement and control of various risk categories (credit, market, operating) in their quantitative aspects, compared with past levels, with supervisory capital, and with any outside benchmarks.

1.1 CREDIT RISK

INFORMATION OF A QUALITATIVE NATURE

1. Organizational Aspects

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

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

2. Policies of credit risk management

In 2006, Gruppo Banca Sella will pursue credit policies with precise guidelines aimed at:

- reaching a high level of dimensional division of the credit portfolio, with the aim of having a lesser impact, both overall and individual, on losses in case of default, as well as enjoyi ng benefits in terms of capital absorption, which is provided for by Basilea II for exposures less than one million euros;
- further improving the division by product macro-sector;
- obtaining a balanced structure of the credit portfolio with respect to duration;
- aggressively pursuing the mortgage market as well as the personal loan market;
- aim investment growth at geographic areas with diversified economic sectors and the best prospective local economic growth.

3. Systems of management, measurement and control

Gruppo Banca Sella places a great deal of importance on the measurement and management of credit risk, an activity which it considers of strategic value and delegates to the Credit Risk Management unit and the Credit Quality Control unit, respectively, both of which are part of the Credit Policy Area.

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

As for risks associated with single parties, the key aspect is the issuing of a synthetic risk judgment for each client expressed in rating classes. The process of rating assignment regards corporate customers in a general manner: businesses that operate in the industrial, commercial, services and long-term productions, as well as farms, cooperatives, non-profit companies and holding companies are all subject to evaluation. In 2005 branch activity of Group Italian banks continued with the aim of assigning and updating ratings for companies with bank loans and a significant level of coverage was reached. In 2006 the validation of models for the purpose of future use for regulatory purposes will continue.

At the same time, the process of classification of clients into homogenous segments was completed, followed by the determination for each segment of the most appropriate method of measuring credit risk.

This led to a division of the corporate business world in two categories, "Corporate" and "Poe" ("small business operators"): for the first, evaluation will continue to be performed through the rating system; for the second, specific scoring models were established. The scoring technique also proved most suitable for the evaluation of retail clients.

The new regulations, known as "Basilea II", was immediately seen by Gruppo Banca Sella as an opportunity to refine its credit risk measurement techniques and to guarantee protection by the use of techniques with a growing level of sophistication.

Over time Gruppo Banca Sella intends to move towards the adoption of the IRB Foundation option for selected segments of portfolio; by following an evolutionary approach in different stages the methodology will be extended to a greater number of portions of the credit portfolio.

The Group Credit Quality Service has the task of intervening to prevent any problems that may lead to risks of insolvency. To this end the service performs constant verification of the performance and use of credit lines granted to clients.

INFORMATION OF A QUANTITATIVE NATURE

A.CREDIT QUALITY

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

A.1.1 Distribution of financial assets by portfolio and credit quality (financial statement values)

Portfolios/quality	Non-performing loans	Watchlist loans	Restructured loans	Past due loans	Country risk	Other assets	Total
Financial assets held for trading	-	-	-	-	-	1.918.462	1.918.462
Financial assets available for sale	-	-	-	-	-	248.683	248.683
Financial assets held to maturity	-	-	-	-	-	82.907	82.907
Due from banks	-	-	-	-	231	1.498.394	1.498.625
Due from customers	54.284	43.543	12.599	28.793	2.828	5.714.897	5.856.944
Financial assets measured at fair value	-	-	-	-	-	-	-
Financial assets held for sale	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	3.395	3.395
Total (2005)	**54.284**	**43.543**	**12.599**	**28.793**	**3.059**	**9.466.738**	**9.609.016**
Total (2004)	**72.282**	**76.505**	**3.656**	**-**	**3.329**	**8.612.482**	**8.768.254**

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

Portfolios/quality	Impaired assets				Other assets			Total
	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure	Gross exposure	Portfolio write-downs	Net exposure	(net exposure)
Financial assets held for trading	-	-	-	-	x	x	1.918.462	1.918.462
Financial assets available for sale	-	-	-	-	248.683	-	248.683	248.683
Financial assets held to maturity	-	-	-	-	82.907	-	82.907	82.907
Due from banks	231	-	-	231	1.498.394	1.498.394	1.498.625	-
Due from customers	343.765	200.801	917	142.047	5.752.276	37.379	5.714.897	5.856.944
Financial assets measured at fair value	-	-	-	-	x	x	-	-
Financial assets held for sale	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	x	x	3.395	3.395
Total (2005)	**343.996**	**200.801**	**917**	**142.278**	**9.504.117**	**37.379**	**9.466.738**	**9.609.016**
Total (2004)	**310.339**	**154.567**	**-**	**155.772**	**8.614.737**	**2.255**	**8.612.482**	**8.768.254**

A.1.3 Exposure for cash and off-balance sheet to banks: gross and net values

Type of exposure/Values	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. CASH EXPOSURES				
a) Non-performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past due loans	-	-	-	-
e) Country risk	231	x	-	231
f) Other assets	1.498.394	x	-	1.498.394
Total A	**1.498.625**	**-**	**-**	**1.498.625**
B. OFF-BALANCE SHEET EXPOSURE				
a) Impaired	-	-	-	-
b) Others	45.452	x	-	45.452
Total B	**45.452**	**-**	**-**	**45.452**

A.1.4 Cash exposure to banks: dynamics of gross impaired exposures and exposures subject to country risk

Description/Categories	Non-performing loans	Watchlist loans	Restructured loans	Past due loans	Country Risk
A. Initial gross exposure	**-**	**-**	**-**	**-**	**46**
- of which: exposures sold but not written off	-	-	-	-	-
B. Additions	**-**	**-**	**-**	**-**	**185**
B.1 Inflows from performing exposures	-	-	-	-	71
B.2 Transfers from other impaired exposures	-	-	-	-	-
B.3 Other additions	-	-	-	-	114
C. Reductions	**-**	**-**	**-**	**-**	**-**
C.1 Outflows to performing exposures	-	-	-	-	-
C.2 Write-offs	-	-	-	-	-
C.3 Collections	-	-	-	-	-
C.4 Gains from transfer	-	-	-	-	-
C.5 Transfers to other impaired exposures	-	-	-	-	-
C.6 Other reductions	-	-	-	-	-
D. Final gross exposure	**-**	**-**	**-**	**-**	**231**
- of which: exposures sold but not written off	-	-	-	-	-

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

Type of exposure/Values	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. CASH EXPOSURES				
a) Non-performing loans	237.057	182.773	-	54.284
b) Watchlist loans	59.071	15.528	-	43.543
c) Restructured loans	15.099	2.500	-	12.599
d) Past due loans	29.710	-	917	28.793
e) Country risk	2.828	x	-	2.828
f) Other assets	5.752.276	x	37.379	5.714.897
TOTAL A	**6.096.041**	**200.801**	**38.296**	**5.856.944**
B. OFF-BALANCE SHEET EXPOSURE				
a) Impaired	-	-	-	-
b) Others	342.091	x	2.838	339.253
TOTAL B	**342.091**	**-**	**2.838**	**339.253**

A.1.7 Cash exposure to customers: dynamics of gross impaired exposures and exposures subject to "country risk"

Description/Categories	Non-performing loans	Watchlist loans	Restructured loans	Past due loans	Country Risk
A. Initial gross exposure	**207.415**	**94.609**	**4.986**	**-**	**3.283**
- of which: exposures sold but not written off	-	-	-	-	-
B. Additions	**74.637**	**86.363**	**15.599**	**29.710**	**1.125**
B.1 Inflows from performing exposures	12.181	67.536	-	29.710	-
B.2 Transfers from other impaired exposures	54.011	4.294	14.208	-	-
B.3 Other additions	8.445	14.533	1.391	-	1.125
C. Reductions	**44.995**	**121.901**	**5.486**	**-**	**1.580**
C.1 Outflows to performing exposures	432	15.284	-	-	1.140
C.2 Write-offs	20.876	-	-	-	-
C.3 Collections	23.401	38.124	107	-	-
C.4 Gains from transfer	-	-	-	-	-
C.5 Transfers to other impaired exposures	5	68.219	4.289	-	-
C.6 Other reductions	281	274	1.090	-	440
D. Final gross exposure	**237.057**	**59.071**	**15.099**	**29.710**	**2.828**
- of which: exposures sold but not written off	-	-	-	-	-

A.1.8 Cash exposure to customers: dynamics of overall write-downs

Description/Categories	Non-performing loans	Watchlist loans	Restructured loans	Past due loans	Country Risk
A. Total initial write-downs	**135.133**	**18.104**	**1.330**	**-**	**-**
- of which, exposures sold but not written off	-	-	-	-	-
B. Additions	**73.763**	**15.928**	**2.500**	**917**	**-**
B.1 Write-downs	56.378	13.014	-	917	-
B.2 Transfers from other impaired exposures	14.664	1.334	-	-	-
B.3 Other additions	2.721	1.580	2.500	-	-
C. Reductions	**26.123**	**18.504**	**1.330**	**-**	**-**
C.1 Write-ups from valuation	3.086	680	-	-	-
C.2 Write-ups from collection	3.735	899	-	-	-
C.3 Write-offs	15.257	-	-	-	-
C.4 Transfers to other impaired exposures	4	14.664	1.330	-	-
C.5 Other reduction	4.041	2.261	-	-	-
D. Final overall write-downs	**182.773**	**15.528**	**2.500**	**917**	**-**
- of which: exposures sold but not written off	-	-	-	-	-

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

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

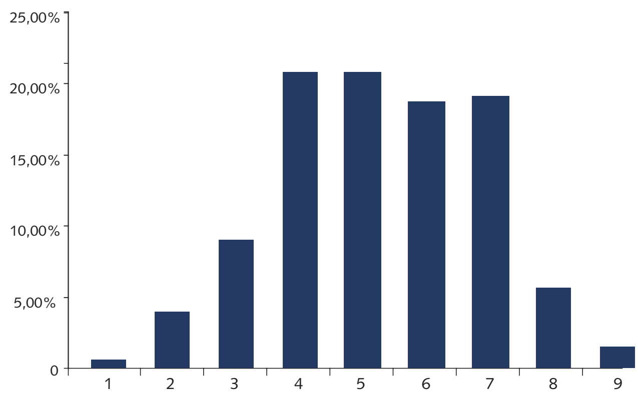
In the light of the credit portfolio on the Group level, which consists mainly of exposures to retail clients and small-medium Italian businesses not evaluated by external rating agencies, the distribution of cash and "off-balance" exposures by external rating classes does not appear to be significant.

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

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

On the subject of internal ratings, it should be noted that all Italian banks in the Group have an internal model for assigning credit ratings to companies. As already mentioned in the qualitative note on credit risk, assignment and calculation of ratings continued in 2005, reaching significant levels of coverage compared to overall portfolio dimensions. The internal rating system provides for nine classes of creditworthiness for performing clients, from one (the least risk) to nine (the most risk), in order to render terminology uniform with the scales adopted by external rating agencies. As at 31 December 2005, more than 70% of exposures with ratings are ranked in creditworthiness classes of 6 or lower. With reference to the portfolio of companies with ratings, the percentage distribution of exposures by rating class is given below:

BREAKDOWN OF EXPOSURES BY RATING CLASS AT 31.12.2005



Distribution of guaranteed exposures by type of guarantee

Due from customers (guaranteed)

Type of guarantee	
a) from mortgages	**1.492.214**
b) from liens on:	**174.592**
1. Cash deposits	20.862
2. Securities	117.452
3. Other values	36.278
c) from guarantees by:	**1.197.323**
1. Governments	-
2. Other public bodies	327
3. Banks	19.120
4. Other operators	1.177.876
Total	**2.864.129**

Distribution and concentration of credit

Temporal distribution of assets and liabilities

Items/residual duration	at sight	Fixed duration: until 3 months	until 12 months	until 5 years	more than 5 years	Open-ended duration	Total
ASSETS							
- Due from customers	1.217.541	809.416	667.003	1.796.807	1.308.697	57.480	**5.856.944**
- Due from banks	320.414	788.222	159.283	1.035	958	228.713	**1.498.625**
- Portfolio debt securities present in financial activities held for trading, financial activities available for sale, financial activities held to maturity	386	149.579	318.558	951.594	330.516	-	**1.750.633**
Total	**1.538.341**	**1.747.217**	**1.144.844**	**2.749.436**	**1.640.171**	**286.193**	**9.106.202**
LIABILITIES							
- Due to banks	121.604	228.788	74.091	39.329	11.179	-	**474.991**
- Due to customers	5.389.696	1.012.417	54.456	2.351	250.203	231	**6.709.354**
- Outstanding securities:	49.415	104.592	204.451	699.985	289.413	-	**1.347.856**
- Bonds	352	19.146	170.006	612.076	147.315	-	**948.895**
- Certificates of deposit	1.653	7.404	10.446	1.928	-	-	**21.431**
- Other securities	47.057	78.042	-	-	-	-	**125.099**
- Subordinate liabilities	353	-	23.999	85.981	142.098	-	**252.431**
Total	**5.560.715**	**1.345.797**	**332.998**	**741.665**	**550.795**	**231**	**8.532.201**

Geographical distribution of assets and liabilities

Items/Geographical areas	Italy	Other E.U. countries	Other countries	Total
ASSETS				
- Due from customers	5.720.876	97.830	38.238	5.856.944
- Due from banks	1.018.632	420.802	59.191	1.498.625
- Portfolio capital and debt securities present in financial activities held for trading, financial activities available for sale, financial activities held to maturity	1.372.618	308.472	69.543	1.750.633
Total	**8.112.126**	**827.104**	**166.972**	**9.106.202**
LIABILITIES				
- Due to banks	268.570	61.946	144.475	474.991
- Due to customers	6.140.067	337.819	231.468	6.709.354
- Outstanding securities:	1.346.510	1.077	269	1.347.856
- Debts represented by securities	1.094.421	1.012	83	1.095.516
- Subordinate liabilities	252.089	65	186	252.340
Total	**7.755.147**	**400.842**	**376.212**	**8.532.201**

Distribution of loans to clients

Product category	
Governments	13.143
Other public bodies	16.070
Financial institutions	311.268
Non-financial institutions and family businesses	3.106.129
- Commercial, recovery and repair services	667.606
- Other sales services	667.160
- Construction and public works	454.263
- Textiles, leather, footwear, clothing	253.297
- Metal products excluding machines and vehicles	150.151
- Other branches of economic activity	913.652
Families and other operators	2.410.334
Total	**5.856.944**

C. SECURITISATION AND TRANSFER OF FINANCIAL ASSETS

C.1 SECURITISATIONS

INFORMATION OF A QUALITATIVE NATURE

Starting with financial year 2000, the Group has engaged in three traditional securitisation operations, two of which regarded performing credits transferred from Sella Holding Banca S.p.A. and one of which regarded transfer of credits from performing leasing contracts from Biella Leasing S.p.A.

These operations were carried out with the aim of diversifying forms of provisioning, improving the relationship of maturities between deposits and loans as well as prudential regulatory coefficients.

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

The two originator companies of the operations underwrote and still hold the entire amount of the junior securities issued in the various securitisations. The risk of transferred assets is therefore still associated with the parties who consequently monitor its performance regularly and also make available periodic reports.

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

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

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

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

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

The operation was related to the assignment without recourse to the special purpose vehicle of loans guaranteed by mortgages for € 203,7 million, equal to the balance-sheet value on the date of assignment. The price of assignment was € 208,0 million, taking into account accrued interest on loans matured by the date of assignment of € 4,3 million.

For this operation Secursel S.r.l. issued senior securities (Class A Notes) for € 184,4 million, mezzanine securities (Class B Notes) for € 17,3 million and junior securities (Class C Notes) for € 2,0 million.

Class A and B securities are listed on the Luxembourg Stock Exchange and are subject to assignment of a rating by Moody's; Class C securities are not listed and have been wholly underwritten by Sella Holding Banca S.p.A., which in 2005 reported interest income of € 0,8 million.

In 2005 class A securities were repaid for a nominal amount of about € 21,0 million; the remaining nominal value of the securities of the same class still to be repaid and thus reduced to € 72,0 million. The repayment of mezzanine and junior securities has not yet begun.

Sella Holding Banca S.p.A. is charged with collecting transferred credits and cash and payment services in accordance with a servicing contract that provides for a servicing commission, paid out half yearly, equal to 0,50% on an annual basis of the total amount managed on account of principal. In 2005, servicing commissions collected by Sella Holding Banca S.p.A. amounted to € 0,5 million.

Secursel S.r.l. concluded a series of interest rate swaps with Calyon S.A. at the same time as the issue of the securities. The purpose of this operation was to hedge the interest rate risk inherent in the structure due to the different between indexing parameters of the issued securities and the various indexing parameters of the acquired portfolio.

Sella Holding Banca granted Secursel S.r.l. a line of liquidity that the special purpose vehicle could use should half yearly sums collected on each date of payment of interest on the securities should not be enough to cover the costs, as established in the Order of Priority of Payments. The amount of the line of liquidity is € 5,1 million and it is to be paid back, in case of its use, at Euribor six months + 0,25%.

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

The operation was concluded at two different times: on 21 December 2001 the credit acquisition contract was finalised with the special purpose vehicle Secursel S.r.l. (part of Gruppo Banca Sella), while on 13/02/2002 the securities were issued with which the purchase was financed.

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

The operation was structured with further periodical revolving assignments at quarterly intervals beginning on 28/05/2002 and ending 28/11/2003 in the respect of the same common criteria as the initial assignment.

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

For this operation Secursel S.r.l. issued senior securities (Class A Notes) for € 187,0 million, mezzanine securities (Class B Notes) for € 12,5 million and junior securities (Class C Notes) for € 2,7 million.

Class A and B securities are listed on the Luxembourg Stock Exchange and are subject to attribution of a rating by Moody's; Class C securities are not listed and have been wholly underwritten by Biella Leasing S.p.A., which in 2005 reported interest income of € 2,4 million.

In 2005 Class A securities were repaid for a nominal amount of € 54,3 million; the remaining nominal value of the securities of the same class still to be repaid was thus reduced to € 54,3 million. The repayment of mezzanine and junior securities has still not begun.

Biella Leasing S.p.A. is charged with collecting transferred credits and cash and payment services in accordance with a servicing contract that provides for a servicing commission, paid out half yearly, equal to 0,20% on an annual basis of the total amount managed on account of principal. In 2005, servicing commissions collected by Biella Leasing S.p.A. amounted to € 0,2 million.

Secursel S.r.l. concluded a series of interest rate swaps with Calyon S.A. at the same time as the issue of the securities. The purpose of this operation was to hedge the interest rate risk inherent in the structure due to the different between indexing parameters of the issued securities and the various indexing parameters of the acquired portfolio.

Sella Holding Banca granted Secursel S.r.l. a line of liquidity that the special purpose vehicle could use should quarterly sums collected on each date of payment of interest on the securities should not be enough to cover the costs, as established in the Order of Priority of Payments. The amount of the line of liquidity is € 4,0 million and it is to be paid back, in case of its use, at Euribor 3 months + 0,25%.

c) Sella Holding Banca S.p.A.: securitisation of performing loans - 2005

The operation was concluded at two different times: on 4/10/2005 the credit acquisition contract was finalised with the special purpose vehicle Mars 2600 S.r.l., while on 20/10/2005 the securities were issued with which the purchase was financed.

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

The operation was related to the assignment without recourse to the special purpose vehicle of loans guaranteed by mortgages for € 263,3 million, including the amount of credits on account of principal not yet matured at the date of transfer and accrued interest deferred and not paid on the same date.

For these operations Mars 2600 issued Class A securities for € 248,9 million, Class B securities for € 11,0 million, Class C securities for € 3,5 million and Class D securities for € 3,5 million.

Class A, B and C securities are listed on the Luxembourg Stock Exchange and are subject to attribution of a rating by Moody's; Class D securities are not listed and have been wholly underwritten by Sella Holding Banca S.p.A., which in 2005 reported interest income of € 0,7 million.

In 2005 no repayments of the various classes of securities were made.

Sella Holding Banca S.p.A. is charged with collecting transferred credits and cash and payment services in accordance with a servicing contract that provides for a servicing commission, paid out half yearly, equal to 0,45% on a quarterly basis of the total amount of collections from performing monetary claims. In 2005, servicing commissions collected by Sella Holding S.p.A. amounted to € 39,3 thousand.

Mars 2600 S.r.l. concluded a series of interest rate swaps with B.N.P Paribas at the same time as the issue of the securities. The purpose of this operation was to hedge the interest rate risk inherent in the structure due to the different between indexing parameters of the issued securities and the various indexing parameters of the acquired portfolio.

Guarantees and lines of liquidity were not provided for this operation.

INFORMATION OF A QUANTITATIVE NATURE

C.1.1. Exposures deriving from securitisation operations distinguished by quality of underlying assets

Quality of underlying assets/Exposures	Cash exposures					
	Senior		Mezzanine		Junior	
	gross	net	gross	net	gross	net
A. With own underlying assets:	**-**	**-**	**-**	**-**	**8.212**	**8.212**
a) Non-performing	-	-	-	-	-	-
b) Others	-	-	-	-	8.212	8.212
B. With underlying assets of third parties:	**17.499**	**17.499**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-
b) Others	17.499	17.499	-	-	-	-

Quality of underlying assets/Exposures	Guarantees given					
	Senior		Mezzanine		Junior	
	gross	net	gross	net	gross	net
A. With own underlying assets:	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-
b) Others	-	-	-	-	-	-
B. With underlying assets of third parties:	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-
b) Others	-	-	-	-	-	-

Quality of underlying assets/Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	gross	net	gross	net	gross	net
A. With own underlying assets:	**-**	**-**	**-**	**-**	**9.100**	**9.100**
a) Non-performing	-	-	-	-	-	-
b) Others	-	-	-	-	9.100	9.100
B. With underlying assets of third parties:	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-
b) Others	-	-	-	-	-	-

C.1.2 Exposures deriving from the main "own" securitisation operations divided by type of asset securitised and type of exposure

Type of asset securitised/Exposures	Cash exposures					
	Senior		Mezzanine		Junior	
	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups
A. Wholly written off from the financial statement	**-**	**-**	**-**	**-**	**4.712**	**-**
A.1 Secursel Srl - performing mortgages	-	-	-	-	2.052	-
A.2 Secursel Srl - leasing fees	-	-	-	-	2.660	-
B. Partially written off from the financial statement	**-**	**-**	**-**	**-**	**-**	**-**
C. Not written off from the financial statement	**-**	**-**	**-**	**-**	**3.500**	**-**
C.1 Mars 2600 Srl - performing mortgages	-	-	-	-	3.500	-
Total	**-**	**-**	**-**	**-**	**8.212**	**-**

Type of asset securitised/Exposures	Off-balance exposures					
	Senior		Mezzanine		Junior	
	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups
A. Wholly written off from the financial statement	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Secursel Srl - performing mortgages	-	-	-	-	-	-
A.2 Secursel Srl - leasing fees	-	-	-	-	-	-
B. Partially written off from the financial statement	**-**	**-**	**-**	**-**	**-**	**-**
C. Not written off from the financial statement	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Mars 2600 Srl - performing mortgages	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

C.1.3 Exposures deriving from the main "third-party" securitisation operations divided by type of asset securitised and type of exposure

Type of asset securitised/Exposures	Cash exposures					
	Senior		Mezzanine		Junior	
	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups
A.1 SCIC - social security contributions	7.496	(9)	-	-	-	-
A.2 SCIP - real estate	5.999	(1)	-	-	-	-
A.3 SCIP - real estate	4.004	4	-	-	-	-
Total	**17.499**	**(6)**	**-**	**-**	**-**	**-**

Type of asset securitised/Exposures	Guarantees granted					
	Senior		Mezzanine		Junior	
	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups
A.1 SCIC - social security contributions	-	-	-	-	-	-
A.2 SCIP - real estate	-	-	-	-	-	-
A.3 SCIP - real estate	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

Type of asset securitised/Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups	balance -sheet value	write-downs / write-ups
A.1 SCIC - social security contributions	-	-	-	-	-	-
A.2 SCIP - real estate	-	-	-	-	-	-
A.3 SCIP - real estate	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

C.1.4 Securitisation exposures divided by portfolio of financial assets and by type

Exposure/portfolio	Trading	Measured at fair value	Available for sale	Held to maturity	Accounts receivable	31/12/2005	31/12/2004
1. Cash exposures	-	-	4.712	-	-	4.700	4.700
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	4.712	-	-	4.700	4.700
2. Off-balance exposures	-	-	9.100	-	-	9.100	9.100
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	9.100	-	-	9.100	9.100

C.1.5 Total amount of securitised assets underlying junior securities and other forms of credit support

Assets/Values	Traditional securitisation	Whole business securitisation
A. With own underlying assets	**413.159**	**-**
A.1 Wholly written off	157.122	-
1. Non-performing loans	-	-
2. Watchlist loans	-	-
3. Restructured loans	-	-
4. Past due loans	-	-
5. Other assets	157.122	-
A.2 Partially written off	-	-
1. Non-performing loans	-	-
2. Watchlist loans	-	-
3. Restructured loans	-	-
4. Past due loans	-	-
5. Other assets	-	-
A.3 Not written off	256.037	-
1. Non-performing loans	-	-
2. Watchlist loans	-	-
3. Restructured loans	-	-
4. Past due loans	-	-
5. Other assets	256.037	-
B. With underlying assets of third parties	**-**	**-**
1. Non-performing loans	-	-
2. Watchlist loans	-	-
3. Restructured loans	-	-
4. Past due loans	-	-
5. Other assets	-	-

C.1.6 Participation in special purpose vehicles

Name	Registered Office	Participation %
Secursel S.r.l.	Biella	80%
Mars 2600 S.r.l	Conegliano (TV)	10%

C.1.7 Servicer activity - collection of securitised credits and repayment of securities issued by special purpose vehicles

Servicer	Special purpose vehicle	Securitised assets (end of 2005)		Collection of credits realised in the year	
		Non-performing	Performing	Non-performing	Performing
Sella Holding Banca S.p.A.	Secursel S.r.l.	-	87.530	-	20.398
Biella Leasing S.p.A.	Secursel S.r.l.	-	69.592	-	47.446
Sella Holding Banca S.p.A.	Mars 2600 S.r.l.	-	256.037	-	3.681

Servicer	% of securities repaid (end of 2005)					
	Senior		Mezzanine		Junior	
	Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
Sella Holding Banca S.p.A.	-	61%	-	-	-	-
Biella Leasing S.p.A.	-	71%	-	-	-	-
Sella Holding Banca S.p.A.	-	-	-	-	-	-

C.2 TRANSFER OF FINANCIAL ASSETS

C.2.1 Financial assets sold but not written off

Financial assets sold but not written off consist of securities transferred for repurchase agreements transactions, as indicated in figure 2.1 "Financial assets held for trading", and by performing credits transferred by the special purpose vehicle Mars 2600 S.r.l. during the securitisation programme concluded in 2005, as indicated in figure C.1.7 of this section of the Explanatory notes.

C.2.2 Financial liabilities from assets that have been transferred but not written off

Financial liabilities from assets that have been transferred but not written off for liabilities from repurchase agreement transactions are entered to liability item 20 "Due to customers".

1.2 MARKET RISKS

Management of market risks (interest rate risks, price risks, exchange risks, counterparty risks, liquidity risks) is governed by Group regulations that set rules limiting the exposure of individual companies to this type of risk. The entity in Gruppo Banca Sella that assumes market risks is the subsidiary Banca Sella (since 1 January 2006, Sella Holding Banca), where financing activities (trading for own account and Group treasury) are centrally performed.

The Parent company's Board of Directors sets strategic guidelines for the assumption of market risks by verifying the use of capital for the Parent company and subsidiaries. The ALM Committee, in addition to its dominant role of monitoring of established risk limits, also has the function of proposing definitions of the Group's policies for exposure to market risk; the Committee also makes proposals of corrective action aimed at bring the Group's risk positions back into balance.

Risk Management, Strategic Planning, Budgetary Control and the Finance Business Area all play an active part in the control of financial risk.

The financial activity of the subsidiary Banca Sella (Sella Holding Banca since 1 January 2006), where treasury and trading on own account are centrally performed, has the main aim of optimal allocation of excessive financial resources, as well as outside funding activity. Sella Holding Banca is also the counterparty for other Banks and Companies of the Group for covering exposures to market risk.

1.2.1 Interest rate risk - regulatory trading portfolio

The interest rate risk derives from asymmetries in maturities, in times of redefinition of the interest rate (as well as the types of indexing) of assets and liabilities of each entity. The interest rate risk is monitored through measurement of the impact of unexpected changes in interest rates have on period result and shareholders' equity.

The calculation model used for monitoring the banking book is realised in line with regulatory provisions and is applied individually to each Italian bank in the Group. Controls are performed taking into consideration the sum total of positions on and off the balance sheet, limited to interest-bearing assets and expense-bearing liabilities. Monitoring is performed by monthly measurement and provides the change in the period result and the impact on capital for supervisory purposes in the case of a shift in interest rates of 1%. A risk index is also calculated.

The interest rate risk is also monitored according to a method based on VAR for the subsidiaries Consel and Biella Leasing, which are relevant for the purposes of establishing the overall interest rate risk.

The values of these indicators are calculated by Risk Management and passed on to the ALM Committee, which evaluates the opportunity of defining actions aimed at redefining the risk position.

The Group's policy is that of a high level of coverage of fixed-rate exposures (in this regard, for liabilities the issue of bonds are prevalently variable-rate, and for assets the issue of mortgages and other types of fixed-rate financing is periodically covered by IRS that transform it into variable-rate exposures).

Data as at 31/12/2005 from the sensitivity analysis show an extremely contained risk in the aggregate banking book of the Italian banks and the subsidiaries Consel and Biella Leasing. Sensitivity is represented in the table below as the total and percentage impact on net interest income of a parallel shift in interest rates of one percentage point.

Thousands of Euros	Total sensitivity	Sensitivity %
+100 basis points	4.363	1,99%
-100 basis points	(3.611)	-1,65%

1.2.3 Price risk - regulatory trading portfolio and exchange rate risk

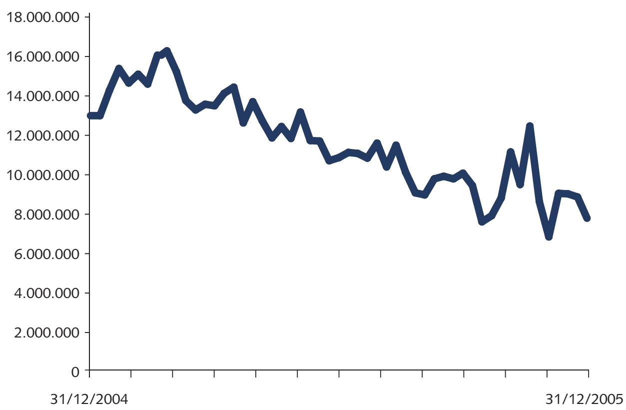
As for the trading book, price and exchange risks (risks of losses to capital accounts on financial assets due to oscillations in the value of securities or factors caused by the issuer's specific situation, or by the currency of issue) are measured within Gruppo Banca Sella using historical VAR (value at risk), which determines the maximum change in value of a financial instrument or portfolio in a certain amount of time with a certain level of probability (confidence interval). For this purpose, "historical" VAR with a confidence interval of 99% is used with a reference period of 3 months for portfolios owned by banks, while for trading on own account, which has a very short temporal horizon, one-day VAR (for intraday positions) and one-week VAR (for positions that are not closed within the same day) are used. The software used for VAR calculation permits the calculation of the VAR of the individual instrument and the calculation of the VAR of the portfolio (which is obviously a function of the individual VAR values and the correlations between the various instruments). Trading on own account also has very stringent stop loss parameters.

Counterparty risk is also monitored both in terms of operating maximum prices for the various instruments and in terms of the credit risk equivalent. The latter method, introduced near the end of the period, permits the summation of exposures of various natures with proper weight assigned to each.

The performance of VAR at the consolidated level (confidence interval 99%, temporal horizon 3 months, historical method) during the period is indicated in the chart below.

CONSOLIDATED VAR CONFIDENCE INTERVAL 99%, TEMPORAL HORIZON 3 MONTHS

(Figures in Euros)



1.2.6 FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading portfolio: notional values at the end of the period

Type of operation/ underline	Debt securities and interest rates		Equities and stock indexes		Exchange rates and gold		Other values		31/12/2005		31/12/2004	
	listed	not listed	listed	not listed	listed	not listed	listed	not listed	listed	not listed	listed	not listed
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	319.697	-	-	-	-	-	-	-	319.697	-	356.990
3. Domestic currency swap	-	-	-	-	-	37.452	-	-	-	37.452	-	145.705
4. Currency interest rate swap	-	-	-	-	-	536.475	-	-	-	536.475	-	578.177
5. Basis swap	-	83.518	-	-	-	-	-	-	-	83.518	-	31.078
6. Stock index swap	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swap	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	60.900	-	830	-	-	-	-	-	61.730	-	54.360	-
9. Cap options	-	385.310	-	-	-	-	-	-	-	385.310	-	127.609
- Purchased	-	232.847	-	-	-	-	-	-	-	232.847	-	72.161
- Issued	-	152.463	-	-	-	-	-	-	-	152.463	-	55.448
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	175.948	43.749	-	148.810	-	-	175.948	192.559	212.774	73.727
- Purchased	-	-	100.329	5.999	-	74.405	-	-	100.329	80.404	79.951	67.897
- Plain Vanilla	-	-	100.329	4.458	-	74.405	-	-	100.329	78.863	79.951	67.897
- Exotic	-	-	-	1.541	-	-	-	-	-	1.541	-	-
- Issued	-	-	75.619	37.750	-	74.405	-	-	75.619	112.155	132.823	5.830
- Plain Vanilla	-	-	75.619	37.750	-	74.405	-	-	75.619	112.155	132.823	5.830
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	23.193	-	-	-	23.193	-	47.227
- Purchases	-	-	-	-	-	7.227	-	-	-	7.227	-	13.099
- Sales	-	-	-	-	-	15.094	-	-	-	15.094	-	34.128
- Currencies against currencies	-	-	-	-	-	872	-	-	-	872	-	-
13. Other derivative contracts	-	-	-	-	-	74.876	-	-	-	74.876	-	259.895
Total	**60.900**	**788.525**	**176.778**	**43.749**		**820.806**	**-**	**-**	**237.678**	**1.653.080**	**267.134**	**1.620.408**

A.2 Banking portfolio: notional values at the end of the period

A.2.1 Hedging

Type of derivates/ underline	Debt securities and interest rates		Equities and stock indexes		Exchange rates and gold		Other values		31/12/2005		31/12/2004	
	listed	not listed	listed	not listed	listed	not listed	listed	not listed	listed	not listed	listed	not listed
1. Forward rate agreement	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
2. Interest rate swap	-	552.742	-	-	-	-	-	-	**-**	**552.742**	**-**	**475.094**
3. Domestic currency swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
4. Currency interest rate swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
5. Basis swap	-	266.330	-	-	-	-	-	-	**-**	**266.330**	**-**	**87.111**
6. Stock index swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
7. Real index swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
8. Futures	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
9. Cap options	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**295.919**
- Purchased	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**149.662**
- Issued	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**146.257**
10. Floor options	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Purchased	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Issued	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
11. Other options	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**104.914**
- Purchased	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**52.457**
- Plain Vanilla	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**52.457**
- Exotic	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Issued	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**52.457**
- Plain Vanilla	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**52.457**
- Exotic	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
12. Forward contracts	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Purchases	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Sales	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Currencies against currencies	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
13. Other derivative contracts	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
Total	**-**	**819.072**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**819.072**	**-**	**963.038**

A.3 Financial derivatives: purchase and sale of underlying assets

Type of operation/ underline	Debt securities and interest rates		Equities and stock indexes		Exchange rates and gold		Other values		31/12/2005		31/12/2004	
	listed	not listed	listed	not listed	listed	not listed	listed	not listed	listed	not listed	listed	not listed
A. Regulatory trading portfolio	-	-	-	-	-	-	-	-	-	-	-	-
1. Operations with exchange of principal	60.900	-	-	-	-	782.883	-	-	**60.900**	**782.883**	-	**1.002.533**
- Purchases	-	-	-	-	-	331.669	-	-		**331.669**	-	**368.668**
- Sales	60.900	-	-	-	-	376.610	-	-	**60.900**	**376.610**	-	**377.327**
- Currencies against currencies	-	-	-	-	-	74.604	-	-		**74.604**	-	**256.538**
2. Operations with no exchange of principal	-	887.475	176.778	43.749	-	37.452	-	-	**176.778**	**968.676**	-	**916.087**
- Purchases	-	394.902	100.329	6.529	-	19.239	-	-	**100.329**	**420.670**	-	**398.790**
- Sales	-	492.573	76.449	37.220	-	18.213	-	-	**76.449**	**548.006**	-	**517.297**
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking portfolio	-	-	-	-	-	-	-	-	-	-	-	-
B.1 Hedging	-	-	-	-	-	-	-	-	-	-	-	-
1. Operations with exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Operations with no exchange of principal	-	1.085.402	-	-	-	-	-	-	-	**1.085.402**	-	**1.050.149**
- Purchases	-	356.757	-	-	-	-	-	-	-	**356.757**	-	**379.380**
-Sales	-	728.645	-	-	-	-	-	-	-	**728.645**	-	**670.769**
-Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. Operations with exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Operations with no exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-

A.4 Financial derivatives "over the counter": positive fair value - counterparty risk

Counterparts/underline	Debt securities and interest rates			Equities and stock indexes		
	Gross non-compensated	Gross compensated	Future exposure	Gross non-compensated	Gross compensated	Future exposure
A. Regulatory trading portfolio:	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-
A.3 Banks	9.544	-	1.489	4.115	-	1.385
A.4 Financial institutions	1.961	-	1.802	118	-	240
A.5 Insurance companies	-	-	-	-	-	-
A.6 Non-financial institutions	572	-	93	-	-	-
A.7 Other entities	20	-	8	28	-	104
Total A (2005)	**12.097**	**-**	**3.392**	**4.261**	**-**	**1.729**
Total (2004)	**11.220**	**-**	**16.932**	**69**	**-**	**140**
B. Banking portfolio	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	4.493	-	1.820	172.424	-	14.925
B.4 Financial institutions	157	-	104	-	-	-
B.5 Insurance companies	-	-	-	-	-	-
B.6 Non-financial institutions	23	-	5	-	-	-
B.7 Other entities	-	-	-	-	-	-
Total B (2005)	**4.673**	**-**	**1.929**	**172.424**	**-**	**14.925**
Total (2004)	**20.277**	**-**	**2.656**	**2.090**	**-**	**2.017**

A.4 *(continued)*

	Exchange rates and gold			Other values			Different underlying assets	
	Gross non-compensated	Gross compensated	Future exposure	Gross non-compensated	Gross compensated	Future exposure	Compensated	Future exposure
A. Regulatory trading portfolio	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Governments and central banks	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-
A.3 Banks	11.531	-	3.913	-	-	-	-	-
A.4 Financial institutions	33	-	20	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-
A.6 Non-financial institutions	1.794	-	445	-	-	-	-	-
A.7 Other entities	339	-	95	-	-	-	-	-
Total A (2005)	**13.697**	**-**	**4.473**	**-**	**-**	**-**	**-**	**-**
Total (2004)	**17.536**	**-**	**4.215**	**-**	**-**	**-**	**-**	**-**
B. Banking portfolio	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Governments and central banks	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-
B.4 Financial institutions	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-
B.6 Non-financial institutions	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-
Total B (2005)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (2004)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.5 Financial derivatives "over the counter": negative fair value - financial risk

Counterparts/ underline	Debt securities and interest rates			Equities and stock indexes		
	Gross non-compensated	Gross compensated	Future exposure	Gross non-compensated	Gross compensated	Future exposure
A. Regulatory trading portfolio	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-
A.3 Banks	21.970	-	546	28	-	104
A.4 Financial institutions	210	-	105	-	-	-
A.5 Insurance companies	-	-	-	-	-	-
A.6 Non-financial institutions	44	-	25	-	-	-
A.7 Other entities	3.502	-	204	2.681	-	1.495
Total A (2005)	**25.726**	**-**	**880**	**2.709**	**-**	**1.599**
Total (2004)	**15.813**	**-**	**4.630**	**131**	**-**	**140**
B. Banking portfolio	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	82.305	-	1.905	-	-	-
B.4 Financial institutions	345	-	147	-	-	-
B.5 Insurance companies	-	-	-	-	-	-
B.6 Non-financial institutions	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-
Total B (2005)	**82.650**	**-**	**2.052**	**-**	**-**	**-**
Total (2004)	**4.912**	**-**	**787**	**2.090**	**-**	**3.652**

A.5 *(continued)*

Counterparts/ underline	Exchange rates and gold			Other values			Different underlying assets	
	Gross non-compensated	Gross compensated	Future exposure	Gross non-compensated	Gross compensated	Future exposure	Compensated	Future exposure
A. Regulatory trading portfolio	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Governments and central banks	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-
A.3 Banks	6.705	-	2.999	-	-	-	-	-
A.4 Financial institutions	87	-	13	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-
A.6 Non-financial institutions	5.367	-	1.367	-	-	-	-	-
A.7 Other entities	477	-	119	-	-	-	-	-
Total A (2005)	**12.636**	**-**	**4.498**	**-**	**-**	**-**	**-**	**-**
Total (2004)	**24.751**	**-**	**5.663**	**-**	**-**	**-**	**-**	**-**
B. Banking portfolio	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Governments and central	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-
B.4 Financial institutions	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-
B.6 Non-financial institutions	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-
Total B (2005)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (2004)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.6 Residual life of "over the counter" financial derivatives: notional values

Underline/residual life	Less than 1 year	More than 1 year and less than 5 years	Over 5 years	Total
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	309.921	50.242	489.262	849.425
A.2 Financial derivatives on equities and stock indexes	183.095	37.150	282	220.527
A.3 Financial derivatives on exchange rates and gold	790.109	30.226	-	820.335
A.4 Financial derivatives on other values	-	-	-	-
B. Banking portfolio				
B.1 Financial derivatives on debt securities and interest rates	332.490	141.435	345.147	819.072
B.2 Financial derivatives on equities and stock indexes	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total (2005)	**1.615.615**	**259.053**	**834.691**	**2.709.359**
Total (2004)	**1.636.566**	**5.321.669**	**1.097.132**	**8.055.367**

B - CREDIT DERIVATIVES

Gruppo Banca Sella does not have any outstanding derivatives of this type.

1.3 LIQUIDITY RISK

The liquidity risk refers to the negative effects of mismatching between monetary inflows and outflows. Control of the structural liquidity profile aims to measure the equilibrium of the maturity structure and is founded on monitoring certain liquidity parameters that the Group has measured for years, as well as the predictive analysis of inflows and outflows related to client preference, strategic business factors and seasonal market factors. The ALM Committee and the Risk Management service are responsible for monitoring liquidity risk along with the Treasury, which looks after management of the risk.

A final mention should be made of hedging activities for fixed-rate assets and liabilities, with optional components or otherwise indexed by parameters, which the subsidiary Banca Sella (since 1 January 2006 Sella Holding Banca) performs for the Group. As for the assets of banks and the subsidiaries Consel and Biella Leasing, an exposure limit is set for interest rate risk beyond which hedging is performed (the same thing takes place for capped mortgages, for which beyond a certain level hedging of the implicit options with the explicit options is performed); in this case, hedging takes place through macro-hedging in homogenous classes (the macro fair value portfolio hedge method); as regards liabilities, individual structured issuances are hedged through specific hedging. Fair value hedging is performed when exposure to change is to be hedged.

1.4 OPERATIVE RISKS

In Gruppo Banca Sella, operating risk is the risk of loss resulting from the insufficiency or malfunctioning of internal processes, persons or systems, or from external events, i.e. the risk of incurring losses subsequent to internal or external fraud, legal risk (breach of contractual obligations), insufficiency of internal controls or computer systems, and natural disasters.

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

Operating risk is therefore the set of insufficiencies in current operations of Group companies that are not directly related to credit and market risk or outside factors that damage the companies.

To manage this risk, Gruppo Banca Sella launched data collection on operating losses, which initially involved all subsidiary Italian banks. The process owner is the Risk Management and Control service, which through its Operational Risk Management function has defined specific internal regulations and created a specific web application that permits the collection of data using “event_type/business_lines” forms defined by the last Basilea Agreement.

Furthermore, Gruppo Banca Sella took part in the realisation of the project promoted by the Italian Banking Association (ABI) called DIPO (Italian Database of Operating Losses) by defining the consortium in which Italy’s largest banking groups take part to share their statistical data from data collection regarding operating losses. Comparison between consortium data and those of Gruppo Banca Sella show a risk level that is in line with the system risk level.

As for the computer system of Group Italian banks, it is centrally administered by the subsidiary Banca Sella (since 1 January 2006 Sella Holding Banca), which, with regard to risks related to operating failure, has laid out a disaster recovery plan aimed at determining the necessary action to recover normal operations faced with crisis situations.

SECTION 2
INSURANCE COMPANY RISKS

Our Group holds a controlling participation in two insurance companies located in Ireland and Italy, respectively, and specialised in type of products and clients. The former targets private banking clients and offers products to better suit needs of investment diversification, while the second targets a diversified range of clients and offers a complete catalogue including risks relating to the duration of human life.

Sella Life Ltd

Sella Life's insurance activity regards exclusively Class III of the Life Sector, in particular linked products. By their nature these products do not entail financial risk for the company since it is wholly transferred to the contractor of the policy.

Insurance coverage issued by the company on the products it markets are equal at most to 101% of the value of the policy, and therefore the mortality risk is covered by the company's own means.

CBA Vita S.p.A.

CBA Vita's insurance activity mainly regards the life sector, and in a lesser way the accident and health sectors.

The main risks assumed by the company in the course of its activity and the processes adopted to assume and to manage these risks are described below.

<u>Mortality risk</u>

CBA Vita engages in a risk assumption policy diversified according to rate type. Particular attention is given to the assumption of temporary death policies for which current procedures provide precise methods of assumption based on the capital to be insured and the age of the potential contractor of the policy. Although evaluation of health and overall risk is reserved for General Management, this type of policy may be assumed without a doctor's visit by filling out a questionnaire on health, work and sport. Based on the answers given, the policy may be issued automatically by the broker or on direct authorisation of the Management, or with application of additional health, sport or professional premiums. For capital or age over assumption limits provided for automatic issue by the sales network, risk evaluation is requested from Management, which together with the insurer examines the case's health assessments. The quality of the assumption emerges from comparison of effective portfolio mortality with theoretic mortality. For the financial year 2005, effective mortality was significantly lower than theoretical mortality.

Under the profile of mortality insurance sums, CBA Vita relies on reinsurance coverage with risk premiums in keeping with the nature of the products it markets and with levels of exposure that are more than adequate for the company's asset structure.

<u>Longevity Risk</u>

Some life insurance contracts provide direct income benefits and allow the client upon maturity the choice of benefits liquidated in the form of annuities rather than collection of the matured capital. For these contracts the company is therefore exposed to longevity risk due to the progressive trend of lengthening of human life. For the past several years now this risk is limited to new capital contracts with annuity options postponing calculation of the conversion coefficient until the time of exercise of the option.

For contracts already in portfolio, with guaranteed annuity coefficients calculated based on out-of-date demographics, adequate addition to mathematical provisions has been made for € 1,44 million. This value is held adequate since it was calculated based on suitably updated demographical hypotheses and tendency toward conversion to annuity superior than those currently registered on the market.

<u>Financial risk</u>

CBA Vita markets, among other products, products with benefits that are re-valued based on the performance of its own Separate Managements, with a guaranteed minimum. The Company is therefore exposed to the risk of obtaining performances inferior to those guaranteed to the insured from underlying investments. The minimum revaluation rate currently guaranteed on newly marketed products is normally 1,5%.

There are policies in portfolio, underwritten in previous years, which provide for guaranteed minimum rates above this level. In particular, approximately 8% of provisions of revaluable products is related to contracts with guarantees of 4% and 9% and contracts with guarantees of 3%. The remaining 83% are contracts with guarantees of 2%, 1,5% or indexed on TMO.

The risk associated with these policies is periodically monitored and assessed for the purpose of optimal allocation of financial resources from the point of view of ALM (Asset Liability Management).

For risk of a possible mismatch between predictable performance rates of assets covering technical provisions associated with Separate Managements and the investments assumed, the company's mathematical reserves were increased by € 1,9 million in compliance with the ISVAP provision 1801G.

The Liability Adequacy Test, performed using models already created for analysis as per 1801G with extension of the assessment until contract maturity of the portfolio has proven the sufficiency of additional provisions calculated with local standards.

Among financial risks, finally, there is a limited number of index contracts entered into over the past few years, with counterparty risk for the Company.

PART F - INFORMATION ON CONSOLIDATED ASSETS

SECTION 1
CONSOLIDATED CAPITAL

A. INFORMATION OF A QUALITATIVE NATURE

In order to meet its objectives and follow strategic lines of development, Gruppo Banca Sella adopts the necessary measures to guarantee adequate protection of capital.

The monitoring activity of the performance of capital and capital ratios is performed centrally by the Parent company had aims to prevent possible situations of excessive approach to allowed limits.

A first verification is made during the process of the creation of the Group's three-year Strategic Plan through a comparison of dynamics of development of activities that have an influence on the entity of risks through the expected evolution of capital structure.

Capital adequacy is obtained through:

- payout policies;
- issue of subordinate bonds;
- securitisation aimed at reducing credit risk;
- loan investment policies based on the rating of counterparties.

As at 31 December 2005, the surplus of capital for supervisory purposes over mandatory levels presents a value coherent with the Group's risk profile, allowing for growth in line with expected growth objectives.

B. INFORMATION OF A QUANTITATIVE NATURE

Items of net shareholders' equity	Amount
Share capital	20.000
Own shares	(979)
Reserves	275.731
- Legal reserve	6.468
- Own share reserve	979
- Statutory reserve	17.691
- Contribution reserve (Italian Law No. 218/1990)	64.449
- Extraordinary reserve	14.933
- Consolidation reserve	160.223
- Other reserves	10.988
Valuation reserves	35.178
- Revaluation reserves (special laws)	30.256
- Valuation reserves for assets available for sale	4.922
Profit for the year	30.938
Total	**360.868**

SECTION 2
CAPITAL FOR SUPERVISORY PURPOSES AND CAPITAL ADEQUACY RATIOS

A. INFORMATION OF A QUALITATIVE NATURE

Area of application of regulations

The capital for supervisory purposes and capital adequacy ratios are calculated on the basis of capital values and the economic result determined by the application of international IAS/IFRS standards, in compliance with Memorandum No. 155/91 of Banca d'Italia containing the "Instructions for Compiling Indications on capital for supervisory purposes and capital adequacy ratios".

The application of the instructions contained in the a.m. memorandum leads to differing methods of consolidation for insurance companies entered into the consolidated financial statement. These companies are therefore consolidated on a line-by-line basis on the financial statement and are consolidated by the net equity method as regards capital and capital adequacy ratios.

Capital for supervisory purposes

Tier 1 capital

There are no innovative instruments in the calculation of Tier 1 capital.

Tier 2 capital

The main contractual characteristics of instruments entering in the calculation of 3rd level Tier 2 capital, are summarized in the following table.

Issuer grantor	Interest rate	Type of rate	Date of issue	Date of maturity	Advance payment starting on	Currency	Original amount (thousands of €)	Contribution to capital for sup. purposes (thousands of €)
Banca Sella S.p.A.	2,50%	Variable	16/09/02	16/03/13	No	Euro	50.000	49.655
Banca Sella S.p.A.	2,40%	Variable	01/09/03	1/09/14	No	Euro	24.612	24.358
Banca Sella S.p.A.	2,40%	Variable	15/07/04	15/07/15	No	Euro	18.560	18.242
Total hybrid instruments (Upper Tier II)								**92.255**
Banca Sella S.p.A.	2,65%	Variable	15/05/00	15/05/06	15/05/02	Euro	25.000	4.946
Banca Sella S.p.A.	2,55%	Variable	01/11/00	01/11/06	01/11/02	Euro	25.000	4.959
Banca Sella S.p.A.	2,40%	Variable	03/09/01	03/09/07	03/09/03	Euro	35.000	13.955
Banca Sella S.p.A.	2,60%	Variable	15/12/02	15/12/08	15/12/04	Euro	25.000	14.735
Banca Sella S.p.A.	2,35%	Variable	15/10/03	15/10/09	15/10/05	Euro	10.000	8.000
Banca Sella S.p.A.	3,01%	Variable	15/12/04	15/12/14	15/12/09	Euro	50.000	50.000
Banca Sella S.p.A.	2,55%	Variable	14/11/05	14/11/11	14/11/07	Euro	8.656	8.656
Banca Bovio Calderari S.p.A.	2,40%	Variable	01/10/03	01/10/09	01/10/05	Euro	10.000	8.000
Banca Bovio Calderari S.p.A.	2,80%	Variable	01/12/04	01/12/10	01/10/06	Euro	3.000	3.000
Banca di Palermo S.p.A.	3,15%	Variable	31/01/01	31/01/07	31/01/03	Euro	1.000	400
Banca di Palermo S.p.A.	4,25%	Fixed	15/10/01	15/10/07	15/10/03	Euro	2.000	800
Banca di Palermo S.p.A.	2,70%	Variable	18/11/02	18/11/08	18/11/04	Euro	2.300	1.380
Banca di Palermo S.p.A.	2,40%	Variable	22/09/03	22/09/11	22/11/07	Euro	2.200	2.200
Banca Arditi Galati S.p.A.	2,60%	Variable	20/12/02	20/12/08	20/12/04	Euro	2.500	1.500
Banca Arditi Galati S.p.A.	3,90%	Fixed	20/12/02	20/12/08	20/12/04	Euro	2.500	1.500
Banca Arditi Galati S.p.A.	2,30%	Variable	18/09/03	18/09/10	No	Euro	2.479	2.479
Banca Arditi Galati S.p.A.	2,15%	Fixed	18/09/03	18/09/10	No	Euro	5.000	5.000
Banca Arditi Galati S.p.A.	2,75%	Variable	01/12/04	01/12/10	01/12/06	Euro	2.000	2.000
Total computable subordinates (Lower Tier II)								**133.510**
Banca Sella S.p.A.	2,38%		18/03/05	18/03/08	No	Euro	20.000	19.858
Total 3rd-level subordinates (Upper Tier III)								**19.858**
Total								**245.623**

Hybrid instruments (Upper Tier II)

Repayment upon maturity is subordinated to the authorization by Banca d'Italia.

In case of balance sheet losses that lead to a decrease in the capital paid up and the reserves below the minimum level of capital provided for the authorization of banking activity, sums from the above-mentioned liabilities and from interest matured may be used to make up for losses, in order to allow the issuer to continue operations.

In case of liquidation of the issuer, the holder of the loan will be repaid after all other creditors that are not equally subordinated have been satisfied.

Computable subordinates (Lower Tier II)

In case of liquidation of the issuer, the holder of the loan will be repaid after all other creditors that are not equally subordinated have been satisfied.

3rd-level subordinates (Upper Tier III)

Payment of interest and principal is suspended to the degree to which the required assets of the issuer go below the required assets established by the "Supervisory Instructions of the Banca d'Italia".

In case of liquidation of the issuer, the holder of the loan will be repaid after all other creditors that are not equally subordinated have been satisfied.

B. INFORMATION OF A QUANTITATIVE NATURE

	31/12/2005	31/12/2004
A. Tier 1 capital before application of prudential filters	**334.922**	**334.393**
Prudential filters of tier 1 capital		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	-	-
B. Tier 1 capital after application of prudential filters	**334.922**	**334.393**
C. Tier 2 capital before application of prudential filters	**263.202**	**258.228**
Prudential filters of tier 2		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	1.976	-
D. Tier 2 capital after application of prudential filters	**261.226**	**258.228**
E. Total capital after application of prudential filters	**596.148**	**592.621**
Elements to deduct from total capital	46.965	5.454
F. Capital for supervisory purposes	**549.183**	**587.167**

2.3 CAPITAL ADEQUACY

A. INFORMATION OF A QUALITATIVE NATURE

As can been determined from information of a quantitative nature presented in the following table indicating the risk activities and capital requirements, the Group has a weighted ratio of tier 1 capital to risk weighted assets of 5,57% and a ratio of total capital to risk weighted assets of 9,35%, superior to the minimum requirement of 8%.

The ALM Committee performs periodical monitoring of capital adequacy and respect of requirements.

B. INFORMATION OF A QUANTITATIVE NATURE

Categories/Values	Unweighted values	Weighted values/ requirements
A. RISK ACTIVITY		
A.1 CREDIT RISK	**12.320.385**	**5.779.139**
STANDARD METHODOLOGY		
CASH ASSETS	**7.348.807**	**5.386.623**
1. Exposures (other than equities and other subordinate assets) to (or guaranteed by):	5.393.717	4.398.456
1.1 Governments and central banks	431.876	38
1.2 Public entities	16.335	3.267
1.3 Banks	675.806	135.161
1.4 Other entities (other than mortgages on residential and non-residential real estate)	4.269.700	4.259.990
2. Mortgages on residential real estate	1.005.644	502.822
3. Mortgages on non-residential real estate	430.356	215.178
4. Shares, equity investments and subordinate assets	41.227	41.775
5. Other cash assets	477.863	228.392
OFF-BALANCE SHEET ASSETS	**4.971.578**	**392.516**
1. Guarantees and commitments to (or guaranteed by):	4.917.068	375.126
1.1 Governments and central banks	212	-
1.2 Public entities	49.662	447
1.3 Banks	110.265	15.879
1.4 Other entities	4.756.929	358.800
2. Derivative contracts to (or guaranteed by):	54.510	17.390
2.1 Governments and central banks	-	-
2.2 Public entities	-	-
2.3 Banks	32.884	6.577
2.4 Other entities	21.626	10.813
B. CAPITAL FOR SUPERVISORY PURPOSES		
B.1 CREDIT RISK	**-**	**462.331**
B.2 MARKET RISKS	**-**	**13.499**
1. STANDARD METHODOLOGY	x	13.499
of which:		
+ position risk on debt securities	x	6.680
+ position risk on equities	x	5.971
+ exchange rate risk	x	-
+ other risks	x	848
2. INTERNAL MODELS	x	-
of which:		
+ position risk on debt securities	x	-
+ position risk on equities	x	-
+ exchange rate risk	x	-
B.3 OTHER PRUDENTIAL REQUIREMENTS	**x**	**5.552**
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	**x**	**481.382**
C. RISK ACTIVITIES AND CAPITAL ADEQUACY RATIOS		
C.1 Risk weighted assets	x	6.017.277
C.2 Tier 1 capital/risk weighted assets (Tier 1 capital ratio)	x	5,57%
C.3 Capital for supervisory purposes/Risk weighted assets (Total capital ratio)(*)	x	9,35%

(*)For the calculation of "total capital ratio" the 3rd-level subordinated loan usable to hedge such risks was taken into consideration for a total amount equal to outstanding market risks.

PART G – OPERATIONS OF AGGREGATION REGARDING COMPANIES OR BRANCHES OF BUSINESS

Gruppo Banca Sella does not have these types of operations.

PART H - OPERATIONS WITH CORRELATED PARTIES

1. INFORMATION ABOUT THE REMUNERATION OF DIRECTORS AND MANAGERS

In the light of the current organisational framework, in accordance with the IAS 24, the grouping "managers with strategic responsibility" includes the Board of Directors, the Board of Statutory Auditors and the (Joint) General Managers of the Parent company, Finanziaria Bansel S.p.A.

The remuneration paid during 2005 to the above corporate representatives of the Parent company include the remunerations detailed in the following table, which were resolved by the Shareholders' Meeting.

Remuneration paid to Directors, Auditors and (Joint) General Managers

Parent Company corporate representatives *(in thousand of euro)*	**Remuneration**
Board Directors	2.482
Auditors	220
(Joint) General Managers	-
Total	**2.702**

2. INFORMATION ABOUT TRANSACTIONS WITH CORRELATED PARTIES

The group of individual persons and corporate bodies whose characteristics correspond to the notion of correlated party, has been defined on the basis of indications supplied by the IAS 24, and duly applied with reference to the specific organisational structure and governance of Gruppo Banca Sella.

In particular, the following are considered to be correlated parties :

- associated companies: companies where Finanziaria Bansel exercises, either directly or indirectly, considerable influence, as defined by the IAS 28;
- the members of the Board of Directors, members of the Board of Statutory Auditors, the (Joint) General Managers of Finanziaria Bansel.

(In thousands of euro)	**Assets**	**Liabilities**	**Credit lines**
Associated companies	-	15,0	-
Directors, Auditors, (Joint) General Managers	503,7	2.201,2	4.579,7
Total	**503,7**	**2.216,2**	**4.579,7**

PART I – PAYMENT TERMS BASED ON OWN PATRIMONIAL INSTRUMENTS

Gruppo Banca Sella does not have these types of operations.

AUDITORS' REPORT

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT
pursuant to article 2409-ter of the Italian Civil Code
(Translation from the original Italian text)

To the Shareholders of
Finanziaria Bansel S.p.A.

1. We have audited the consolidated financial statements of Finanziaria Bansel S.p.A. and subsidiaries ("Banca Sella Group") as of and for the year ended 31 December 2005, comprising the balance sheet, the statements of income, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the company Finanziaria Bansel S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. These consolidated financial statements represent the first consolidated financial statements prepared by Finanziaria Bansel S.p.A. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The audit of the financial statements of certain fully consolidated subsidiaries, which represent approximately 10% of consolidated total assets, 19% of consolidated "net interest income" and 12% of consolidated "net commissions", is the responsibility of other auditors.

   For comparative purposes, the consolidated financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles except for the effects of IAS 32 and IAS 39 and IFRS 4 which have been applied from 1 January 2005 in accordance with the exemption allowed by IFRS 1. In addition, section "Adoption of International Accounting Standards / International Financial Reporting Standards" of the explanatory notes explains the effects of transition to IFRS as adopted by the European Union and includes the reconciliation statements required by IFRS 1. The information presented in the explanatory notes was examined by us for the purpose of expressing an opinion on the consolidated financial statements as of and for the year ended 31 December 2005.

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Finanziaria Bansel S.p.A. as of 31 December 2005, and for the year then ended in accordance with IFRS as adopted by the European Union.

4. We bring to your attention some issues, already described by management.

   - At the consolidated company Sella Bank Luxembourg S.A.'s charge claims might arise following supposed responsibilities related to activities carried out with some counterparts. The consolidated entity Sella Holding Banca, which controls directly and indirectly the Luxembourg 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 the subsidiary's 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 consolidated financial statements is the best estimation of the potential liability that might occur.

   - The Banca Sella Group, at first time application of International Financial Reporting Standards adopted by European Union, has redetermined the carrying value of properties by adopting deemed cost method as permitted by IFRS 1.
     The explanatory notes disclose the effects on the consolidated financial statements arising from the redefinition of deferred tax liabilities following the application of the substitute tax as provided for by the Law 23 December 2005 n. 266 on the step up in value of properties.

Turin, 28 April 2006

Reconta Ernst & Young S.p.A.
Signed by: Guido Celona, Partner

ANNEXES

CONSOLIDATED BALANCE SHEET 2004

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

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

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

CONSOLIDATED INCOME STATEMENT 2004

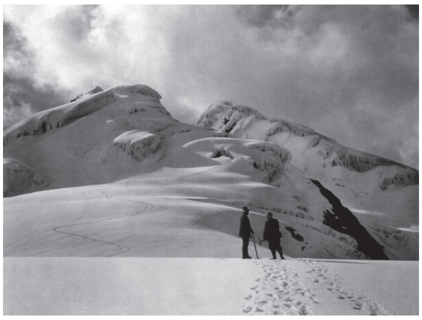
(figures in euro thousand)	**31/12/2004**		**31/12/2003**		**% Variations**	
10. Interest receivable and similar income		323.095		317.252		1,84%
of which:						
- from due from customers	257.835		239.225		7,78%	
- from debt securities	29.078		31.091		-6,47%	
20. Interest payable and similar charges		(122.224)		(132.657)		-7,86%
of which:						
- on due to customers	(65.905)		(69.447)		-5,10%	
- on securities issued	(25.048)		(29.067)		-13,83%	
30. Dividends and other income:		4.342		4.435		-2,10%
a) from equity shares, quotas and other share capital securities	2.356		2.397		-1,71%	
b) from equity investments	1.986		2.038		-2,55%	
c) from equity investments in subsidiaries	0		0		0,00%	
40. Fees and commissions receivable		298.751		272.278		9,72%
50. Fees and commissions payable		(112.932)		(98.002)		15,23%
60. Dealing profits (losses)		26.021		32.025		-18,75%
70. Other operating income		49.939		52.551		-4,97%
80. Administrative expenses:		(310.234)		(291.774)		6,33%
a) staff expenses	(178.711)		(166.860)		7,10%	
of which:						
- wages and salaries	(132.397)		(123.559)		7,15%	
- social security charges	(34.908)		(32.230)		8,31%	
- staff severance	(6.222)		(6.012)		3,49%	
- pensions and similar commitments	(4.084)		(3.989)		2,38%	
b) other administrative expenses	(131.523)		(124.914)		5,29%	
90. Write-downs to tangible and intangible fixed assets		(45.033)		(57.973)		-22,32%
100. Provisions for risks and charges		(10.077)		(14.415)		-30,09%
110. Other operating expenses		(6.321)		(7.083)		-10,76%
120. Write-downs to loans and provisions for guarantees and commitments		(52.693)		(39.066)		34,88%
130. Write-ups to loans and provisions for guarantees and commitments		9.341		9.024		3,51%
140. Provisions to the reserves for possible loan losses		(1.967)		(1.990)		-1,16%
150. Write-downs to financial fixed assets		(429)		(520)		-17,50%
170. Profit (loss) on equity investments in subsidiaries evaluated according to the equity method		710		266		166,92%
180. Profit on ordinary activities		50.289		44.351		13,39%
190. Extraordinary income		24.297		11.469		111,85%
200. Extraordinary expenses		(9.451)		(8.409)		12,39%
210. Extraordinary profit (loss)		14.846		3.060		385,16%
240. IIncome taxes for the year		(34.439)		(32.072)		7,38%
250. Minority interests		(3.926)		(2.515)		56,10%
260. Profit for the year		**26.770**		**12.824**		**108,75%**

PARENT COMPANY FINANCIAL STATEMENTS 2004

ASSETS	31/12/2004	31/12/2003
ATTIVO		
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	122.618	587.733
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	0
60. Equity shares, quotas and other share capital securities	42.973	36.634
70. Equity investments	2.030.760	0
80. Partecipazioni in imprese del gruppo	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	978.531	978.531
(nominal value euro 189.472)		
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		
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	238.009	1.410.536
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) riserva per azioni o quote proprie	978.531	978.531
(c) reserve for own shares	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	31/12/2004	31/12/2003
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
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 intagible 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**



Photographs in the text by Vittorio Sella, from the archives of the Fondazione Sella.

In the late spring of 1906 Luigi Amedeo di Savoia, Duke of the Abruzzi, succeeded in an alpine entreprise already attempted by many: the exploration and climbing of a wide mountain massif of the Ruwenzori Mountains, in the African Great Lakes Region, on the border between Uganda and the current Democratic Republic of Congo. Vittorio Sella participates to the expedition and his photographs costitute an outstanding document of it.

As a well-known photographer and alpinist, Vittorio Sella participates in three expeditions of the Duke of the Abruzzi: to Sant'Elia in Alaska in 1897, to Ruwenzori in Africa in 1906 and to K2 in Karakorum in 1909. Besides a thorough alpine exploration and photographic documentation of the whole of the Alps range, Vittorio had previously made three expeditions to Caucasus in 1889, 1890 and 1896 and one to Kangchenjunga in Sikkim with W.D. Freshfield in 1898.

Three photographs of Vittorio Sella are contained in this annual report for 2005, the publication of which falls within the centenary of the expedition to Ruwenzori, remembering also to the readers that Vittorio Sella, together with his brother Gaudenzio, was one of the founders of Banca Sella in 1886.