GRUPPO BANCA SELLA

CONSOLIDATED ANNUAL REPORT

2008

Drawn up by the Parent Company

BANCA SELLA HOLDING S.p.A.

This in an English translation of the Italian Original "GRUPPO BANCA SELLA – BILANCIO CONSOLIDATO 2008".

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

Contents

Main corporate boards and committees of the parent company Banca Sella Holding S.p.A.

BOARD OF DIRECTORS
in office up to the approval of the 2009 financial statements

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

* Member of the executive committee

BOARD OF STATUTORY AUDITORS
in office up to the approval of the 2008 financial statements

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

AUDIT COMMITTEE

Chairman	Marco Weigmann
	Mario Cattaneo
	Giovanni Zanetti

INDEPENDENT AUDITORS

Independent auditors	Deloitte & Touche S.p.A.

Report on operations

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

Gruppo Banca Sella
Main figures and indicators

BANCA SELLA GROUP SUMMARY DATA *(euro millions)*				
Item	**31/12/2008**	**31/12/2007**	**Variation absolute**	**Variation %**
BALANCE SHEET				
Total assets	13.601,7	12.497,8	1.103,9	8,8%
Cash loans	8.221,5	7.231,4	990,1	13,7%
Guarantees given	351,1	307,6	43,5	14,1%
Financial assets	2.018,1	2.376,7	(358,6)	-15,1%
Equity investments	31,7	12,0	19,7	164,2%
Tangible and intangible fxed assets	277,0	242,9	34,1	14,0%
Direct deposits	10.963,8	9.317,4	1.646,4	17,7%
Indirect deposits (1)	15.458,1	19.414,5	(3.956,4)	-20,4%
Total deposits	26.421,8	28.731,8	(2.310,0)	-8,0%
Regulatory capital	883,4	788,4	95,0	12,0%
INCOME STATEMENT (2)				
Net interest income (3)	311,3	282,4	28,8	10,2%
Net income from services	187,4	221,7	(34,2)	-15,4%
Net banking income	9,7	18,9	(9,2)	-48,6%
Net banking and insurance income	508,4	523,0	(14,6)	-2,8%
Operating costs	394,7	365,2	29,5	8,1%
Operating profit	113,7	157,8	(44,1)	-28,0%
Net value adjustments for impairment losses	40,6	47,1	(6,5)	-13,7%
Income tax	29,4	55,5	(26,1)	-47,1%
Profit for the year (net) pertaining to Parent Company	13,6	120,8	(107,2)	-88,7%

(1) The aggregate, which does not include the item 'cash' component (included under 'direct deposits'), represents the sum of the following items of the "Other information" section of the Notes to the Statements - Balance Sheet: "Asset management", "Third-party securities held in deposit connected with the role of Depositary Bank", "Other third-party securities held in deposit (net of securities issued by companies included in the consolidation)".
(2) As per items reported in the reclassifed consolidated Income Statement
(3) The aggregate does not include the component related to the insurance sector

STAFF AND BRANCHES *(year end)*					
	2008	**2007**	**2006**	**2005**	**2004**
Employees of banking group	4.412	4.327	4.027	3.765	3.714
Employees of group under civil law(4)	4.456	4.370	4.065	3.800	3.745
Branches in Italy and abroad	332	332	313	296	277
Financial promoters	299	351	390	457	540

(4) Employees of the banking group plus employees of the insurance group.

ALTERNATIVE PERFORMANCE INDICATORS: BANCA SELLA GROUP		
Item	**31/12/2008**	**31/12/2007**
PROFITABILITY RATIOS (%)		
R.O.E. (return on equity) (1)	2,7%	27,4%
R.O.A.A. (return on average assets) (2)	0,13%	1,12%
Net interest income/ Net banking and insurance income	61,2%	54,0%
Net income from services (3) / Net banking and insurance income (3)	36,9%	42,4%
Net income from insurance activities (3) / Net banking and insurance income (3)	1,9%	3,6%
Cost to income (4)	76,1%	68,3%
PRODUCTIVITY RATIOS *(in euro thousands)*		
Net banking and insurance income (3) / Average No. of employees	115,2	124,0
Gross operating profit (3) / Average No. of employees	25,8	37,4
Cash loans / No. of employees at year end	1.845,0	1.654,8
Direct deposits / No. of employees at year end	2.460,5	2.132,1
Total deposits / No. of employees at year end	5.929,5	6.574,8
BALANCE-SHEET RATIOS *(%)*		
Cash loans / Direct deposits	75,0%	77,6%
Cash loans / Total assets	60,4%	57,9%
Direct deposits / Total assets	80,6%	74,6%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	2,8%	2,0%
Net value adjustments to loans / Cash loans	0,5%	0,7%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	6,76%	7,32%
Total Capital Ratio	10,98%	11,17%

(1) Ratio between operating proft and equity, net of valuation reserves, both including minority interests.
(1) Ratio between "Net profit including minority interests" and "Average total assets".
(3) As per item reported in the reclassifed consolidated Income Statement.
(4) Ratio between operating costs net of IRAP and net banking and insurance income.

Rating

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

RATING		
Long Term Global local currency deposit rating	**A2**	unvaried
Short Term	**P–1**	unvaried
Bank Financial Strength Rating	**C–**	unvaried
Outlook	**Stable**	unvaried

Macroeconomic scenario

GLOBAL SCENARIO

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

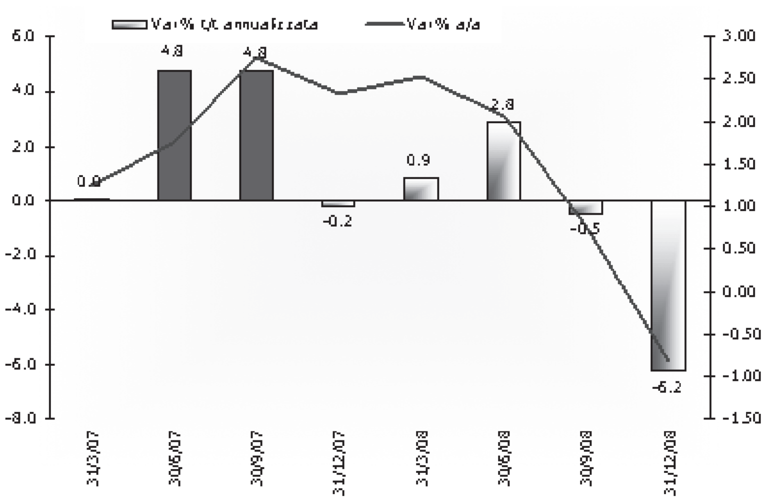
The US economy showed a reduction in consumption and a deterioration in the employment market, accompanied by persistent weakness of the real estate market and by less dynamic investments and exports. The European area also showed signs of increasing weakness of the macroeconomic situation, while the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

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

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

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

Trend in US GDP during 2008



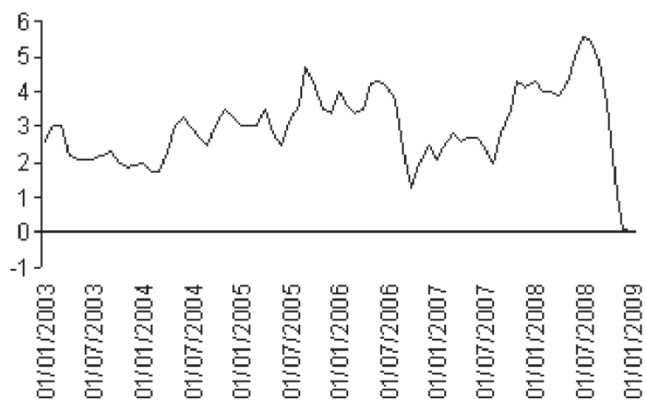
Fonte: Bloomberg. Dati: Bureau of Economic Analysis

Private consumption, boosted in April and May 2008 by the effects of the expansive fiscal policy, later showed signs of a marked slowdown. This happened as a result both of the negative wealth effect associated with the downward trend in real estate prices and stock exchange valuations, and of the deterioration of the employment market. The construction industry, in particular as regards the residential segment, continued to have a negative impact on GDP growth. There was a gradual reduction in corporate investment.

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

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

Consumer price index in US (y/y variation)

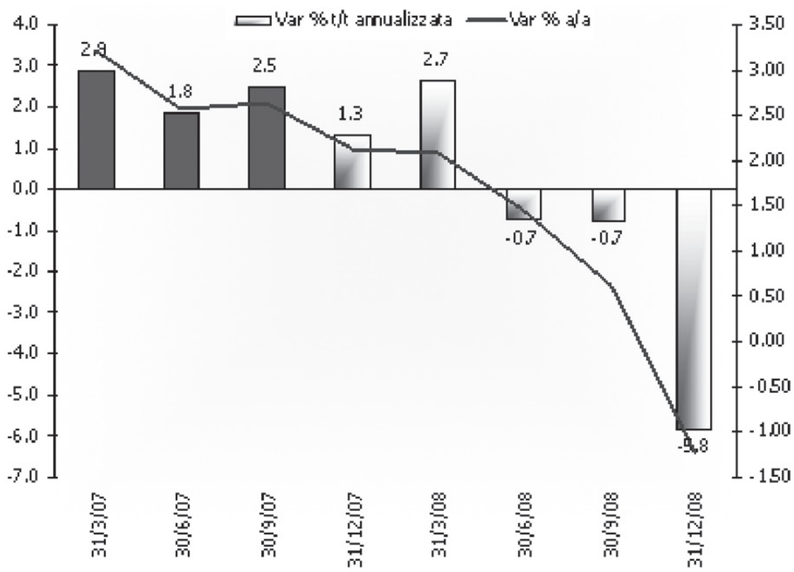


Fonte: Bloomberg. Dati: Bureau of Labor Statistics

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

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

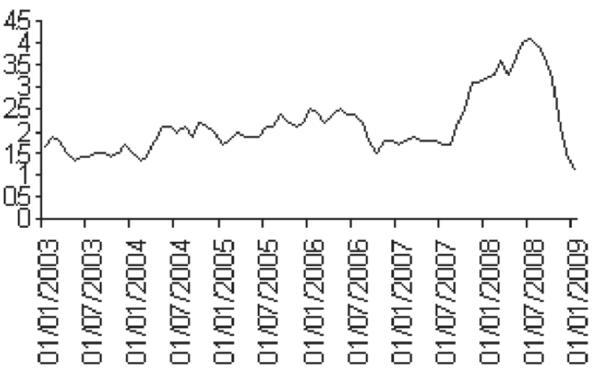
Trend in euro area GDP during 2008



Fonte: Bloomberg. Dati: Eurostat

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

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

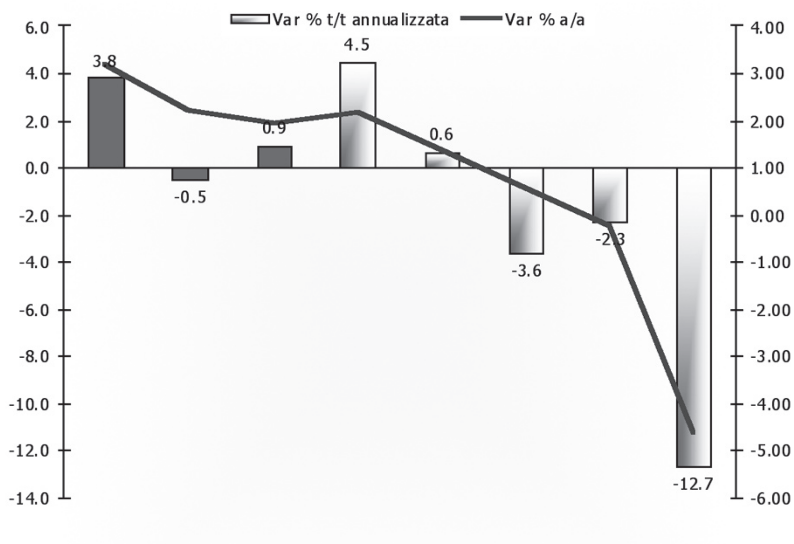


Fonte: Bloomberg. Dati: Eurostat

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

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

Trend in Japanese GDP during 2008

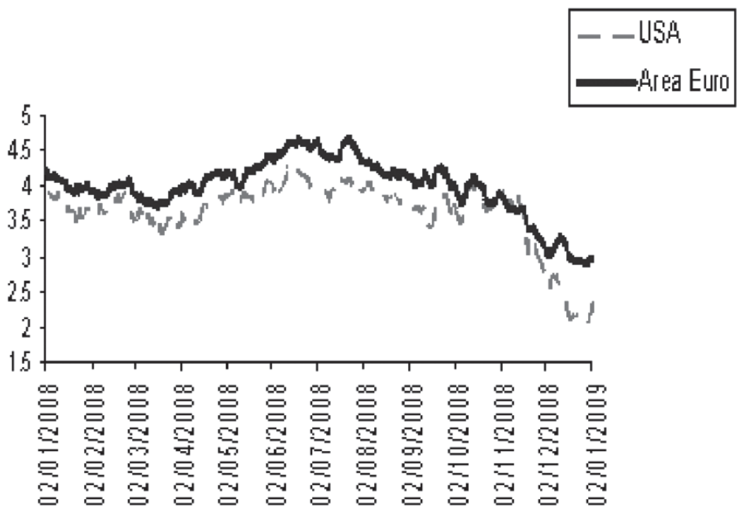


- **China and India** continued to record high growth rates but the slowing trend which began in the second half of 2007 also continued. Inflationary pressures began cooling in both countries, this giving their respective central banks opportunities to reduce the official rate, abandoning the restrictive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

THE FINANCIAL MARKETS

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

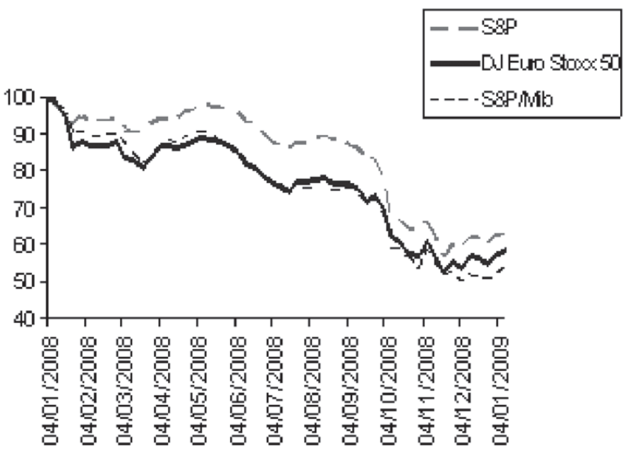
Long-term market:
Ten-year interest rate



Fonte: Bloomberg.

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

Equity markets: indexes (2 january 2008 level = 100)



Fonte: Bloomberg.

ITALIAN BANKING SYSTEM

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

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

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

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

The slowdown in lending to families was also significant: while in 2007 loans increased on an annual basis by 8,4%, in 2008 they grew by only 2,0%. The trend is partly attributable to the securitization of loans by banks, a transaction carried out in order to obtain allocable securities to guarantee refinancing operations in the Eurosystem. The growth in the stock of loans to residents during period would be about two percent higher if the effect of these securitizations were to be taken into account.

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

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

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

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

LEGISLATIVE ASPECTS

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

- on 9 January 2008 the order of the Bank of Italy of 21 December 2007 was published in the Official Journal: "Regulations for the organization and operation of the Financial Information Unit (FIU), under the terms of Article 6, paragraph 2, of Legislative Decree 231 of 21 November 2007". The new Rome-based structure therefore became operational, at the headquarters and offices made available to the Bank of Italy and which replaced the Italian Exchange Office on 1st January 2008;
- on 30 April 2008 the provisions of Art. 49 of Lgs. Dec. 231/2007 on cash transfers and bearer securities came into force. This norm was later modified by D.L. 112 of 25 June 2008 containing "Urgent measures for economic development, simplification, competition, financial stabilization and equalization of taxes" - (O.J. no. 147 of 25 June 2008) converted by Art. 1, paragraph 1, Law 133 of 6 August 2008;
- on 15 May 2008 Legislative Decree 81 of 6 March 2008 containing the Consolidated Act of Safety in the Workplace came into force (published in Official Journal no. 101 of 30 April 2008, - Ordinary Supplement no. 108), implementing the powers conferred on the Government by Law 123 of 3 August

2007, on the subject of health and safety in the workplace;

- on 27 May 2008 Law Decree 93 of 27 May 2008: Urgent measures to safeguard the purchasing power of families, was introduced; this was later converted into a law, with modifications, by Art. 1, paragraph 1, Law 126 of 24 July 2008 – which provided, among other things, for the renegotiation of variable-rate mortgage loans contracted for the purchase, construction and restoration of first homes;
- 25 June 2008 saw the introduction of D.L. 112 of 25 June 2008 containing "Urgent measures for economic development, simplification, competition, financial stabilization and equalization of taxes" - (O.J. no. 147 of 25 June 2008) converted into a law by Art. 1, paragraph 1, Law 133 of 6 August 2008, and introducing a number of legislative changes including the Combined Justice Fund (which brings together the revenues deriving from assets confiscated during criminal and administrative proceedings, and the imposition of fines pursuant to Lgs. Dec. 231/2001);
- Decree Law 155 of 9 October 2008, containing "Urgent measures to guarantee the stability of the banking system and continuity in the provision of credit to businesses and consumers, in the current situation of crisis on the international financial markets" converted into a law, with modifications, by Art. 1, paragraph 1, Law 190 of 4 December 2008, stated that the Ministry of Economy and Finance is authorized, also in derogation of the rules on government accounting, to subscribe or guarantee capital increases resolved by Italian banks which are in a situation of capital inadequacy ascertained by the Bank of Italy.

Strategic issues

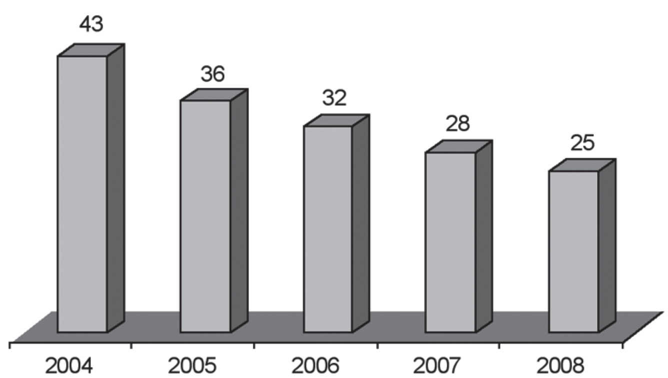
During the period the structural evolution of the Group continued as envisaged in the Strategic Plan 2008-2010, which is based on the Strategic Guidelines of growth, efficiency and excellence.

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

STRUCTURE OF THE GROUP

In 2008 the Group accordingly continued to review and rationalise its corporate structure, a policy which led over the last few years to a gradual reduction in the number of companies from 43 in 2004 to 25 (one of which in liquidation) at the end of 2008. All this, besides simplifying the structure, has also improved the selection of services and products on offer.

Evolution of the number of companies of the Group in the last 5 years



ORGANIZATIONAL MODEL

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

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

The Guidelines set out above were followed in:

- completing the rationalisation of the corporate structure in the manner illustrated above, by reducing the number of companies still further;
- consolidating and perfecting the operations and role of the parent company by implementing further governance and control processes in order to provide appropriate support in the development of the Group companies;
- simplifying and innovating business processes;
- a high and constant investment in training and growth of human resources;

- constant fine-tuning of the governance rules for optimum delegation and assignment of responsibilities.

CORPORATE OPERATIONS

The following corporate operations occurred during the year:

- the creation of a single banking institution presiding over Southern Italy, Banca Sella Sud Arditi Galati, the result of the merger of Banca di Palermo (to which the Banca Sella branches in Campania had been conferred) with Banca Arditi Galati, which at the time of the merger changed its name to the above;
- the closure, by Banca Sella Holding, of the foreign agency in Miami;
- the purchase of an equity interest in Banca Monte Parma by Banca Sella Holding, representing 10% of the share capital of the Parma-based bank, and CBA Vita, representing 3% of the share capital of Banca Monte Parma;
- the completion of the procedure for the liquidation of Sella Austria Financial Services AG and Selsoft Direct Marketing S.p.A.;
- the launch of the corporate plan for the internal reorganization of Sella Bank Luxembourg focusing on the private banking business, and the parallel plan to safeguard the jobs of the employees involved in the operation;
- the splitting of BC Finanziaria and its subsequent change of name;
- the capital increases, with the aim of simplifying the capital asset structure, on the part of the following companies: Banca Sella Holding, Banca Sella Nordest Bovio Calderari, Banca Sella Sud Arditi Galati, Banca Patrimoni Sella & C., Biella Leasing, Immobiliare Lanificio Maurizio Sella and Immobiliare Sella.

The above operations are described in detail below in the present Report on Operations. For more information, therefore, the reader is referred to the sections “Distribution policies”, “Changes in the Group structure and in equity investments”, “Significant non-recurring events and transactions” and “Group Companies”.

EXPANSION

The expansion envisaged by the Strategic Plan was implemented through:

- the opening of a bank branch and the transfer of 8 existing agency, with a view to better geographical diversification. As a result of the aforementioned closure of the Miami branch, however, the total number of branches remained unchanged compared with the previous financial year at 332;
- the opening of 9 Consel branches, which took the total number of branches of the consumer credit company to 32, distributed all over the country;
- the growth of 2,7% in the number of customers of the Group;
- the innovation of services offered to customers;
- an increase in the number of employees of the Group companies by 86 people, which brought the total to 4.456.

Commercial and distribution policies

Commercial policies

Based as always the general strategy of a polyfunctional Group, in 2008 the commercial policies again followed the tactic of offering a "full circle" of customer services and products, thanks also to the advantages of multichannelling and to the presence of specialized professional figures through which to build a personalized relationship "made to measure" for the customer.

The results obtained were achieved by drawing, always, on the Group's distinctive factors:

- trust
- personal relationships
- quality
- innovation

as well as on a number of **strong features characterizing** the long history of the Group, namely:

- strong links with the community;
- transparency, professionalism and experience in customer relationships;
- constant commitment and dedication to the values of confidentiality and correctness in dealings with customers.

In accordance with the distinctive factors and characteristic features listed above, the main commercial initiatives undertaken by the Group were:

- the development of new customers through the continual evolution of the distribution network and expansion of the online channel as a driver for growth in customer numbers;
- an increase in business with existing customers by improving cross selling, also through centralised actions (direct marketing campaigns);
- a widening of the range of online products and services, both to increase customer transactions and in support of the traditional channels;
- the development of the WebSella.it website, a portal reserved for customers who intend to operate only through the internet without having to visit traditional branches;
- the launch of the first products of InChiaro Assicurazioni (in particular the third-party car policy RC Auto), a non-life bancassurance company, the result of synergies between CBA Vita (a Banca Sella Group company) and HDI Assicurazioni;
- the launch of the new direct deposit product Tuo Risparmio, in line with the opportunity and intention to maintain a strong cash component. This is a nominative untied savings account developed for natural persons, combining advantages in terms of flexibility and simplicity with competitive rates of return tied to market interest rate trend parameters;
- the renewal of the Sella.it website with a view to web 2.0: the new site has the aim of offering customers innovative relationship tools and advanced interaction, with much more active collaboration on the part of customers in relation to the bank (sharing in the creation of products and services, collecting suggestions and opinions on services rendered, etc.) and with the creation of a community. The new Chat, RSS Feed and Contact Tracking services and the analysis and research community (podcasting and videos) are based on this concept;
- the updating of its mobile banking service, which the Group counted on greatly in 2008, offering its customers a new mobile website that enables customers to use the services more quickly and with a new more simple and intuitive graphical interface, ensuring also the best user experience on

latest-generation mobile devices with the use of touchscreen technology. Moreover, in November Sella.it launched the first native Italian application for the I-Phone authorized by Apple itself, with which customers can operate on their current accounts, see the balance and the list of movements, dispose of their money with interbank and intrabank transfers and view the list of movements and the total amount of their credit cards. The advantage of this mode of use is savings on navigation costs, because pages and screens are preloaded onto phone and the telephone connection happens only at the moment of transfer of the data, for a few seconds. It is also possible, both for customers and non-customers, to view in real time a number of stock market indices and find out about the main initiatives and news of Sella.it. To use the application customers need only to download it directly from the Apple Store and install it on their I-Phones.

The commercial initiatives also include sponsorship of the local basketball team, which plays in the A1 league, and participation in the online trading fairs "Internet Trading Forum" in Rimini and "Tol Expo" in Milan

As regards, instead, industrial partnerships, during 2008 two important aspects should be noted:

- the launch of commercial activities following the multi-annual agreement signed at the end of 2007 by Consel S.p.A. and Toro Assicurazioni S.p.A. (Generali Group), with the aim of achieving significant synergies between the products and sales networks of the two companies and combining consumer credit with insurance products;
- the purchase of an equity interest in Banca Monte Parma S.p.A., by the parent company Banca Sella Holding and CBA Vita (a Group company): the goal of the operation is the provision of services and the distribution of our banking and insurance products through a bank with a great tradition, present in an area currently not covered by branches of the Group.

During the year the Group also received the following awards:

- third place, for the second consecutive year, in the "Alto Rendimento 2007" (High Return 2007) league table drawn up by "Il Sole 24 ore" in the SMALL SGR category (asset management companies with assets managed of less than 7,5 billion euro). The prize was awarded for the results of the three years December 2004 – December 2007 and was assigned on the basis of the combined results achieved by all the Italian-law funds;
- the Sella Gestioni Fund Gestnord Bilanciato Euro won the prestigious Tripla AAA prize of Milano Finanza, the highest award in the category, destined for Italian Mutual Funds and foreign SICAVs which have obtained the highest rating from Milano Finanza and Morningstar.

BANCASSURANCE

In the Bancassurance sector financial year 2008 was characterized by an important investment with the aim of maintaining the insurance certification of sales staff in the Group's various distribution networks and by a further increase in the number of certified staff (as described in the section on human resources).

For life and health insurance, the products placed were exclusively those of C.B.A. Vita and Sella Life, Group companies operating in the insurance sector.

As far as non-life insurance is concerned, as mentioned above, 2008 saw the start of the placing of various InChiaro Assicurazioni products such as the third-party vehicle policy, the account-holder accident policy, and the CPI loans and fire policies protecting mortgages.

At the end of the year, the crisis on the financial markets represented a moment of change in our customers' inclinations, which the Group immediately recognized, deciding not to place any further index linked products. A new C.B.A. Vita revaluable life assurance product was instead distributed; The policy is linked to specific assets of Banca Sella Holding, is very competitive and is designed to protect customers' savings.

OTHER INFORMATION

For more information on the transparency of transactions and banking services, security of information and protection of privacy, see the Commercial Policies section of the individual report on operations of the Parent Company Banca Sella Holding, in which these issues are dealt with in detail.

Distribution policies

The Distribution Model of the Banca Sella Group is made up of:

- network banks: a network of efficient and lean local banks, rooted in the community;
- integrated multichannelling: represented by the traditional branches, private banking offices, enterprise centres, the internet channel, telephone banking, ATMs, mobile banking;
- specialist account managers: figures in support of businesses and private customers, who operate in synergy with the branches;
- financial promoters and agents;
- the Web Sella channel: devoted to customers who intend to operate exclusively through the internet;
- branches and head offices of other Group companies specialized in consumer credit, leasing, managed savings, corporate finance, IT services and insurance broking.

In financial year 2008, the Group's distribution network, which is structured in accordance with the principles of multichannelling and personalization of services, was again constantly engaged in catering with ever-increasing effectiveness to the needs of customers. The most important event which affected it during the year was the creation of a single banking institution to preside over southern Italy: Banca Sella Sud Arditi Galati (for more details on this operation, see below, the section on "Bank Branches").

During the year the Group's network banks:

- reinforced the organizational structure in relation to the Small and Medium Enterprise (SME) and Small Business segments;
- continued to develop the business of the life and non-life insurance sectors thanks to renewal of the range of insurance products following the foundation of the new Company InChiaro Assicurazioni, set up by the Banca Sella Group and HDI Assicurazioni (an Italian company of the third-largest

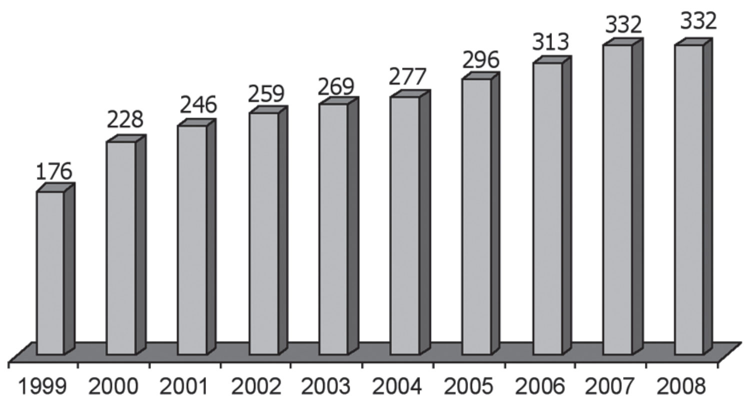
German insurance group) in financial year 2007. The new insurance company InChiaro received authorization to operate from ISVAP on 20 September 2007. In 2008 a strong impulse was given to the launch of the new car policy and complementary guarantees through a specific marketing campaign and continual and constant training of network staff;

- updated the customer risk profiles, following the entry into force of the new Community Directive on Investment Services (MiFID) which introduced new rules for greater investor protection and laid down a code of conduct that the banks must adopt in relation to them. In keeping with this directive, the Banca Sella Group considers it essential to offer its customers the option of choosing the Advice Service to give them help and assistance in their investment decisions;
- completed the segmentation of customers with the appointment of Affluent account managers, who work with retail customers with assets of between 50 and 500 thousand euro;
- continued to increase the number of transactions performed by customers autonomously, monitoring carefully requests for information and/or for the activation of new services and products received via remote banking channels, and circulating information on the advantages of the use of banking services through channels complementary to branches, namely Internet Banking, Mobile Banking and Telephone Services.

BANK BRANCHES

During the year the number of Group bank branches remained unchanged at 332.

Evolution of the number of branches of the Group in the last 10 years



As already mentioned above, the most significant event that affected the distribution network in 2008 was the creation of Banca Sella Sud Arditi Galati[1]. The operation, which has the aim of rationalizing the Group's presence in Southern Italy, involved firstly the transfer, by Banca Sella, of its 8 branches in Campania to Banca di Palermo and later the same day, the incorporation of the Sicilian bank into Banca Arditi Galati, which at the same time changed its corporate name.

[1] *In the subsequent sections of the present report on operations, in order to enable a more meaningful comparison with the previous year, the balance sheet and income data of Banca Sella Sud Arditi Galati at 31 December 2008 are compared with the sum of the Banca Arditi Galati and Banca di Palermo data at 31 December 2007.*

During the year Banca Sella therefore reduced the number of branches by 8 (the branches involved in the operation described above), going from 216 to 208. In detail, the branches transferred from Banca Sella to Banca di Palermo are all located in Campania: four in the province of Naples, two in the province of Salerno, one in the province of Caserta and one in the province of Benevento.

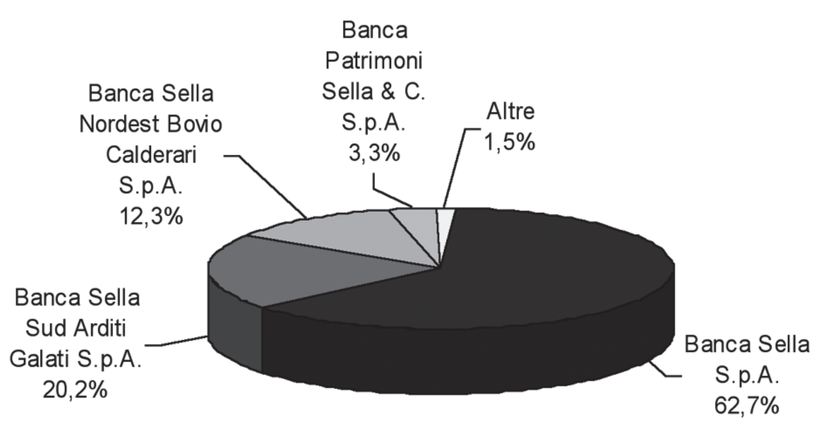
At the beginning of the year Banca Arditi Galati had increased the number of its branches by one, expanding its presence in the province of Foggia. At the moment of incorporation of Banca di Palermo, therefore, Banca Arditi Galati had 38 branches, while the Sicilian bank had 29 (as a result also of the transfer of the Banca Sella branches in Campania). Thus at 31 December 2008 the new entity Banca Sella Sud Arditi Galati covered the south of Italy with 67 branches, located in 4 regions.

Again as part of the process of rationalization of the Group's corporate frameworks, it is also worth noting that in June Banca Sella Holding closed its only foreign agency, the one in Miami. A decision which, in accordance with the guidelines of the 2008/2010 strategic plan, entails the performance of all international private banking transactions, including those with the American market, by the Group banks present in Switzerland and Luxembourg and by the Foreign Residents Service in Biella. Customers previously managed by Miami (before the closing date of the branch all customers were contacted to offer support in transferring their assets) are therefore now managed by the Group's European structures.

With a view to greater operational efficiency, during the year the network banks carried out a number of transfers of branches:

- Banca Sella transferred two branches: one from Nuoro to Biella and the other in Lombardy, from Milan to Gallarate (VA);
- Banca Sella Sud Arditi Galati transferred one branch within the province of Salerno, from Capaccio Scalo to Pontecagnano;
- Banca Sella Nordest Bovio Calderari transferred four branches, opening in Zevio (VR), Treviso, Udine (the first branch of the bank in Friuli Venezia Giulia) and Vicenza, and closing at the same time the branches of Affi (VR), Quero (BL), Campitello di Fassa (TN) and Vigo di Cadore (BL);
- Banca Patrimoni transferred one branch within the Piedmont, opening for the first time in Biella and closing at the same time the Cuneo branch.

Percentage breakdown by company of the Group Bank branches



The table below shows the geographical distribution of the bank branches of the Banca Sella Group, in Italy and abroad.

GROUP BANK BRANCHES				
Company	2008	Proportion (%) of total	2007	Proportion (%) of total
Banks in Italy				
Banca Sella Sud Arditi Galati S.p.A. (formerly Banca Arditi Galati S.p.A.) [1]	67	20,2%	37	11,1%
Banca di Palermo S.p.A.[1]	-	-	21	6,3%
Banca Patrimoni Sella & C. S.p.A.	11	3,3%	11	3,3%
Banca Sella S.p.A. [1]	208	62,7%	216	65,1%
Banca Sella Nordest Bovio Calderari S.p.A.	41	12,3%	41	12,3%
Banca Sella Holding S.p.A.	1	0,3%	1	0,3%
Total branches in Italy	**328**	**98,8%**	**327**	**98,5%**
Foreign banks				
Sella Bank A.G. - Switzerland	3	0,9%	3	0,9%
Sella Bank Luxembourg S.A. - Luxembourg	1	0,3%	1	0,3%
Banca Sella Holding S.p.A. – Miami USA[2]	-	-	1	0,3%
Total branches abroad	**4**	**1,2%**	**5**	**1,5%**
Total Group branches	**332**	**100,0%**	**332**	**100,0%**
Geographical distribution of branches in Italy				
North West (Piedmont, Aosta Valley, Lombardy, Liguria)	166	50,6%	165	50,5%
North East (Veneto, Trentino, Emilia Romagna)	58	17,7%	58	17,7%
Centre (Tuscany, Lazio, Molise, Abruzzo, Marche)	34	10,4%	34	10,4%
South and Islands (Campania, Apulia, Sicily, Sardinia)	70	21,3%	70	21,4%
Total branches in Italy	**328**	**100,0%**	**327**	**100,0%**

[1] On 1st June 2008 the distribution networks of Banca Arditi Galati, Banca di Palermo and Banca Sella were involved in the operation which led to the creation of a single banking institution of the Group presiding over southern Italy, as described in the present section. As a result of this operation, Banca Arditi Galati, after incorporating Banca di Palermo, changed its name to Banca Sella Sud Arditi Galati.
[2] On 30 April 2008 the Miami Branch was closed. Again in this case, for more information see the details presented in this section.

As shown in the table and chart above, the distribution network of the Group consists mainly (62,7%) of Banca Sella branches, while the second-largest Group entity, as regards the number of branches, is Banca Sella Sud Arditi Galati (with 20,2% of the total), followed by Banca Sella Nordest Bovio Calderari (12,3%) and Banca Patrimoni Sella & C. (3,3%). The remaining 1,5% is made up of the branches of the Group's foreign banks, Sella Bank (in Switzerland) and Sella Bank Luxembourg (in Luxembourg), and of the head office of the Parent Company Banca Sella Holding.

FINANCIAL PROMOTORS

The Group's commercial network also includes 299 financial promoters working in the companies Banca Patrimoni Sella & C. and Sella Gestioni.

As can be seen from an analysis of the table on the next page, at 31 December 2008 the number of financial promoters working for the Group had fallen by 52, going down from 351 in the previous year to 299. The drop is mainly due to the termination of contracts of promoters with low turnover, in keeping with the qualitative strategic policy of the Banca Sella Group.

Of the total of financial promoters, 2 work for Sella Gestioni, while most (297) work for Banca Patrimoni Sella & C. carrying on their business at 11 branches and 33 financial promotion offices (at 31 December 2007 there were 40) distributed all over the country.

FINANCIAL PROMOTERS OF THE GROUP				
	2008	Proportion (%) of total	2007	Proportion (%) of total
Banca Patrimoni Sella & C. S.p.A.	297	99,3%	349	99,4%
Sella Gestioni SGR S.p.A.	2	0,7%	2	0,6%
Total financial promoters of the Group	**299**	**100%**	**351**	**100%**

REMOTE BANKING CHANNELS

During the year, in support of the traditional distribution structure, there was also a further significant expansion of the customer base of the internet channel with a multichannel strategy.

For more detailed information on the Internet, Mobile, Corporate and Telephone Banking services, see the report on operations of the Parent Company Banca Sella Holding which provides them.

OTHER CHANNELS

The Group's commercial business is carried on also through 32 branches of Consel, a company specialising in consumer credit, and 11 branches of Biella Leasing, which provides financial leasing services. The Group also operates through its companies working in the fields of asset management, corporate finance, IT services and insurance brokerage.

OTHER INFORMATION

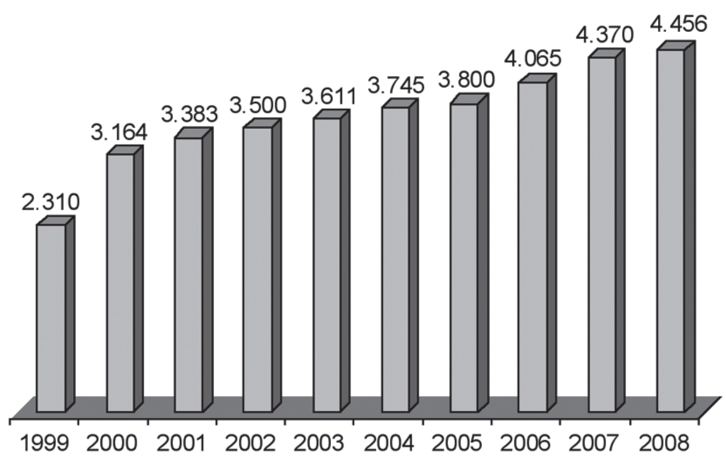
As regards industry-wide initiatives, it is worth noting that the Group's network banks are about to adopt "Impegni per la qualità" (Quality Commitments): a set of 30 rules on clarity, simplicity, comparability and mobility, with the aim of facilitating the creation of a more efficient and competitive retail market. In this context Patti Chiari (Clear Agreements) will assume a new role as a "sector vehicle" for the production, management and external dissemination of dedicated instruments and of a programme of financial education of the community.

Human resources

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

At 31 December 2008 the staff of the civil-law companies of the Banca Sella Group (that is to say, including also companies in the insurance sector) stood at 4.456 employees, an increase of 86 compared with the figure at the end of 2007. As regards the banking group alone, at the end of the year the employees numbered 4.412, an increase over 2007 of 85.

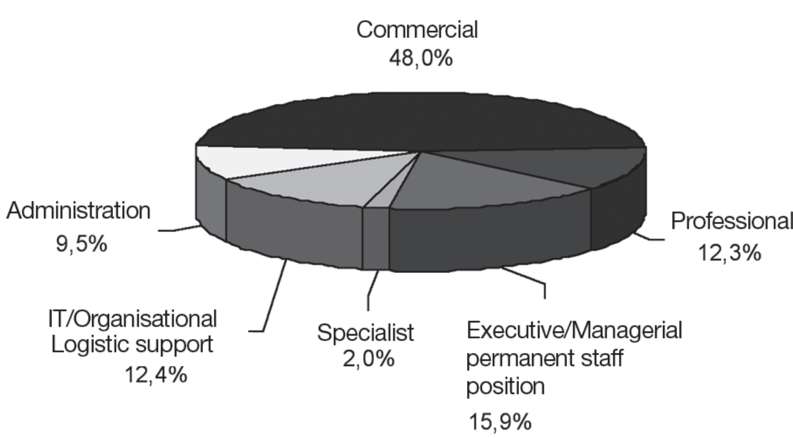
Evolution of the number of employees of the Group in the last 10 years



At the end of the period the average age of employees of the civil-law group was approximately 35 years and 3 months. In the same period women accounted for about 48% of the total work force, an increase over the previous year, in which the figure was 47%.

The chart below provides a detailed breakdown of staff by professional category:

Distribution of personnel by category



The following table, instead, contains a breakdown of staff by company, with the corresponding percentage of the total workforce: Analysing this data we can see that the companies with the highest proportion of the total number of staff are Banca Sella, the main network bank of the Group (with 34% of the total), and the Parent Company Banca Sella Holding (26,1% of the total). The third largest, as far as the number of personnel is concerned, is Banca Sella Sud Arditi Galati (with 9,3% of the total), which compared with the previous year showed an increase in the number of employees of 78,9% as a result of the operation described above in the section “Distribution policies”, which involved, as well as the Apulia-based institution, also Banca di Palermo and the Banca Sella branches in Campania.

The foreign companies of the Group (Selir in Romania, Sella Bank in Switzerland, Sella Bank Luxembourg and Selgest in Luxembourg, Sella Life in Ireland and Sella Synergy India in India) together account for 11% of the total.

GROUP STAFF STRUCTURE

Company	Employees at 31/12/2008	Proportion (%) of total	Employees at 31/12/2007	Proportion (%) of total	Change absolute	Change %
Parent Company						
Banca Sella Holding S.p.A.	1.161	26,1%	1.159	26,5%	2	0,2%
Banca Sella Group banking group						
Banca Sella Sud Arditi Galati S.p.A. (formerly Banca Arditi Galati S.p.A.) [1]	415	9,3%	232	5,3%	183	78,9%
Banca di Palermo S.p.A.[1]	-	0,0%	130	3,0%	-130	-100,0%
Banca Patrimoni Sella & C. S.p.A.	178	4,0%	176	4,0%	2	1,1%
Banca Sella S.p.A. [1]	1.516	34,0%	1.560	35,7%	-44	-2,8%
Banca Sella Nordest Bovio Calderari S.p.A.	243	5,5%	229	5,2%	14	6,1%
Biella Leasing S.p.A.	61	1,4%	59	1,4%	2	3,4%
Consel S.p.A.	255	5,7%	216	4,9%	39	18,1%
Easy Nolo S.p.A.	6	0,1%	6	0,1%	-	-
Selir S.r.l.	235	5,3%	179	4,1%	56	31,3%
Sella Bank A.G.	35	0,8%	34	0,8%	1	2,9%
Sella Bank Luxembourg S.A.	46	1,0%	86	2,0%	-40	-46,5%
Sella Capital Management SGR S.p.A	-	0,0%	1	0,0%	-1	-100,0%
Sella Gestioni SGR S.p.A.	92	2,1%	89	2,0%	3	3,4%
Sella Synergy India Ltd	166	3,7%	169	3,9%	-3	-1,8%
Selgest S.A.	3	0,1%	2	0,0%	1	50,0%
Total Banca Sella Group banking group	**4.412**	**99,0%**	**4.327**	**99,0%**	**85**	**2,0%**
Average total Gruppo Banca Sella Group banking group	**4.370**		**4.177**		**193**	**4,6%**
Brosel S.p.A.	17	0,4%	15	0,3%	2	13,3%
CBA Vita S.p.A.	22	0,5%	21	0,5%	1	4,8%
Sella Life Ltd	5	0,1%	7	0,2%	-2	-28,6%
Total Banca Sella Group civil-law group	**4.456**	**100,0%**	**4.370**	**100,0%**	**86**	**2,0%**
Average total Gruppo Banca Sella civil-law group	**4.413**		**4.218**		**195**	**4,6%**

[1] On 1st June 2008 the distribution networks of Banca Arditi Galati, Banca di Palermo and Banca Sella were involved in the operation which led to the creation of a single banking institution of the Group presiding over Southern Italy, as described in the previous section "Distribution policies". As a result of this operation, Banca Arditi Galati, after incorporating Banca di Palermo, changed its name to Banca Sella Sud Arditi Galati.

TRAINING

In 2008 the role of training work was, as always, crucial. In fact, the current and prospective macroeconomic scenario and the dynamism of the Banca Sella Group confirm the importance of objectives such as the attraction and retention of talents, the motivation of personnel, the continual improvement of the skills of human resources, the diffusion and acceptance of the values and culture of the Group.

In this context during 2008 the "Corporate University" was launched, with the aim of creating a structure devoted to training in order to:

- disseminate corporate values and culture;
- develop managerial and specialist skills;
- support research and innovation;
- collaborate with national and international universities and training centres.

At the same time, structural work began on the seat of the University, located in the former Maurizio Sella woollen mill in Biella, with the goal of creating new modern and technologically advanced classrooms, designed to increase the effectiveness of training actions and to make possible distance learning and participation.

As regards the content of training activities, alongside the traditional subject areas (legislation, operations, conduct, and technical and commercial aspects) in 2008, in particular, a number of specific projects were launched for the development of leadership, organizational skills, and technical skills for the private banking network.

Overall, in the Group as a whole about 184.000 hours of training were provided, of which about 61.450 in the form of e-learning. The total number of hours increased by 13% compared with the previous year, and can be broken down as follows:

- courses in the company: 69.500 hours;
- external courses: 114.500 hours.

The training work involved about 84,4% of the personnel at a cost of 1,6 million euro.

At the end of the year 1.508 members of staff were qualified as insurance brokers, 23% of whom were employees trained and certified during the year, while the remaining 77% consisted of staff trained for the annual renewal of certification awarded in previous years.

As regards, instead, the instruments used for distance training, in 2008 the use by employees of the e-learning platform increased, through improvements in the management of registration for courses (which were specific for each professional category). There was also an increase in the content and services offered (for example the creation of working areas and blogs for specific professional communities, with the goal of aligning know-how and sharing experience and ideas).

OTHER INFORMATION

For more information on relations with human resources, on equal opportunities, on agreements and initiatives for employees, on their involvement and on events organized for them, see the report on social responsibility.

Remuneration committee

The Board of Directors has set up a Committee for fixed and variable remuneration and for possible stock option or share assignment plans, made up of three independent directors, among whom it has also chosen the Director who will chair the Committee.

This committee has the following duties:

- in the absence of the directly interested parties, it formulates to the Board of Directors proposals for the remuneration of the Chairman, the Deputy Chairmen, the Chief Executive Officer, and the members of the Board given particular positions, powers or duties by the Articles of Association or by the Board itself;
- on the proposal of the Chief Executive Officer, if not personally interested, it expresses an opinion on the remuneration:
    - of the top managers of the Bank, namely the members of the General Management (General Manager, Associate General Manager, Deputy General Managers);
    - of the boards of directors and auditors of the "significant companies" of the Banca Sella Group, identified on the basis of criteria laid down by the Board of Directors;
- it defines guidelines for the determination, on the part of the bodies responsible, of the emoluments of the boards of directors and auditors of subsidiaries other than those indicated previously.

The Committee in any case assumes a valuation criterion involving recognition of professional merit, understood in a wide sense, observing the general equilibria of salary levels within the individual Companies and the entire Group.

It organizes its work autonomously, with the coordination of the Chairman; it meets sufficiently in advance of the meeting of the body responsible for decisions on the subjects for which the Committee must express a prior opinion, and any time the Chairman of the Committee itself considers it opportune and, at least, when it is time to approve the Parent Company's budget.

Research and development

Even though the companies of the Group do not engage in pure research and development activities, they focus on innovation related to new products and channels and on technological upgrading.

In the course of the year the Group companies took part in the work of the technical commissions and the associated working parties set up by the A.B.I. (Italian Banking Association). Among these it is worth noting:

- the ABILAB committee which is engaged in "technological research in a precompetitive setting in the banking world";
- the working party "Private Segment - Customer retention and commercial performance of banks";
- the working party "Customer retention and commercial performance - Small Business Segment";
- the "Corporate Governance" working party;
- the working parties in the tax sector "Inspection of Banks by the Financial Authorities", "VAT", "Taxation of Corporate Income", "Taxation of Financial Assets";
- the "Payments" working parties in the payment systems sector;
- the "Basel 2" working party.

INFORMATION TECHNOLOGY

During the year the Information Technology work continued the development of applications, with constant attention to increasing the skills of the personnel, the availability of analysts and programmers, and the flexibility of the information technology system architecture.

The various activities include the following:

- creation of the procedures and activities made necessary by the operation involving Banca Sella Sud Arditi Galati, described above in the section on Distribution Policies;
- implementation of the instruments and features required to comply with the MiFID;
- updating of the Data Center, through technological renewal of the central processor and disc storage infrastructures. This was done in order to keep these infrastructures technologically adequate and make them capable of coping with the growth in volumes, also enabling, among other things, the reduction of energy consumption;
- introduction of solutions based on the Linux operating system for the production component relating to the application server;
- introduction of open source software on production solutions (such as Apache on the web servers);
- technological migration of the electronic mail system and of the client infrastructure system with migration to the use of Active Directory;
- extension of automatic controls in the IT procedures and extension of these controls to the use of operating masks;
- implementation and updating of procedures to keep up with changes in the Target2 platform and the SEPA service;
- creation and installation of the first "advanced ATMs" to enable performance of the same cash and cheque paying-in operations;
- ongoing migration of IT system procedures to the new "open" technology based on the three-level architecture that constitutes implementation of the concept of a "system of reusable services"

generating operational efficiency, an activity that will continue until the project is completed in 2009;

- expansion of infrastructures devoted to optimizing controls and audits on production systems;
- continuing collaboration with the University of Trento to train foreign, and in particular Indian staff, with study of a master's degree financed by the Parent Bank through scholarships in Italy;
- continuation of the work of optimizing procedures, aimed at improving processes. This was done alongside the use of the analysis, architecture and code quality audits envisaged in the Development Process to improve governance of the Group software portfolio;
- introduction of "virtualisation" techniques in the central systems for better use of the processing power.

Internal controls

Continuing with a strategy that attributes a crucial role to the management of controls, again in 2008 the Banca Sella Group invested in reinforcing the "Internal control System" in terms of efficiency and effectiveness, with the aim of qualitative improvement and quantitative expansion of the units responsible for control and ensuring at the same time that the system is continually updated to take account of changes in the relevant standards. This orientation is reflected, in particular, in a detailed plan of action which was launched back in the middle of 2005 and which has been constantly updated further to take into account the experience acquired and the existing best practices in the System.

This action plan provides for various projects in four sectors of activity:

a) control of the rules and processes;
b) continuous monitoring of adequacy of the rules;
c) performance of controls and verification of compliance with the rules;
d) growth of professionalism and control culture.

It is also worth remembering that these actions are part of ongoing work to adjust the structural and organizational framework of the Group, involving the adoption of single procedural platforms within the Group, the centralization of the functions at the Parent Company, the adoption of uniform rules and agreements to define the seriousness and types of anomalies (all this facilitates orientation towards action priorities, better governance of information flows, and an improvement in the effectiveness of follow-up activities) and the implementation of the Internal Capital Adequacy Assessment Process (ICAAP).

A brief description follows of the main activities carried out in this area.

a) Control of the rules and processes

The Group's organizational framework is the basis of its stability, efficiency and profitability. In particular a complex organization, such as the Banca Sella Group is today, requires the processes at the heart of this organizational framework to be well structured, subject to appropriate controls and based on clear and efficient rules. For this reason during 2008 the Group continued the work of mapping the new business processes and updating/modifying existing ones, with the intention of reinforcing the organizational framework and expanding the scope and effectiveness of the internal controls system. Mapping of the processes makes it possible, in fact, to carry out a complete survey of their quality and their consequent exposure to risk.

In the context of the mapping and validation of the business processes, particular attention is paid to the correspondence between the operational map and the underlying reality of the process and to the presence of controls within these processes, assessing, each time, the mitigating effect that they have on risks. The mapping of processes and their constant and systematic maintenance and validation makes it possible:

- to develop an objective rating of the operational risk inherent in a process (which assesses the risk factors on the process without taking into account the mitigating effect of existing controls) and a rating of the residual operational risk of the process (obtained by assessing the mitigating effect of controls of the inherent risks). The risk ratings are measured on a discrete scale with values from 1 (minimum risk) to 5 (maximum risk);
- to plan corrective action, giving priority to situations of greater exposure to risk not effectively mitigated and consequently to intervene to better mitigate the remaining situations;

- to monitor over time the exposure to risk of the Group's organisational frameworks.

These are some of the main actions taken:

- improvement of the guidelines for the process of accepting new prospective customers at the Group level, with the concurrent introduction of new assessments to be made during evaluation, registration and opening of accounts;
- completion of a project aimed at changing the work tools to introduce more constraints which prevent, upstream, operations not complying with the internal rules;
- identification and subsequent creation of new automatic indicators for the prevention of potential risk.

b) Continuous monitoring of adequacy of the rules

The organisational and internal regulatory framework requires continuous evolution over time to adapt to legislative changes and to progress in technology, products and risks themselves, as well as in the light of the experience accrued.

In this context, particular attention was paid to the compliance unit, both continuing to reinforce the existing structure and activities and updating them in accordance with the "Supervisory Regulations on Compliance Units" issued by the Bank of Italy in July 2007.

In the work on identifying and mitigating risks and eliminating the causes of the possible events, an internal process, known as the "Control Cycle", which regulates the treatment of anomalies and the removal of the effects and causes which generated them, continues to be adopted with excellent results for the whole Group. This process is coordinated by the Parent Company's Risk Management and Controls Service, which, through the use of a specific software procedure, presides over the work of surveying, monitoring and managing all the anomalous events that occur in all the Group companies, so as to facilitate the consequent follow-up activities.

The inputs of the "Control Cycle" process are anomalous events detected in the previously mentioned software procedure. These anomalous events include: findings of audits and inspections, poor service and malfunctions, claims, lawsuits brought against the Group, operating losses, warnings generated by the alarm-bell procedures, vulnerabilities of a process and exposure to risk following non-compliance with internal and external regulations.

The anomalous event gives rise to:

- immediate assessment of the corresponding degree of seriousness: each anomaly is classified on the basis of a scale divided into discrete classes of growing risk from 1 to 5;
- an immediate solution (so-called "left cycle"), the aim of which is to neutralise immediately the effects of the anomaly, implementing, at the same time, continuous and/or extraordinary supervision until the root causes of the anomalous event have been definitively dealt with;
- the definitive solution (so-called "right cycle"), the aim of which is to remove the causes of the event definitively to prevent it from occurring again in the future. As a result of this it may become necessary to make some changes to the organization of processes or IT systems, controls and/or internal rules.

Adoption of the "Control Cycle" has therefore made it possible to:

- improve the culture of operational risks, management of anomalies and excellence;
- identify, survey and analyse anomalies to create a statistical base that is also useful for assessing

the vulnerability of the single processes and the exposure to risk of single sectors, activities, businesses and companies;

- rigorously track the responsibilities for and progress in eliminating anomalies;
- render the process of following up anomalies more effective and controlled;
- govern and supervise implementation of the actions;
- further reduce operating losses significantly compared with 2007;
- lay the foundations for the new Information Flow Rules.

In order to control the effects of technological, process, business and product innovations, before such innovations are released, quality controls and tests are performed by second-level control structures.

c) Performance of controls and verification of compliance with the rules and d) growth of professionalism and a control culture

During financial year 2008 we were engaged in achieving further constant qualitative and quantitative reinforcement of the services responsible for second and third level controls, and continual refinement of the organization of activities and the division of tasks, without neglecting the adoption of modern automatisms and instruments in support of the activity itself. Fine tuning of the organization on three levels of the internal controls system continued following adoption of the Group Management and Coordination Map. In particular attention was focused on the gradual centralization of the material execution of a number of line and risk controls on the part of specific units, staffed with an adequate number of resources. None of these controls entails risks of overlapping and, on the contrary, they supplement usefully the work of the Risk Management and Controls Unit and the Compliance Unit.

These activities made it possible to:

- ensure a clearer division of existing tasks and responsibilities;
- raise the cultural level of the Group's employees in the area of controls and risk management;
- ensure correct hierarchical separation between the services responsible for controls and the operational services;
- reinforce the effectiveness of the control system and of the follow-up activities.

The organisational framework of the "Internal Control System" is structured over three levels, in accordance with the recommendations of the Supervisory Authority.

FIRST LEVEL CONTROLS

As regards first-level or line controls the work focused on:

- automating manual controls;
- introducing new controls deriving from the aforementioned comprehensive analysis of processes and risks;
- reinforcing central monitoring of the outcome of peripheral controls;
- verifying the adequacy of existing controls carried out by the Internal Audit Unit, in relation to the Group's own independent inspections and audits;
- eliminating points of risk requiring control right from the start, by changing the processes.

SECOND LEVEL CONTROLS

In the field of second-level or risk control, the main guideline was followed to enable maximum coverage of central monitoring in real time, constantly improving the quantitative and qualitative instruments for measuring exposure to risk and expanding the professional skills of the designated structures through appropriate internal and external training.

The main innovations introduced included:

- consolidation of second-level specialised control services for single business lines which in close cooperation with the Risk Management and Controls Unit monitor risks and follow up the risk indicators of any operational irregularities found;
- implementation of further “alarm bells”, early warning anomaly indicators generated by automatic transaction processes and observation of the conduct of subjects internal and/or external to the company in order to identify anomalies and/or fraud;
- start of Risk Self Assessment activities (coordinated by the Risk Management and Controls with the involvement of all the departments of the Parent Company and the Group Companies), with the ensuring more detailed study of the mapping of processes through a quantification, in terms of both financial impact and frequency of occurrence, of possible risk events, and therefore of losses, identified in the business processes.
- constant improvement of the aforementioned “Control Cycle” organizational process;
- continuous, proactive and effective monitoring to prevent external IT attacks (phishing);
- development and improvement of the methods of credit risk measurement and management, transforming current standards (Basel 2) into operational practice. The improvements introduced included:
  - quantitative analysis of the level of risk of the loan portfolio;
  - development of a performance scoring model for private customers and small businesses;
  - customer segmentation;
  - verification of the admissibility of credit risk mitigation techniques;
- creation of the Internal Capital Adequacy Assessment Process (ICAAP) and preparation of the first Simplified Report, which was sent to the Bank of Italy at the end of October 2008;
- improvements in the management of Second Pillar risks identified in the Basel II standards (single name concentration, interest rate on the banking book, liquidity) and subject to measurement/assessment in the context of the ICAAP process.

As regards the ICAAP process, during 2008 the Banca Sella Group was engaged in carrying out an independent assessment of its current and prospective capital adequacy, in relation to risks which have been and are being assumed and to corporate strategies. The Owner[1] of this process is the Parent Company’s Risk Management and Controls Service, which, owing to its complexity and transverse nature, worked and will continue to work involving various units and professional figures in the Group (Strategic Planning, Financial Statements and Reporting, Financial Analysis , Internal Audit).

The entire process is fully governed by the Corporate Bodies of the Parent Company, which, in ac-

[1] *The process owner is the organizational unit responsible for the process as a whole (organization, instruments, rules and resources).*

cordance with the Supervisory Regulations, "oversee the implementation and updating of the ICAAP, in order to ensure that it continues to respond to the operational characteristics and context in which the Group works".

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

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

In the context of second level controls it is important to note also the reinforcement of the compliance unit in the Banca Sella group.

The compliance unit is responsible for monitoring the risk of non-conformity with norms ("compliance risk") and therefore has a duty to verify that internal procedures are in keeping with the objective of preventing the infringement of both external rules (laws and regulations) and internal rules (codes of conduct, ethical codes).

The compliance unit controls risks by:

- encouraging all employees to be responsible;
- identifying clearly and formalizing the division of roles and responsibilities at the different levels of the organization;
- appointing Compliance Managers and/or contact people, in each Group company, who are responsible for the management of compliance risk;
- preparing an internal document which indicates responsibilities, tasks, operational methods, information flows, planning and results of the work done by the compliance unit.

In Banca Sella Holding the BSH Compliance service was set up; this is the compliance process owner and is responsible for coordinating the various stages of the process. The service, which is part of the staff of the Chief Executive Officer, has the following responsibilities:

- it proposes the guidelines at the Group level as regards the management of compliance risk;
- it proposes for the approval of the Board of Directors the annual programme of compliance activities to be carried out in Banca Sella Holding and draws up regular reports on instances of non-compliance detected in the "Anomaly Reporting" procedure;
- it continually identifies the regulations applicable to Banca Sella Holding and measures/assesses their impact on corporate processes and procedures;
- it identifies and analyzes any internal and external regulations issued that have an impact on the Banca Sella Holding processes and procedures;
- it assesses the compliance risk of any organizational and procedural changes proposed by the process owner;
- it provides advisory assessment to the Top Management on the regulatory compliance of innovative

projects and on the prevention and management of the conflicts of interest of Banca Sella Holding;

- it checks the coherency of the bonus system;
- it ensures the promotion and diffusion of a culture of legality, compliance and constant attention to observance of the rules;
- it prepares the corporate explanatory documentation on the subject of compliance with the aim of disseminating a corporate culture based on principles of honesty, correctness and observance of the spirit and letter of the laws;
- it develops with the Human Resources Department training courses and seminars on the subject of compliance;
- with reference to investment services:
  - it provides advice and assistance to significant subjects appointed to perform services, in order ensure fulfilment of the obligations laid down in the legislation transposing the MiFID and the associated measures for implementation;
  - it presents to the corporate bodies, at least once a year, reports on the work done.

THIRD LEVEL CONTROLS

In the area of third-level or internal controls, it is important to note that the Group Internal Auditing Department is made up of two services, the Group Inspectorate and the Internal Audit Unit, which operates with the aim of identifying abnormal trends, violations of procedures and of external and internal regulations, and of assessing the functioning and adequacy of the whole system of internal controls and reporting the potential risks identified in its auditing work. The Internal Auditing Department reports to the Board of Directors of the Parent Company; the two services of which it is made up carry on their work, in accordance with their respective responsibilities, in close collaboration and under the guidance of the Internal Auditing Manager, who, in turn, assists the Audit Committee[1], to which he or she reports.

The Internal Auditing Department carries on its work in relation to both the departments and services of the Parent Company, and the other Group companies, in the context of the role played by the Parent Company. The Internal Auditing Department, with its services, the Group Inspectorate and the Internal Audit Unit also performs a task of coordination with the inspection/audit services present in the Group companies, with the goal of making the overall supervision and monitoring of the risk areas more efficient and effective.

In 2008 it worked to:

- ensure adequate planning and implementation of the work, in keeping with the different needs: ex-

[1] *The Audit Committee consists of three independent directors. It was set up by the Board of Directors of the parent company to assist the directors in monitoring the audit system. Operational since the second quarter of 2005, during 2008, calling on the internal audit and staff structures of the Parent Company to report to it, it dealt mainly with the following subjects:*
• action plans and periodical reports of the Internal Audit Unit indicating the greatest shortcomings that had emerged and the stage of progress of the follow-up;
• updating by the Risk Management and Controls Service of operational risks, indicating the main critical issues that had emerged and updating the stage of progress of the follow-up;
• examination of the drafts of the interim and annual consolidated financial statements, focusing on the main items and the process by which they were compiled;
• situation of the risks for the Group companies arising from legal disputes and corresponding provisions;
• complaints received by the Group companies.
Over the year the Committee also studied in detail and requested updates on various specific topics.

ternal - legislative/regulatory, or resulting from requests made by the Supervisory Authorities – and internal, already planned and arising during the year;

- reinforce the quality standard of the staff and enhance and widen the perimeter of professional skills available to the two services: the Group Inspectorate and the Internal Audit Unit; this in order to better respond to the different needs for action, associated with the different business segments of the Group;
- strengthen further the effectiveness and warning capacity of the information flows in relation to the shortcomings detected, which had already been consolidated with the classification by "level of seriousness", on a scale similar to the one adopted in the Group for all types of emerging abnormal events, and with the use of the "Control Cycle" platform;
- reinforce monitoring, if necessary also through new on site actions, of the implementation of corrective actions on the part of the entities inspected (follow-up); to better represent the follow-up performance the relevant reports were improved further;
- reinforce the actions of coordination of the inspection and audit units of the other Group entities, by examining together the end-of-year results and the annual auditing activity plans. The regular routine meetings with the managers of the inspection and audit units of the other Group companies are an important occasion for the exchange of information on the outcome of the audits and on the anomalies that have emerged, and for discussing and agreeing on methods of work and updating.

The Group Inspectorate checks compliance with internal regulations, supervisory regulations and laws (from both a formal and a substantial point of view), the effects on capital and income, and the risks associated with the business; during its activity, it ensures that line and risk control are carried out in an optimal and thorough manner; it highlights the existence of "residual" risks, reporting on their "level of seriousness", and formulates requests and suggestions for corrective actions to resolve or mitigate the shortcomings revealed.

In 2008 it worked to:

- ensure, with the sections that make it up: General, Foreign and Insurance, S.I.M. (Securities Brokerage), and EDP Auditing, coverage of the Parent Company's inspection work at the Group entities;
- consolidate the Parent Company's inspection work in its own units which provide services for the Group;
- maintain and strengthen the professional quality standard of the unit.

From an exclusively quantitative and statistical point of view the audits carried out by the Service on site and remotely can be summarised as follows:

ACTIVITY OF THE GROUP INSPECTORATE

Audits of:	2008	2007	2006
- Parent Company departments/services	42	43	48
- Banca Sella peripheral business units (with outsourcing contracts)	31	24	21
- Other Group companies and/or their Central Services	13	14	14
- Peripheral business units of other Group companies	-	-	2

The Internal Audit Service performs process analyses to evaluate risk areas, the efficiency and effectiveness of controls, the operation and adequacy of organisational processes, their efficiency and suitability for the type of business of the structure/company.

In 2008 it worked to:

- define, first of all, an action plan based on the prior annual detailed analysis of the Group risks;
- maintain and reinforce the quality standard of the staff, including through the addition of resources with specific skills;
- fully extend the service both with regard to processes conducted by the Parent Company and in relation to the other Group companies;
- revise, among other things, the Internal Capital Adequacy Assessment Process (ICAAP), as required by Bank of Italy Circular 263/06, the result of which was the Simplified Report sent to the Supervisory Authority at the end of October 2008;
- check, through specific actions, as required by the Supervisory Authority, the stage of implementation of the business combination arranged between a number of Group entities.

From an exclusively quantitative and statistical point of view the audits carried out by the Service on site and remotely can be summarised as follows:

INTERNAL AUDIT ACTIVITY

Audits on:	2008	2007	2006
- Processes “owned” by the Parent Company	16	15	10
- Processes “owned” by other Group companies	8	7	6

On the subject of Internal Controls it is also important to note the contribution of the Audit Committee, which works on systematic monitoring of the risks and of the adoption and implementation of appropriate corrective actions to deal with any critical issues that emerge. The Committee, whose members include representatives of all the units responsible for second- and third-level controls, has worked since 2006 to ensure the best possible operation of the internal control system. Regular specific sessions of the Committee are devoted, as appropriate, to in-depth examination of the progress of follow-ups.

SUPERVISION AND AUDIT COMMITTEE

During the year the Supervision and Audit Committee continued its regular supervisory and auditing work with the purpose of monitoring correct performance of the various activities, in accordance with the provisions of the external and internal regulations, and of preventing the occurrence of situations such as to lead to crimes being committed pursuant to Lgs. Dec. 231/01.

As regards “Organization, Management and Control Models”, the updates needed to keep them constantly compliant following legislative changes were prepared, in keeping with the corporate organizational framework. In this context updates were introduced following the entry into force of:

- Law 48 of 18 March 2008, which ratified the Council of Europe Cybercrime Convention and introduced Article 24-bis (Computer crime and illicit data processing) in Lgs. Dec. 231/01;
- the Consolidated Act on Safety in the Workplace (Lgs. Dec. 81/2008) which implemented Art. 1 of Law 123 of 3 August 2007, on the reorganization and reform of laws on health and safety in the workplace and modified the system of sanctions envisaged for crimes pursuant to Art. 25-septies of Lgs. Dec. 231/01.

The Committee carried out numerous audits during the year on the work done by the Parent Company on its own behalf, or on behalf of the other Group companies for which it provides services in outsourcing. Among the audits carried out, the most important concerned:
- cases relating to loans disbursed with public money, or with the contribution of public money;
- activities associated with the management of collections and subsequent transfers to the Tax Office or to the various Concessionaires, made in a tax withholding agent capacity;
- procedures and controls envisaged to combat the laundering of money of illegal origin and the financing of terrorism;
- training provided to the personnel on the issues highlighted by the decree on the administrative responsibility of companies;
- the work of the Prevention and Protection Service for health and safety in the workplace.

Every year the Committee plans its audits, preparing a specific schedule, with a subsequent final report that the Chairman brings to the attention of the Board of Directors.

Changes in the framework of the Group and equity investments

CHANGES IN THE CONSOLIDATION AREA

These are the most significant events that led to changes in the consolidation area during 2008:

- the merger by incorporation of Banca di Palermo S.p.A. into Banca Arditi Galati S.p.A., with at the same time a change in the corporate name of the incorporating company to Banca Sella Sud Arditi Galati S.p.A.;
- the splitting of BC Finanziaria S.p.A. and change of the company name to Finanziaria 2007 S.p.A.

During the year the following changes also occurred in the percentage stakes of the Group:

CHANGES IN EQUITY INTERESTS

Company	From	To	Operation
Banca Patrimoni Sella & C. S.p.A.	71,29%	71,44%	Purchases
Sella Gestioni SGR S.p.A.	85,68%	86,27%	Purchases
Banca Sella Nord Est Bovio Calderari S.p.A.	71,00%	56,76%	The splitting of BC Finanziaria S.p.A. led to the assignment of part of the corporate assets to a newly-constituted company which took on the name BC Finanziaria S.p.A.. The split BC Finanziaria S.p.A., for the purposes of the splitting, reduced its share capital, attributing this reduction wholly to the beneficiary and changing its company name to Finanziaria 2007 S.p.A..
Finanziaria 2007 S.p.A (formerly BC Finanziaria S.p.A.) subsequently[1]	80,03%	100%	This operation entailed an increase in the stake held in Finanziaria 2007 S.p.A. (formerly BC Finanziaria S.p.A.), and a consequent reduction to 58,62% of the stake held by the latter in Banca Sella Nordest Bovio Calderari S.p.A. Following subsequent operations, the stake in Finanziaria 2007 S.p.A. rose to 100%, while that of Finanziaria 2007 S.p.A. in Banca Sella Nordest Bovio Calderari S.p.A. fell to 56,76%.
Banca Sella Sud Arditi Galati S.p.A. (formerly Banca Arditi Galati S.p.A.)	51,25%	69,20%	Merger by incorporation into Banca di Palermo S.p.A.
Consel S.p.A.	55,53%	53,66%	Completion of the second tranche of the agreement with Toro Assicurazioni S.p.A

[1] *After the end of financial year Finanziaria 2007 was incorporated into Banca Sella Holding. For more information the reader is referred to the section "Events subsequent to the closing of thr financial".*

As regards the multi-annual industrial partnership agreement signed by Banca Sella Holding S.p.A. (which controls Consel S.p.A., a company operating in the consumer credit sector) and Toro Assicurazioni S.p.A. (Assicurazioni Generali Group), as the conditions envisaged in the agreements signed during the previous year were fulfilled, the insurance company proceeded to pay the second tranche. The subscription to this tranche, totalling euro 4 million, increased the stake held by Toro Assicurazioni in Consel S.p.A. to 30,23% and reduced Banca Sella Holding's stake to 53,66%;

Other operations included:

- completion of the liquidation of Selsoft Direct Marketing S.p.A. and Sella Austria Financial Services AG;
- the acquisition by Easy Nolo S.p.A. of a 40,00% stake in Retail Italia S.r.l., the supplier of the Carte Regalo product;
- the acquisition by Banca Sella Holding of a 20,00% interest in HI-MTF SIM S.p.A.;
- the acquisition by Banca Sella Holding and CBA Vita of a stake in Banca Monte Parma, and the sale, subsequent to the balance sheet date, of a part of the stake of Banca Sella Holding. For more information the reader is referred to the contents of the section below "Significant and non-recurrent events and operations".

CAPITAL INCREASES

Banca Sella Holding enacted a free capital increase from 80.000.000 euro to 100.500.000 euro, through the issue of 41.000.000 new shares of a par value of 0,50 euro each, booking to share capital the valuation reserves for a total of 20.247.758,56 euro (Revaluation reserve pursuant to Law 342/00 for 8.894.623,66 euro; Revaluation reserve from adoption of IAS/IFRS pursuant to Lgs. Dec. 38/05 Art. 7 paragraph 6 for 8.317.312,91 euro; Restricted extraordinary reserve under the terms of Law 266/05 Art. 1 paragraph 469 for 3.035.821,99 euro) and using part of the extraordinary reserve for 252.241,44 euro.

In addition to those enacted by the Parent Company, other Group companies carried out similar operations. Specifically:

- Banca Sella Nord Est Bovio Calderari S.p.A.: paid capital increase from 24.000.000 euro to 28.785.738 euro[1] and subsequent free capital increase from 28.785.738 euro to 30.500.000 euro (using 1.487.265,56 euro from the valuation reserve and 226.996,44 euro from the extraordinary reserve), by means of the issue of 1.714.262 new shares of a nominal 1 euro each;
- Banca Sella Sud Arditi Galati S.p.A.: free capital increase from 30.941.424 euro to 37.500.000 euro (using 6.482.412,46 euro from the valuation reserve and 76.163,54 euro from the extraordinary reserve), by means of the issue of 1.093.096 new shares of a nominal 6 euro each;
- Banca Patrimoni Sella & C. S.p.A: free capital increase from 26.500.000 euro to 28.000.000 euro (using 1.362.458,92 euro from the valuation reserve and 137.541,08 euro from the extraordinary reserve), by means of the issue of 1.500.000 new shares of a nominal 1 euro each;
- Biella Leasing S.p.A.: free capital increase from 15.000.000 euro to 20.000,000 euro (using 638.877,92 euro from the valuation reserve and 4.361.122,08 euro from the extraordinary reserve), by means of an increase in the par value of the shares from 0,60 euro each to 0,80 euro each;

[1] *The paid capital increase also entailed the payment of 15,2 million euro in the form of share premiums.*

- Immobiliare Lanificio Maurizio Sella S.p.A.: free capital increase from 10.400.000 euro to 19.500.000 euro (using 8.856.437,95 euro from the valuation reserve and 243.562,05 euro from the extraordinary reserve), by means of the issue of 1.750.000 new shares of a nominal 5,2 euro each;
- Immobiliare Sella S.p.A.: capital increase from 3.380.000 euro to 3.800.000 euro (partly free using 364.254,75 euro from the valuation reserve and partly paid, of 55.745,25 euro), with cancellation of 6.500.000 existing shares of a nominal 0,52 euro each and at the same time the issue of 3.800.000 new shares of a nominal 1 euro each.

Before 31 December 2008 the following capital increases were registered at the Chamber of Commerce:
- Banca Sella Holding S.p.A.;
- Biella Leasing S.p.A.;
- Immobiliare Lanificio Maurizio Sella S.p.A.;
- Immobiliare Sella S.p.A.;

while the capital increases of:
- Banca Sella Nord Est Bovio Calderari S.p.A.;
- Banca Sella Sud Arditi Galati S.p.A.;
- Banca Patrimoni Sella & C. S.p.A.;

were registered subsequently and therefore the civil-law effects of these operations are felt only from financial year 2009.

Results for the year - Income data

RECLASSIFED INCOME STATEMENT *(in euro thousands)*				
Item		31/12/2008	31/12/2007	% change over 2007
10	Interest and similar income [1]	659,2	579,7	13,7%
20	Interest and similar expenses [1]	(360,9)	(306,0)	17,9%
70	Dividends and other income	12,9	8,7	48,0%
NET INTEREST INCOME AND DIVIDENDS		**311,3**	**282,4**	**10,2%**
40	Fee income [1]	251,2	291,3	-13,8%
50	Fee expenses [1]	(79,3)	(91,9)	-13,6%
80	Net gains/(losses) on trading activities [1]	13,9	21,8	-36,4%
90	Net gains/(losses) on hedging activities	1,7	0,5	251,4%
	Net income from services	**187,4**	**221,7**	**-15,4%**
150	Net premiums	126,5	151,3	-16,4%
	Other costs/income pertaining to insurance activities [1]	25,1	26,2	-4,3%
110	Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	(53,6)	(15,5)	245,1%
160	Balance of other income/expenses from insurance operations	(88,2)	(143,0)	-38,3%
	Net income from insurance activities	**9,7**	**18,9**	**-48,6%**
NET BANKING AND INSURANCE INCOME		**508,4**	**523,0**	**-2,8%**
180	Administrative expenses:			
	a) Personnel expenses	(243,6)	(229,9)	6,0%
	IRAP on net personnel and seconded personnel expenses [2]	(8,0)	(7,9)	0,5%
	b) Other administrative expenses	(160,9)	(154,7)	4,0%
	Recovery of stamp duty and other taxes [3]	25,3	23,6	7,2%
200	Value adjustments on tangible assets	(21,0)	(19,3)	9,1%
210	Value adjustments on intangible assets	(11,3)	(9,4)	20,0%
220	Other operating expenses/income			
	(after deducting “Recovery of stamp duty and other taxes”)	24,8	32,5	-23,5%
	Operating costs	**(394,7)**	**(365,2)**	**8,1%**
OPERATING PROFIT/(LOSS)		**113,7**	**157,8**	**-27,9%**
190	Net provisions for risks and charges	(2,8)	(8,0)	-64,6%
130	Net value adjustments for impairment on:			
	- loans and receivables	(40,6)	(47,1)	-13,7%
	- financial assets available for sale	(28,0)	(0,6)	4537,6%
	- other financial transactions	(0,7)	(1,5)	-49,7%
100	Gains/(losses) on sale or repurchase of:			
	- loans and receivables	(0,4)	-	-
	- financial assets available for sale	0,8	88,5	-99,1%
	- financial liabilities	1,7	0,4	358,2%
240	Gains/(losses) on equity investments	(1,1)	0,7	-253,7%
260	Impaiment of goodwill	(0,0)	-	-
270	Gain/(loss) on disposal of investments	3,9	0,0	9923,1%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES		**46,5**	**190,2**	**-75,6%**
290	Income taxes for the period on continuing operations			
	(after deducting “Irap on net personnel and seconded personnel expenses”)	(29,4)	(55,5)	-47,0%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES		**17,1**	**134,7**	**-87,3%**
310	Profits/(losses) on asset disposal groups held for sale after tax	-	(0,1)	-100,0%
PROFIT/(LOSS) FOR THE YEAR		**17,1**	**134,6**	**-87,3%**
330	**Profit/(loss) for the period pertaining to Parent Company**	**13,6**	**120,8**	**-88,8%**
340	**Profit/(loss) for the period pertaining to minority interests**	**3,5**	**13,8**	**-74,6%**

[1] *The insurance sector items have been separated from the Income Statement items and brought together in a specific item “Other income pertaining to insurance activities”.*
[2] *Separated from the item “Income taxes for the period on continuing operations”.*
[3] *Separated from the item “Other operating expenses/income”.*

As described in the previous sections, the whole of 2008 was characterized by the worsening of the financial crisis which had begun 2007 and which, starting from the American subprime mortgage segment, expanded on a global scale and spread to all banking sectors. In this difficult scenario, the Banca Sella Group ended financial year 2008 with a profit pertaining to the Parent Company of 13,6 million euro, compared with a profit of 120,8 million euro at 31 December 2007. The comparison between the two figures is of little significance, as both years were strongly affected by extraordinary events:

- the profit for 2008 was affected by was the loss of value of the equity interest held by the Group in London Stock Exchange Group Plc, for which it was decided to recognize an impairment loss on the basis of the share price and the Euro/Sterling exchange rate at 31 December 2008. This decision had a negative impact, before taxes and including the minority component, of 27,9 million euro on the item "Net adjustments for impairment of financial assets available for sale". Another extraordinary event associated with the equity interest in London Stock Exchange Group Plc was the sale, in January 2008, of the remaining shares held by Sella Gestioni, which generated a Gain on disposal of financial assets available for sale of 0,6 million euro.
  In the absence of the impairment and of the associated tax and minority components, the year would have ended with a net profit of 39,7 million euro; excluding also impacts relating to the sale made by Sella Gestioni, the net profit at the end of the year would have been 39,3 million euro;
- the result for 2007 instead included a capital gain of 86,8 million euro (recognized under the item "Gains on disposal of financial assets available for sale") deriving from the swap operation of Borsa Italiana shares with London Stock Exchange shares and from the subsequent sales made.

The main factors which determined the performance in financial year 2008 (set out in the analysis of the Reclassifed Income Statement) were:

- a reduction of 2,8% in net banking income, owing mainly to a decline in net income from services, while net interest income recorded good growth;
- a trend in costs characterized by significant growth, associated with: development of the distribution network in relation to the branches opened at the end of 2007; strengthening of the control and compliance units, which produced, in compensation, benefits in terms of lower charges for operational risk and credit risk; the costs incurred in the project for the restructuring of Sella Bank Luxembourg, with the aim of focusing on the private banking business;
- the aforementioned negative impact regarding the writedown of the stake held in London Stock Exchange Group Plc.

The consolidated ROE therefore came out at 2,7%. The analysis of this indicator needs, however, to take into account the exceptional events mentioned above.

A summary of the Reclassified Income Statement, redetermined net of the effects of the extraordinary events associated with the equity interest in London Stock Exchange Group Ltd, is presented in the following page.

Reclassified income statement restated net of effects of exceptional events associated with equity investment in London Stock Exchange Group Plc *(in euro thousands)*			
Item	31/12/2008	31/12/2007	% change over 2007
NET INTEREST INCOME AND DIVIDENDS	**311,3**	**282,4**	**10,2%**
Net income from services	**187,4**	**221,7**	**-15,4%**
Net income from insurance activities	**9,7**	**18,9**	**-48,6%**
NET BANKING AND INSURANCE INCOME	**508,4**	**523,0**	**-2,8%**
Operating costs	**(394,7)**	**(365,2)**	**8,1%**
OPERATING PROFIT/(LOSS)	**113,7**	**157,8**	**-28,0%**
190 Net provisions for risks and charges	(2,8)	(8,0)	-64,6%
130 Net value adjustments for impairment losses on:			
- loans and receivables	(40,6)	(47,1)	-13,7%
- financial assets available for sale	(0,0)	(0,6)	-92,2%
- other financial transactions	(0,7)	(1,5)	-49,7%
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	(0,4)	-	-
- financial assets available for sale	0,2	1,6	-87,9%
- financial liabilities	1,7	0,4	358,2%
240 Gains/(losses) on equity investments	(1,1)	0,7	-253,7%
260 Impaiment of goodwill	(0,0)	-	-
270 Gain/(loss) on disposal of investments	3,9	0,0	9923,1%
PROFIT FROM CONTINUING OPERATIONS BEFORE	**73,7**	**103,4**	**-28,7%**
290 Income taxes for the period on continuing operations (after deducting "Irap on net personnel and seconded personnel expenses")	(29,9)	(52,3)	-43,0%
PROFIT FROM CONTINUING OPERATIONS AFTER	**43,9**	**51,1**	**-14,0%**
310 Profits/(losses) on asset disposal groups held for sale after tax	-	(0,1)	-100,0%
PROFIT/(LOSS) FOR THE YEAR	**43,9**	**51,0**	**-13,9%**
330 Profit/(loss) for the period pertaining to Parent Company	**39,3**	**44,9**	**-12,5%**
340 Profit/(loss) for the period pertaining to minority interests	**4,6**	**6,1**	**-23,8%**

A short description of the performance of the main companies of the Group follows. For a more detailed analysis of the results of the single companies, see the specific section of this report entitled "Group Companies".

The best results were achieved by the Group banks operating in Italy mainly in the retail sector, which, although with different results, contributed significantly to consolidated profits.

As far as the foreign banks are concerned, the Swiss Sella Bank AG confirmed its ability to make profits, although with a slight reduction compared with the previous year, while Sella Bank Luxembourg, which is still feeling the effects of the negative events of past years, completed its corporate restructuring at the end of the year.

Biella Leasing S.p.A., a company working in the leasing business, although with slightly lower profits compared with the previous year, still proved to be one of the main sources of income for the Group.

Consel, a company specialized in consumer credit, achieved better results than in financial year 2007 also after refocusing its commercial strategies which gave priority to developing the sector of personal loans over business in the car financing sector. During the year, among other things, the company launched new activities carried out through the channel of the Toro Group's agencies, as provided for in the agreement signed in 2007.

Banca Patrimoni Sella & C. and Sella Gestioni, companies which during the previous year had benefited from the capital gain generated by the swap operation involving Borsa Italiana shares and London Stock Exchange shares, as noted above, instead recorded a sharp drop compared with 2007. In particular, the Turin-based bank was affected in 2008 by the impact of the aforementioned impairment of the equity interest in London Stock Exchange Group.

In the insurance sector, C.B.A. Vita, a company specialized in the sector of life assurance policies, ended the year with a loss owing mainly to the worsening of profitability deriving from the securities portfolio.

The following table shows the Return on Equity (R.O.E.) of the main Group companies, except for investment holdings and real-estate companies; the aggregates considered for the calculation are those determined by applying the accounting standards used in drafting the individual financial statements:

R.O.E. [1]

Company	31/12/2008	31/12/2007
Banca Patrimoni Sella & C. S.p.A.	-7,6%	42,2%
Banca Sella S.p.A.	12,1%	11,7%
Banca Sella Nordest Bovio Calderari S.p.A.	-5,2%	3,6%
Banca Sella Sud Arditi Galati S.p.A.	16,9%	11,2%
Biella Leasing S.p.A.	9,3%	13,7%
Brosel S.p.A.	21,4%	26,3%
CBA Vita S.p.A.	-5,8%	5,4%
Consel S.p.A.	2,2%	2,5%
Easy Nolo S.p.A.	23,5%	11,8%
Selfid S.p.A.	12,2%	11,4%
Selgest S.A.	-27,4%	-14,4%
Selir S.r.l.	1,7%	11,6%
Sella Bank AG	7,3%	12,7%
Sella Bank Luxembourg S.A.	-26,7%	-6,0%
Sella Capital Management SGR S.p.A. (in liquidation)	-3,9%	-0,7%
Sella Corporate Finance S.p.A.	4,0%	16,4%
Sella Gestioni SGR S.p.A.	0,5%	151,9%
Sella Life Ltd.	-14,2%	-8,9%
Sella Synergy India Ltd.	46,5%	4,3%

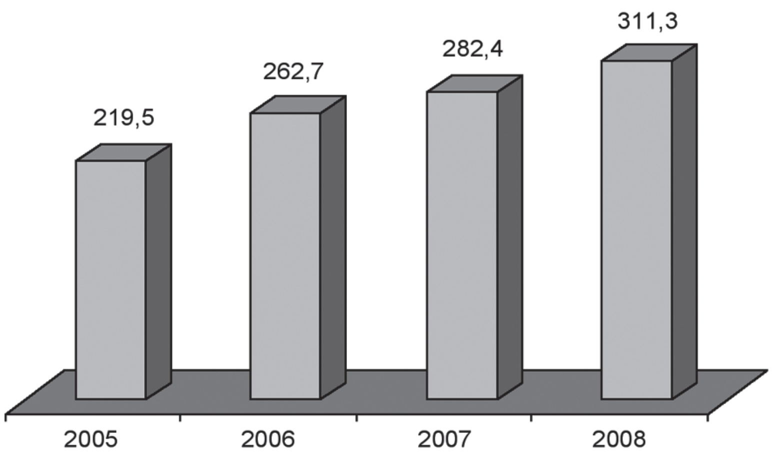
(1) Ratio between "Net profit" and "Equity net of revaluation reserves": the impact of the capital increases made during the year has been taken into consideration in proportion to the months of actual pre-existence.

The comments below refer to the Reclassified Income Statement presented at the start of this section.

Net interest income and dividends

Net interest income amounted at 31 December 2008 to 311,3 million euro: comparison on an annual basis reveals an increase of 10,2% compared with the previous year, owing to strong growth in turnover with customers and a slight worsening of the spread. In this context, towards the end of the year, in conjunction with the sudden drop in interest rates, a significant shift in profit was noted from the mark down to the mark up.

Trend in net interest income in the last few years



The details of the items contributing to net interest income shown in the table below highlight how transactions with customers produced net interest totalling euro 369,9 million, an increase of 17,2%. The item Dividends and other income amounted to 12.9 million euro, an increase of 48.3% over the previous year, in which it was 8,7 million. The aggregate includes an extraordinary dividend received from Visa of 6,7 million euro, which more than offset the negative effect of the lower dividends received compared with the previous year owing to the sale of a part of the interest held in London Stock Exchange Group Plc..

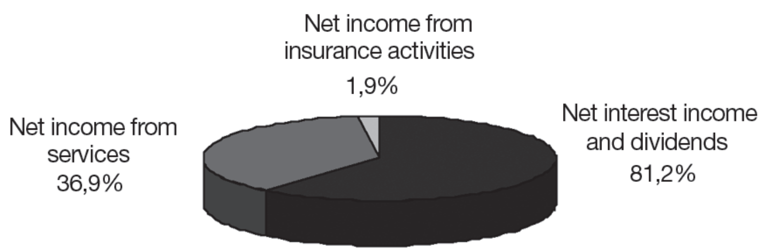
At the end of 2008 net interest income was 61,2% of net banking and insurance income, compared to 54% of the previous year.

NET INTEREST INCOME AND DIVIDENDS *(euro millions)*				
Item	31/12/2008	31/12/2007	Change	
			absolute	%
Net interest with customers	**368,4**	**315,5**	**52,9**	**16,8%**
- interest income	527,5	437,6	89,9	20,5%
- interest expenses	(159,1)	(122,1)	(37,0)	30,3%
Interest income on financial assets	**30,9**	**40,5**	**(9,6)**	**-23,7%**
Interest expenses on securities	**(155,1)**	**(131,2)**	**(23,9)**	**18,2%**
Net interbank interest	**53,9**	**53,4**	**0,5**	**0,9%**
- interest income	86,0	96,3	(10,3)	-10,7%
- interest expense	(32,0)	(42,8)	10,8	-25,2%
Hedging differences	**(1,1)**	**(5,8)**	**4,7**	**-81,0%**
Other net interest	**1,3**	**1,3**	**-**	**0,0%**
Total net interest	**298,3**	**273,7**	**24,6**	**9,0%**
Dividends and other income	**12,9**	**8,7**	**4,2**	**48,3%**
NET INTEREST INCOME AND DIVIDENDS OF BANKING GROUP	**311,3**	**282,4**	**28,9**	**10,2%**
Net interest on insurance activity	24,5	29,1	(4,6)	-15,8%
TOTAL NET INTEREST INCOME	**335,8**	**311,5**	**24,3**	**7,8%**

Net banking and insurance income

Consolidated net banking and insurance income amounted, in 2008, to 508,4 million euro, down by 2,8% compared with the previous year, in which it was 523 million euro, owing above all to declines in net income from services and net income from insurance activities, which cancelled out the positive contribution of net interest income.

Breakdown of the net banking and insurance income



NET INCOME FROM SERVICES

Total aggregate net income from services amounted to 187,4 million euro, down by 15,4% from the previous year, in which it was 221,7 million euro.

In arriving at this result, of particular significance was the impact of the contraction of revenues associated with the segment of indirect deposits, with particular reference to the managed savings sector, as a consequence:

- of the ongoing process of recomposition of the portfolios of investors, who preferred to move part of their investments in funds and asset management to more liquid instruments;

- of trading, as a result of declining business, following the worsening of the global economic and financial situation and of stock exchange prices.

The payment systems sector was instead positive, thanks to the greater propensity of customers to use electronic money and e-commerce.

NET FEES *(euro millions)*

Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change absolute	Change %
Banking and commercial business	49,0	28,0%	47,7	23,6%	1,3	2,7%
- guarantees	3,0	1,7%	2,8	1,4%	0,2	7,1%
- collection and payment services	46,1	26,4%	45,0	22,2%	1,1	2,4%
Asset management, broking and advisory services	81,3	46,5%	108,7	53,7%	(27,4)	-25,2%
- indirect deposits by customers (asset management, custody and administration of securities, advice, broking and placement of securities)	60,1	34,4%	94,1	46,5%	(34,0)	-36,1%
- currency trading	1,2	0,7%	1,4	0,7%	(0,2)	-14,3%
- custodian bank	4,0	2,3%	6,8	3,4%	(2,8)	-41,2%
- other fees on asset management, broking and advisory services	16,0	9,2%	6,4	3,2%	9,6	150,0%
Other net fees	41,5	23,7%	43,0	21,2%	(1,5)	-3,5%
Total net fees pertaining to banking group	**171,8**	**98,3%**	**199,4**	**98,5%**	**(27,6)**	**-13,8%**
Net fees on insurance activities	**2,9**	**1,7%**	**3,0**	**1,5%**	**(0,1)**	**-3,3%**
TOTAL NET FEES	**174,8**	**100,0%**	**202,4**	**100,0%**	**(27,6)**	**-13,6%**

NET INCOME FROM INSURANCE ACTIVITIES

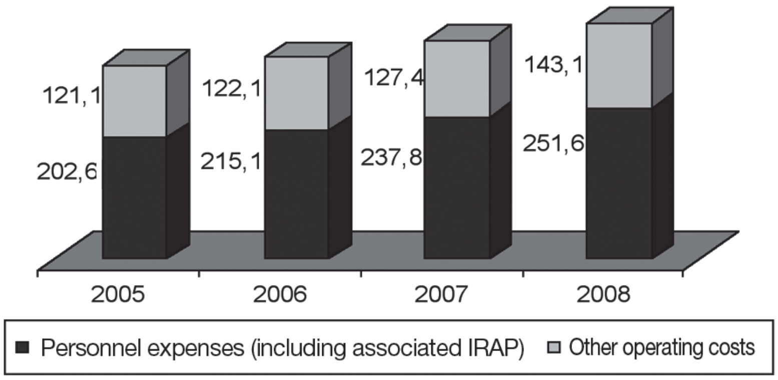
The total aggregate reached 9,7 million euro, down by 48,6% compared with the 18,9 million euro of the previous year, in relation to a drop in the profitability of financial operations, mainly attributable to a greater fall in the value of Class D securities, which were penalized by the market instability.

Operating costs

Total operating costs amounted to 394,7 million euro, highlighting an increase of 8,1% compared with the previous year. As explained previously, this trend is due:

- to expansion of the distribution network in relation to the new branches opened at the end of 2007;
- reinforcement of the control and compliance units, which produced, in compensation, benefits in terms of lower charges for operational risk and credit risk;
- the costs incurred for the Sella Bank Luxembourg restructuring project, with the aim of focusing on the private banking business.

Trend of operating costs in last few years



ADMINISTRATIVE EXPENSES

Administrative expenses (net of the recovery of stamp duty and other taxes and including IRAP on net staff and attached staff costs) amounted to 387,2 million euro, an increase of 4,9%.

As can be seen in the table on the next page, the "Personnel expenses" component, including the associated IRAP, amounted to 251,6 million euro. This 5,8 % growth is basically due to the expansion in the Group's workforce by 86 people and salary increases arising from the renewal of the labour contract, promotions, and seniority increments.

It should be noted that the figure for 2008 also includes fees for the Statutory Board of Auditors (1 million euro), which in the previous year were instead recognized among other administrative expenses for an amount of 0,8 million euro.

PERSONNEL EXPENSES *(euro millions)*

Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change Absolute	Change %
Employees	235,5	93,6%	219,9	92,5%	15,6	7,1%
Other personnel	3,2	1,3%	3,4	1,4%	(0,2)	-6,5%
Directors	4,0	1,6%	6,6	2,8%	(2,7)	-40,2%
Statutory auditors' fees*	1,0	0,4%	-	-	-	-
TOTAL PERSONNEL EXPENSES	**243,6**	**96,8%**	**229,9**	**96,7%**	**13,7**	**6,0%**
IRAP on net personnel and seconded personnel expenses	8,0	3,2%	7,9	3,3%	0,0	0,5%
PERSONNEL EXPENSES INCLUDING ASSOCIATED IRAP	**251,6**	**100,0%**	**237,8**	**100,0%**	**13,7**	**5,8%**

** In financial year 2007 Statutory auditors' fees were incuded among Other administrative expenses for a total of 0,8 million euro.*

The item “Other administrative expenses” (excluding the recovery of indirect taxes) increased by 3,4% to 135,6 million euro.

VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS

Value adjustments on tangible and intangible fixed assets amounted to 32,3 million euro, an increase of 12,6% over the previous year

During 2008 investments were made amounting to 74,7 million euro, mainly related to Electronic Payment Systems, Online Banking, and Information Technology.

Provisions, value adjustments net of writebacks, gains on the sale/ repurchase of financial assets/liabilities

NET PROVISIONS FOR RISKS AND CHARGES

New provisions for risks and charges amounted to 2,8 million euro, down from the figure of 8 million euro of the previous year. This result was mainly affected by discounting to the present the provision set aside for disputes involving the Sella Bank Luxembourg company, the due dates for the liabilities of which were postponed to 3/5 years owing to an objective prolongation of the expected judicial processes, developments in which are described in the section of the present report on operations “Group Companies”, in the part devoted to Sella Bank Luxembourg.

NET VALUE ADJUSTMENTS FOR IMPAIRMENT

Net value adjustments on loans amounted to 40,6 million euro, compared to the 47,1 million euro in the previous year (-13,7%).

This item includes the writedown resulting from the exposure of Sella Bank Luxembourg to Lehman Brothers Europe Ltd., amounting to 3 million euro, which consisted of a margin account used to hedge future derivative transactions on behalf of customers. For more information, see the paragraph on the Luxembourg company in the section “Group Companies”.

During 2008 Banca Sella and Banca Sella Sud Arditi Galati implemented a process of review of the methods and parameters of analytical valuation within impaired loan recovery processes.

This review led to an update of the valuation elements with a more precise definition of the same.

For Banca Sella the activity mentioned above had a positive effect on the amounts of the adjusted funds of 9,4 million euro, of which 5,4 million on non-performing loans, and 4 million on watchlist loans; for Banca Sella Sud Arditi Galati the positive effect on the amounts of the adjusted funds was 2,2 million euro, of which 1,8 million on non-performing loans, and 0,4 million on watchlist loans.

The ratio between net value adjustments and total cash loans improved to 0,5% from 0,7% of financial year 2007.

As mentioned previously, the increase in the item “Net value adjustments for impairment of financial assets available for sale” with respect to the previous year was wholly attributable to the decision to book an impairment loss to the equity investment held by the Group in London Stock Exchange Group Plc.

GAINS ON DISPOSAL OF ASSETS AVAILABLE FOR SALE

The decline in relation to the item “Gains on disposal of financial assets available for sale” was instead due to above all to extraordinary operation carried out in 2007, which involved the exchange of Borsa Italiana shares with London Stock Exchange shares.

Income taxes

Income taxes (net of IRAP on staff costs, which increased this item) amounted to 29,4 million euro compared to 55,5 in the previous year, a decrease of 47,1%, resulting from a decline in profit from continuing operations of 75,6%.

The tax rate, net of the IRAP component on personnel expenses, thus went up from 29,2% in the previous year to 63,2% in financial year 2008. This increase was mostly due to the tax treatment of the extraordinary components that characterized the two years.

Moreover, as a result of the introduction of Art. 82 of L.D. 112 of 25/6/2008 (converted into Law 133 of 6/8/2008), the so-called “Robin Hood tax”, the amount of non-deductible interest expense, 3% of all interest expense, caused higher taxes of about 4 million euro, corresponding to around 8 per cent of the tax rate.

Results for the year - Balance sheet data

RECLASSIFED BALANCE SHEET *(euro millions)*			
Assets	**31/12/2008**	**31/12/2007**	**% change over 2007**
Financial assets [1]	2.018,1	2.376,7	-15,1%
Due from banks	2.461,5	1.924,5	27,9%
Cash loans	8.221,5	7.231,4	13,7%
Equity investments	31,7	12,0	164,5%
Reinsurers' share of technical reserves	4,9	4,5	8,9%
Tangible and intangible fixed assets [2]	277,0	242,9	14,0%
Tax assets	187,8	151,4	24,1%
Non-current assets and asset groups held for sale	0,2	2,8	-91,8%
Other assets [3]	399,0	551,6	-27,7%
TOTAL ASSETS	**13.601,7**	**12.497,8**	**8,8%**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	314,5	650,2	-51,6%
Direct deposits [4]	10.963,8	9.317,4	17,7%
Financial liabilities [5]	536,4	626,3	-14,4%
Tax liabilities	65,3	71,5	-8,7%
Other liabilities [6]	497,7	569,5	-12,6%
Provisions for specific purposes [7]	95,5	119,4	-20,0%
Technical reserves	465,8	497,5	-6,4%
Shareholders' equity [8]	662,7	645,9	2,6%
- pertaining to the Group	535,1	522,4	2,4%
- pertaining to minority interests	127,7	123,5	3,4%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13.601,7**	**12.497,8**	**8,8%**

(1) Given by the sum of the following balance sheet asset items: 20 "Financial assets held for trading", 30"Financial assets at fair value through profit or loss", 40"Financial assets available for sale" and 50 "Financial assets held to maturity".
(2) Given by the sum of the following balance sheet asset items: 120 "Tangible assets" and 130 "Intangible assets".
(3) Given by the sum of the following balance sheet asset items: 10 "Cash and cash equivalents", 80 "Hedging derivatives" and 160 "Other assets".
(4) Given by the sum of the following balance sheet liabilities items: 20 "Due to customers" and 30 "Outstanding securities".
(5) Given by the sum of the following balance sheet liabilities items: 40 "Financial liabilities held for trading" and 50 "Financial liabilities at fair value through profit or loss".
(6) Given by the sum of the following balance sheet liabilities items: 60 "Hedging derivatives" and 100 "Other liabilities".
(7) Given by the sum of the following balance sheet liabilities items: 110 "Employee severance indemnities" and 120 "Provisions for risks and charges".
(8) Given by the sum of the following balance sheet liabilities items: 140 "Valuation reserves", 170 "Reserves", 180 "Share premiums", 190 "Share capital", 210 "Equity pertaining to minority interests" and 220 "Profit for the year".

The comments below refer to the Reclassified Balance Sheet presented above.

During 2008 the trend in volumes was positive: total assets increased by 8,8%, reaching 13.601,7 million euro, compared with 12.497,8 million recorded at the end of 2007.

In particular, the banking business with customers saw an increase in lending of 13,7% (8.221,5 million euro, compared with 7.231,4 million in the previous year) against a decline in total deposits (-8,0% from 2007), among which the direct component (10.963,8 million euro) and the indirect component (15.458,1 million) show opposite trends (the former grew by 17,7%, while the second decreased by 20,4%). The ratio between cash loans and direct deposits went from 77,6% in financial year 2007 to 75,0% in 2008.

The figure for business on the interbank market also increased: the net interbank position – the difference between amounts due from and to banks – showed in fact total receivables from the banking system of 2.147,1 million euro, compared with 1.274,3 million recorded in the previous year.

At 31 December 2008 financial assets amounted to 2.018,1 million euro, down by 15,1% compared with the previous year, in which the total was 2.376,7 million; a reduction which becomes slightly more marked (-15,4%) taking into account the aggregate net of financial liabilities (1.481,7 million at 31 December 2008, compared with 1.750,4 million recorded in 2007).

Shareholder's equity, finally, amounted to 662,7 million euro (127,7 of which pertaining to minority interests), an increase of 2,6% over the previous year, in which it was 645,9 million.

The banking business with customers

The banking business with customers saw a sharp rise in loans (13,7% compared with the previous year), set against a drop in the component relating to deposits (-8,0% compared with 2008 in total deposits). As mentioned previously, the ratio between loans and direct deposits (which increased) came out at 75,0%, compared with 77,6% in the previous year.

FUNDING

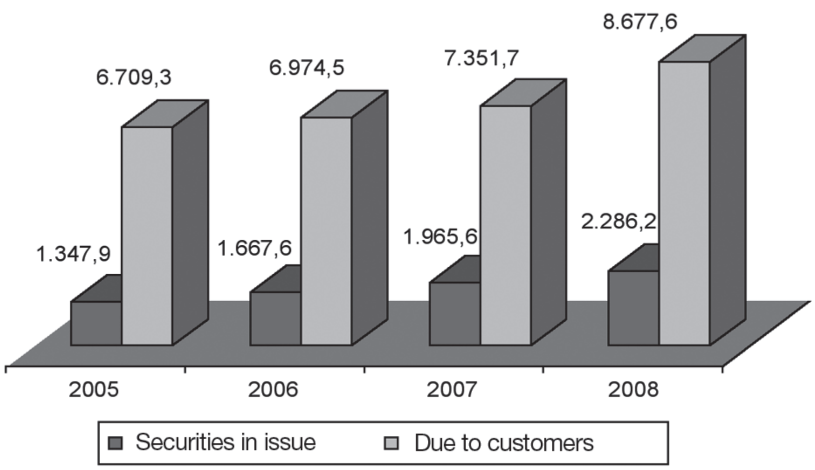
At the end of 2008 total deposits – consisting of all the assets administered on behalf of customers – amounted to 26.421,8 million euro, down (-8,0%) compared with the previous year. As can be seen in the following table, the growth of direct deposits (+1.646,4 million over 2007) was less than the drop in the indirect component (-3.956,4 million).

TOTAL DEPOSITS *(euro millions)*

Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change Absolute	Change %
Direct deposits	10.963,8	41,5%	9.317,4	32,4%	1.646,4	17,7%
Indirect deposits	15.458,1	58,5%	19.414,5	67,6%	(3.956,4)	-20,4%
Total deposits	**26.421,8**	**100,0%**	**28.731,8**	**100,0%**	**(2.310,0)**	**-8,0%**

At the end of 2008 direct deposits from customers amounted to 10.963,8 million euro, an increase of 17,7% compared to the previous year.

Trend of direct deposits in last few years



Analyzing the components of direct deposits, it can be noted that amounts due to customers (consisting mainly of current accounts, deposits and repurchase agreements), amounted to 8.677,6 million euro, with growth of 18,0% over 2007. As can be seen in the table below, the most significant item within this aggregate is current accounts (representing 81,1% of the total of amounts due to customers), which in the year increased by 20,4% compared with the previous year, owing above all to the trend of Banca Sella, which contributed to the growth of the item thanks to the positive contribution provided by online accounts and by corporate customers, who were offered deposit products at particularly advantageous terms.

The component of direct deposits and securities in issue, at 2.286,2 million euro, showed an increase over 2007 of 16,3%.

DIRECT DEPOSITS *(euro millions)*

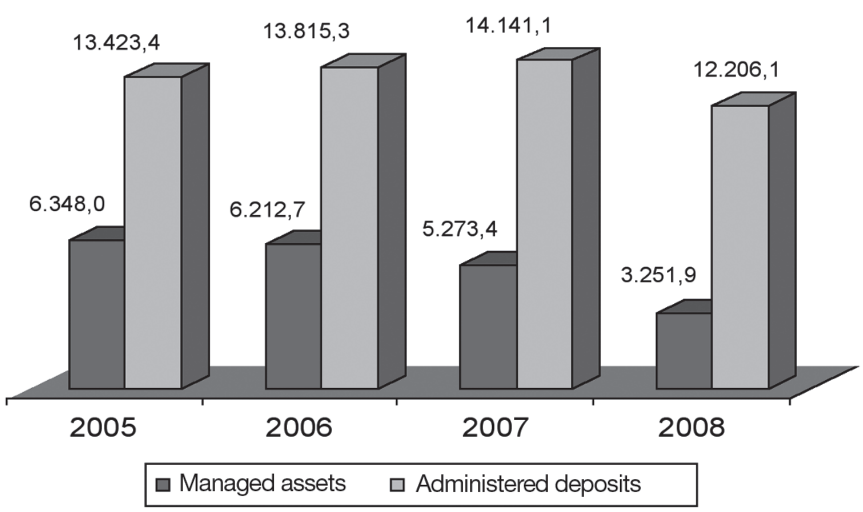
Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change Absolute	Change %
Due to customers	8.677,6	79,1%	7.351,7	78,9%	1.325,9	18,0%
Outstanding securities	2.286,2	20,9%	1.965,6	21,1%	320,5	16,3%
Total direct deposits	**10.963,8**	**100,0%**	**9.317,4**	**100,0%**	**1.646,4**	**17,7%**
Details of item Due to customers						
Current accounts and demand deposits	7.034,4	81,1%	5.842,7	79,5%	1.191,7	20,4%
Term deposits and tied current accounts	497,1	5,7%	325,9	4,4%	171,2	52,5%
Liabilities against assets sold but not derecognized	257,5	3,0%	504,7	6,9%	(247,2)	-49,0%
- of which repos	257,5	3,0%	504,7	6,9%	(247,2)	-49,0%
Other	888,6	10,2%	678,4	9,2%	210,2	31,0%
Total due to customers	**8.677,6**	**100,0%**	**7.351,7**	**100,0%**	**1.325,9**	**18,0%**

The total stock of indirect deposits, instead, at 31 December 2008 was 15.458,1 million euro with a drop of 20,4% on an annual basis. The chart below and the following table show that in 2008 this drop involved both components of indirect deposits, while in the last few years the reduction in volumes of assets managed was partly offset by the increase in administered deposits.

Financial year 2008 was characterized mainly by two events which affected the volumes of indirect deposits and business in the areas involved:

- the situation of extreme uncertainty, volatility and repricing of the risk arising as a result of the financial crisis, which was reflected on the equity markets in one of the most dramatic falls of the last 20 years, and on the bond markets in illiquidity and a generalized widening of the yield spreads of corporate issues. This caused customers, at the banking system level, to re-allocate their savings to instruments with minimum risk;
- the entry into force of the new MiFID legislation, which made it possible for the Group banks to meet all their customers again to redefine their risk profiles and consequently to update the contracts. This process facilitated a restructuring of the product range.

Trend of indirect deposits in last few years



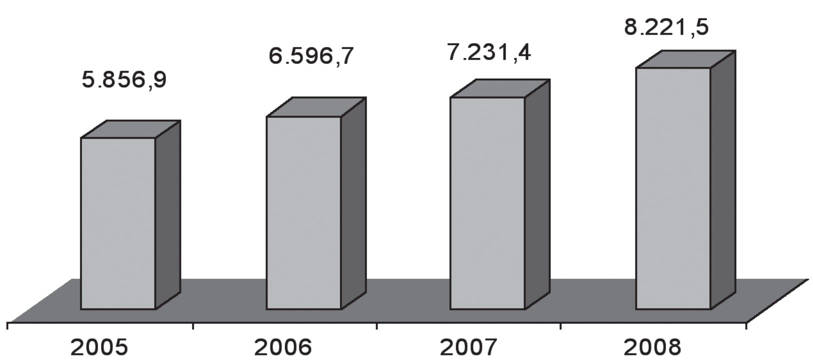
In detail, managed savings, amounting to 3.251,9 million euro, were down on the previous year (-38,3%) following a gradual recomposition of investor's portfolios, as they preferred financial instruments with a larger bond and monetary component over those with a larger equity component. Owing to the trends described above, unlike in past years, in 2008 administered deposits also declined (-13,7%).

INDIRECT DEPOSITS *(euro millions)*						
Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change	
					Absolute	%
Managed assets	3.251,9	21,0%	5.273,4	27,2%	(2.021,4)	-38,3%
Administered deposits	12.206,1	79,0%	14.141,1	72,8%	(1.935,0)	-13,7%
Total indirect deposits	**15.458,1**	**100,0%**	**19.414,5**	**100,0%**	**(3.956,4)**	**-20,4%**

LOANS

During financial year 2008 loans and advances to customers continued to achieve good growth rates totalling 8.221,5 million euro, an increase of 13,7% over 2007, when they had already risen by 9,6% compared with the previous year. As can be seen from the chart below, in the last few years the unfavourable economic scenario did not prevent development, which involved above all the local economic fabric, made up mostly of small and medium enterprises and families.

Trend in amounts due from customers in the last few years



Analyzing the breakdown of customer loans and advances (see the table below) it can be noted that the performance is characterized in particular by the positive trend in mortgage loans (+20,8% over the previous year). The financial leasing business also performed extremely well, growing by 13,2% compared with 2007.

The company that contributed most to the aggregate was Banca Sella, the main network bank of the Group, which accounts for 53,1% of cash advances. Also significant were the contributions of Banca Sella Sud Arditi Galati and Biella Leasing, which account respectively for 13,5% and 13,1% of the aggregate.

DUE FROM CUSTOMERS *(euro millions)*						
Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change Absolute	Change %
Current accounts	1.369,9	16,7%	1.276,9	17,7%	93,0	7,3%
Mortgage loans	3.253,5	39,6%	2.692,3	37,2%	561,2	20,8%
Credit cards, personal loans, salary-backed loans	1.054,9	12,8%	1.037,2	14,3%	17,7	1,7%
Financial leasing	1.147,5	14,0%	1.013,3	14,0%	134,2	13,2%
Debt securities	32,1	0,4%	14,9	0,2%	17,2	115,4%
Other operations	1.130,6	13,8%	1.049,5	14,5%	81,1	7,7%
Impaired assets	233,0	2,8%	147,3	2,0%	85,7	58,2%
Total	**8.221,5**	**100,0%**	**7.231,4**	**100,0%**	**990,1**	**13,7%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	53,1	0,6%	52,0	0,7%	1,1	2,1%
Banca Sella S.p.A.	4.368,8	53,1%	3.887,1	53,8%	481,7	12,4%
Banca Sella Holding S.p.A.	143,2	1,7%	93,1	1,3%	50,1	53,8%
Banca Sella Nordest Bovio Calderari S.p.A.	634,9	7,7%	563,9	7,8%	71,0	12,6%
Banca Sella Sud Arditi Galati S.p.A.	1.108,5	13,5%	870,5	12,0%	238,0	27,3%
Biella Leasing S.p.A.	1.078,1	13,1%	960,9	13,3%	117,2	12,2%
Consel S.p.A.	803,6	9,8%	754,1	10,4%	49,5	6,6%
Sella Bank A.G.	9,2	0,1%	10,7	0,1%	(1,5)	-14,0%
Sella Bank Luxembourg S.A.	21,8	0,3%	38,8	0,5%	(17,0)	-43,8%
Other Group companies	0,2	0,0%	0,3	0,0%	(0,1)	-33,3%
Total for Group companies	**8.221,5**	**100,0%**	**7.231,4**	**100,0%**	**990,1**	**13,7%**

CREDIT QUALITY

It is worth noting that during 2008 Banca Sella and Banca Sella Sud Arditi Galati implemented a process, beginning at the start of the year, with the aim of reviewing the methods and detailed valuation parameters within impaired loan recovery processes.

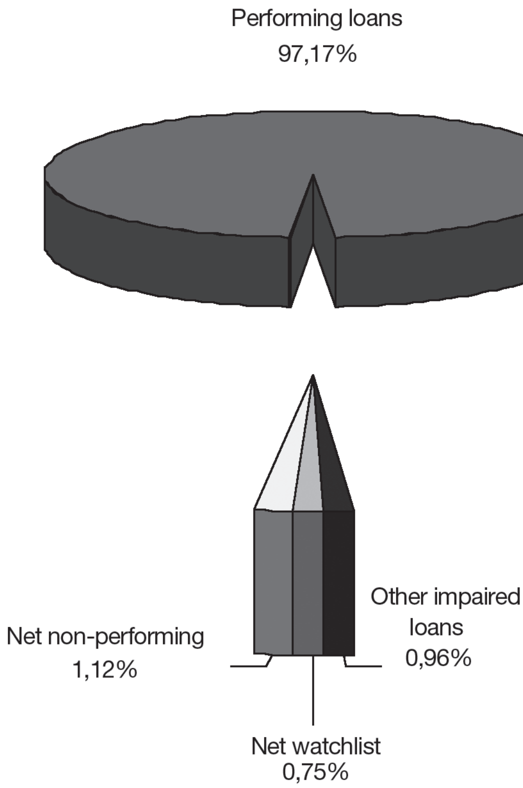
This review led to an update of the valuation elements with a more precise definition of the same.

The impaired loan valuation process continues to be followed through detailed estimates of individual customers and loan types, taking account of all the valuation elements present, namely sureties acquired and/or acquirable, the customer's income and assets, legal actions available, possibility of out-of-court agreements, etc.

The methods adopted for 2008 will continue to be valid also for subsequent financial years, as they are considered adequate considering also the external scenario and the change in macroeconomic conditions.

The results obtained applying the above methods are presented in detail in Part A – Accounting Policies and in the Notes, of the present financial statements.

Percentage of impaired loans



At 31 December 2008 net non-performing loans amounted to 92,1 million euro, an increase of 37,9% over 2007. Watchlist loans at the same date totalled 61,7 million euro, up from the 38,2 million euro of 2007. Adding to non-performing and watchlist loans rescheduled loans and past-due exposures, at 31 December 2008 the total came to 233,0 million euro, which, as can be seen from the chart above and the table below, represent 2,83% of net customer loans and advances, a higher figure than in the previous year when it was 2,04%.

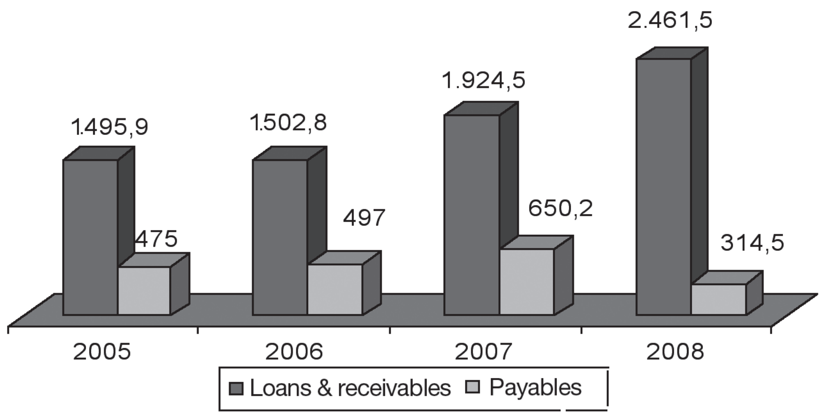
CREDIT QUALITY *(euro millions)*

Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change	
					Absolute	%
Due from customers	**8.221,5**	**100,00%**	**7.231,4**	**100,00%**	**990,1**	**13,7%**
Performing loans	7.988,5	97,17%	7.084,1	97,96%	904,4	12,8%
Impaired loans	233,0	2,83%	147,3	2,04%	85,7	58,2%
- of which net non-performing	*92,1*	*1,12%*	*66,8*	*0,92%*	*25,3*	*37,9%*
- of which net watchlist	*61,7*	*0,75%*	*38,2*	*0,53%*	*23,5*	*61,5%*

Business on the interbank market

At the end of 2008 the Group's business on the interbank market showed total receivables (net of amounts due to banks) of 2.147,1 million euro, up by 68,5% compared with the 1.274,3 million euro recorded in 2007. The chart below shows that in 2008 amounts due from banks were on an increasingly upward trend, which had already been seen in previous years, while payables reversed this trend declining considerably with respect to 2007.

Trend of business on the interbank market in the last few years



The absolute change of 872,8 million euro compared with the previous year is therefore due both to the increase in the aggregate of amounts due from banks, which increased by 537,0 million over 2007, and to the decline at the same time of amounts due to banks, down by 335,8 million euro compared with the previous year.

NET INTERBANK POSITION *(euro millions)*

Item	31/12/2008	31/12/2007	Change	
			Absolute	%
Due from banks	2.461,5	1.924,5	537,0	27,9%
Due to banks	314,5	650,2	(335,8)	-51,6%
Net interbank position	**2.147,1**	**1.274,3**	**872,8**	**68,5%**

AMOUNTS DUE FROM BANKS

At 31 December 2008 amounts due from banks amounted to 2.461,5 million euro, an improvement of 27,9% compared with 2007.

As shown in the table below, this result was determined mainly:

- by the positive contribution provided by the item Due to central banks, which went up from 477,6 million euro in 2007 to 1.825,9 million euro in 2008 as a result of the different allocation of the Group liquidity following the profound changes in the economic and financial scenario (the European Central Bank is the safest entity to which to entrust liquidity);

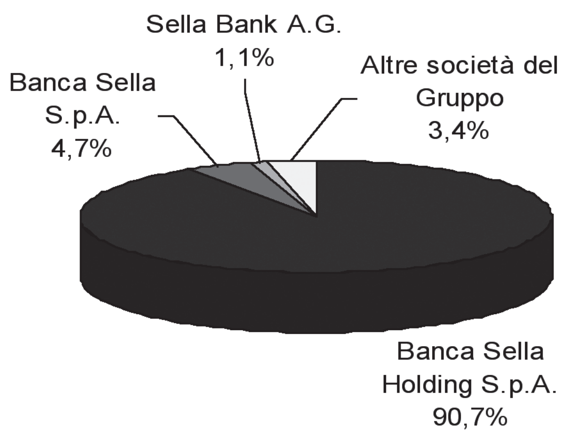
- by the repurchase agreement component, which suffered a decline with respect to 2007 (-66,6%) owing to a drop in subscriptions of the same by customers and an increase in transactions with underlying own securities.

DUE FROM BANKS *(euro millions)*

Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change absolute	Change %
Due from central banks	**1.825,9**	**74,2%**	**477,6**	**24,8%**	**1.348,3**	**282,3%**
Statutory reserve	155,9	6,3%	477,4	24,8%	(321,5)	-67,3%
Other amounts due from central banks	1.670,0	67,8%	0,2	0,0%	1.669,8	834900,0%
Due from banks	**635,6**	**25,8%**	**1.447,0**	**75,2%**	**(811,4)**	**-56,1%**
Current accounts and demand deposits	127,7	5,2%	135,5	7,0%	(7,8)	-5,8%
Term deposits	119,1	4,8%	278,6	14,5%	(159,5)	-57,3%
Repurchase agreements	336,6	13,7%	1.008,7	52,4%	(672,1)	-66,6%
Financial leasing	1,9	0,1%	1,8	0,1%	0,1	5,6%
Other loans and advances	0,7	0,0%	13,2	0,7%	(12,5)	-94,7%
Debt securities	49,6	2,0%	9,2	0,5%	40,4	439,1%
Total	**2.461,5**	**100,0%**	**1.924,5**	**100,0%**	**537,0**	**27,9%**
Details for Group companies						
Banca Sella S.p.A.	116,7	4,7%	437,4	22,7%	(320,7)	-73,3%
Banca Sella Holding S.p.A.	2.233,1	90,7%	1.374,2	71,4%	858,9	62,5%
Banca Sella Sud Arditi Galati S.p.A.	23,9	1,0%	17,0	0,9%	6,9	40,6%
Sella Bank A.G.	28,3	1,1%	15,2	0,8%	13,1	86,2%
Sella Bank Luxembourg S.A.	13,3	0,5%	61,0	3,2%	(47,7)	-78,2%
Other Group companies	46,3	1,9%	19,7	1,0%	26,6	135,0%
Total	**2.461,5**	**100,0%**	**1.924,5**	**100,0%**	**537,0**	**27,9%**

Analyzing in detail the Group companies which contributed to the composition of the item, it is evident that most of the amounts due from banks (90,7% of the total) pertain to the Parent Company Banca Sella Holding, followed by Banca Sella (with 4,7% of the total).

Percentage distribution by company of amounts from banks



AMOUNTS DUE TO BANKS

At 31 December 2008, amounts due to banks totalled 314,5 million euro, down sharply (-51,6%) compared with the previous year, in which they amounted to 650,2 million euro.

As can be seen from the following table, the trend in the aggregate was determined above all by the component of term deposits, which declined by 307 million euro compared with financial year 2007 owing to an increase in Group liquidity which made less necessary the provision of funding on the interbank market.

DUE TO BANKS *(euro millions)*

Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change absolute	Change %
Due to central banks	**10,1**	**3,2%**	**1,1**	**0,2%**	**9,0**	**817,8%**
Due to banks	**304,4**	**96,8%**	**649,1**	**99,8%**	**(344,7)**	**-53,1%**
Current accounts and demand deposits	87,8	27,9%	72,8	11,2%	15,0	20,6%
Term deposits (including tied C/As)	109,2	34,7%	416,2	64,0%	(307,0)	-73,8%
Loans and advances	106,4	33,8%	121,2	18,6%	(14,8)	-12,2%
Liabilities against assets sold but not derecognized	1,0	0,3%	39,0	6,0%	(38,0)	-97,4%
Total	**314,5**	**100,0%**	**650,2**	**100,0%**	**(335,8)**	**-51,6%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	1,6	0,5%	1,6	0,3%	(0,1)	-4,2%
Banca Sella S.p.A.	3,4	1,1%	7,7	1,2%	(4,3)	-55,5%
Banca Sella Holding S.p.A.	113,5	36,1%	474,4	73,0%	(360,9)	-76,1%
Biella Leasing S.p.A.	103,1	32,8%	103,7	15,9%	(0,5)	-0,5%
Sella Bank A.G.	-	0,0%	1,1	0,2%	(1,1)	-100,0%
Sella Bank Luxembourg S.A.	92,8	29,5%	61,6	9,5%	31,2	50,7%
Other Group companies	0,0	0,0%	0,2	0,0%	(0,2)	-79,0%
Total	**314,5**	**100,0%**	**650,2**	**100,0%**	**(335,8)**	**-51,6%**

Financial assets

The total financial assets of the Group at 31 December 2008, which came out at 2.018,1 million euro, was down (-15,1%) compared with the previous year, in which they were 2.376,7 million euro.

Considering the figure net of financial liabilities, the decrease was slightly more marked (-15,4%), the total in this case in fact was 1.481,7 million euro, compared with 1.750,4 million euro recorded in 2007.

FINANCIAL ASSETS/LIABILITIES OF THE GROUP *(euro millions)*						
Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change absolute	Change %
Financial assets						
Financial assets held for trading	932,1	46,2%	1.174,3	49,4%	(242,2)	-20,6%
Financial assets at fair value through profit or loss	669,6	33,2%	827,6	34,8%	(157,9)	-19,1%
Financial assets available for sale	330,9	16,4%	282,2	11,9%	48,6	17,2%
Financial assets held to maturity	85,5	4,2%	92,6	3,9%	(7,1)	-7,6%
Total financial assets	**2.018,1**	**100,0%**	**2.376,7**	**100,0%**	**(358,6)**	**-15,1%**
Financial liabilities						
Financial liabilities held for trading	44,3	8,3%	41,4	6,6%	2,9	6,9%
Financial liabilities at fair value through profit or loss	492,1	91,7%	584,9	93,4%	(92,8)	-15,9%
Total financial liabilities	**536,4**	**100,0%**	**626,3**	**100,0%**	**(89,9)**	**-14,4%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES OF THE GROUP	**1.481,7**		**1.750,4**		**(268,7)**	**-15,4%**

It should be noted that, following changes made by the International Accounting Standards Board to the international accounting standards IAS 39 and IFRS 7, Banca Sella Holding, Banca Sella, Banca Sella Nordest Bovio Calderari and Banca Sella Sud Arditi Galati took the option of reclassifying a number of financial instruments from the category of Financial assets held for trading. For more information on these reclassifications, see Part A of the Notes to the Financial Statements.

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

- London Stock Exchange Group Plc (measurement method: market price): given the significance of the loss of value with respect to the carrying cost and its extension over time, the interest was written down with effects in the income statement at the closing market price on 31 December 2008; the writedown was 27,9 million euro gross of the tax effects;
- Intesa Sanpaolo S.p.A. (measurement method: market price): although the price of the security had fallen, it was decided that there was still no objective evidence of a structural reduction in value, and therefore the resulting writedown of 1,2 million euro gross of the tax effects was booked to a negative shareholders' equity reserve;

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

- Centrale dei Bilanci S.r.l. (measurement method: recent market transactions): following the sale by the majority shareholders of 91,81% of the share capital to Clessidra SGR S.p.A. and Bain Capital Ltd, Banca Sella Holding revalued its equity interest recognizing in shareholders' equity a positive reserve of 4,7 million euro;
- Mastercard – Class B shares (measurement method: comparable transactions): as the Class B shares have been subject several times to "Conversion and Sale Plans" promoted by the company, in which the Class B shares were converted into listed Class A shares, at a rate of 1:1, the equity interest was revalued at the market price of Class A shares, appropriately discounted to take account of the Class B share lock-in clause; a positive reserve of 1,1 million euro was booked to shareholders' equity.

In October 2008 the assignment of Visa – Class C shares, distributed by Visa Europe following the Visa Inc IPO was also recognized among minority interests. Using the comparable transactions method, the Class C shares were valued in a ratio of 1:1 with the Class A shares, discounting them to take account of the lock-in clause which prevents trading until 2013. This resulted in a recognition of 2,3 million euro; at the end of the year an insignificant loss of value, of 44 thousand euro, was recognized; this was due exclusively to the exchange rate effect.

FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING

The total at 31 December 2008 of financial assets held for trading (net of financial liabilities) was down by 21,6% compared with the previous year, amounting to 887,7 million euro, against 1.132,9 million recorded in 2007.

The table presented below shows that within the aggregate, the trading securities portfolio, amounting to 666,3 million euro, increased slightly (+2,3%) compared with the previous year. As regards derivative instruments, instead, the net value between assets (38,3 million euro) and liabilities (44,3 million euro) amounted to -6,1 million euro, compared with -8,6 million euro in the previous year.

Assets sold but not derecognized fell (-53,6%) compared with the previous year, amounting to 227,5 million euro, owing mainly to a decrease in repurchase agreements.

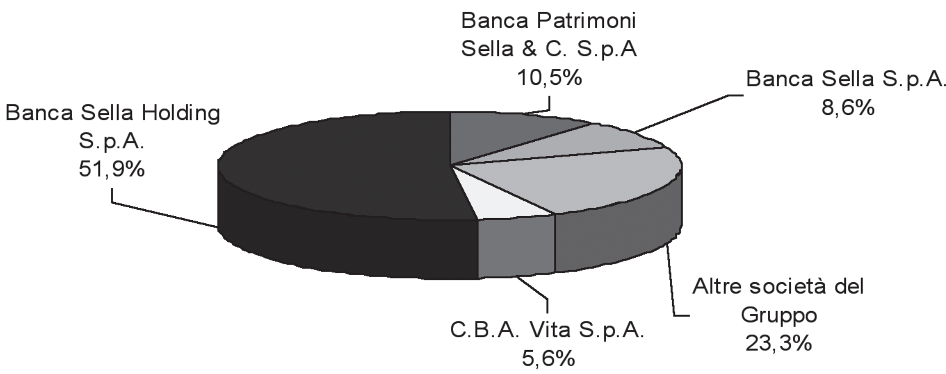
Per fuller details on the breakdown by debtors/issuers of financial assets held for trading, see Table 2.2 of Section B of the Notes to the Financial Statements: Information on the Consolidated Balance Sheet – Assets.

FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING *(euro millions)*

Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change absolute	Change %
Trading securities	**666,3**	**75,1%**	**651,5**	**57,5%**	**14,9**	**2,3%**
Debt securities	608,1	68,5%	565,6	49,9%	42,5	7,5%
Share capital securities	2,4	0,3%	0,4	0,0%	2,1	500,0%
UCITS units	55,8	6,3%	85,5	7,5%	(29,7)	-34,7%
Derivative instruments	**(6,1)**	**-0,7%**	**(8,6)**	**-0,8%**	**2,6**	**-29,1%**
- of which financial derivatives	(6,0)	-0,7%	(8,6)	-0,8%	2,6	-30,2%
- of which credit derivatives	(0,1)	0,0%	-	-	(0,1)	-
Assets sold but not derecognized	**227,5**	**25,6%**	**490,0**	**43,3%**	**(262,5)**	**-53,6%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	**887,7**	**100,0%**	**1.132,9**	**100,0%**	**(245,2)**	**-21,6%**
Detail of trading securities for main Group companies						
Banca Patrimoni Sella & C. S.p.A	69,9	10,5%	133,8	20,5%	(63,9)	-47,8%
Banca Sella S.p.A.	57,5	8,6%	27,7	4,3%	29,9	107,6%
Banca Sella Holding S.p.A.	345,9	51,9%	362,2	55,6%	(16,4)	-4,5%
Banca Sella Nordest Bovio Calderari S.p.A.	35,9	5,4%	16,0	2,5%	19,9	124,4%
Banca Sella Sud Arditi Galati S.p.A.	61,8	9,3%	21,4	3,3%	52,6	188,8%
C.B.A. Vita S.p.A.	37,5	5,6%	57,5	8,8%	(20,0)	-34,8%
Sella Life Ltd.	1,7	0,3%	2,8	0,4%	(1,0)	-39,3%
Other Group companies	56,1	8,4%	30,1	4,6%	26,0	86,4%
Total trading securities	**666,3**	**100,0%**	**651,5**	**100,0%**	**14,9**	**2,3%**

As shown in the relevant table and the in the chart presented below, trading securities are held mainly by the Parent Company Banca Sella Holding (51,9%) and by Banca Patrimoni Sella & C. (10,5%). Altogether the other Italian banks of the Group represent 23% of the total of the aggregate, while among the other companies the proportion held by CBA Vita is significant, representing 5,6% of the total.

Percentage distribution of securities trading by company



FINANCIAL ASSETS AVAILABLE FOR SALE

At the end of the year financial assets available for sale amounted to 330,9 million euro compared with the 282,2 million euro recorded at 31 December 2007, an increase of 17,2%.

Analyzing the breakdown of the aggregate, it can be seen that most of it consists of debt securities, which account for 268,8 million euro, or 81,2% of the total. This item was up by 19,5% compared with the previous year, in which it amounted to 225 million euro. The item Share capital securities, instead, consisted mainly of minority shareholdings, and totalled 37,3 million euro, a reduction of 34,9% from 2007.

The item Assets sold but not derecognized contains, for a total of 24,8 million euro, part of the securities which during the year were reclassified from the category Financial assets held for trading by Banca Sella, Banca Sella Nordest Bovio Calderari and Banca Sella Sud Arditi Galati, as noted at the start of the section on the Financial Assets. More precisely, the item consists entirely of own securities which are used to hedge Repurchase Agreement transactions.

For further details on the breakdown by debtors/issuers of financial assets available for sale, see Table 4.2 of Section B of the Notes to the Financial Statements: Information on the Consolidated Balance Sheet – Assets.

FINANCIAL ASSETS AVAILABLE FOR SALE *(euro millions)*						
Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change absolute	Change %
Debt securities	268,8	81,2%	225,0	79,7%	43,9	19,5%
Equity securities	37,3	11,3%	57,3	20,3%	(20,0)	-34,9%
Assets sold but not derecognized	24,8	7,5%	-	-	24,8	-
Total securities available for sale	**330,9**	**100,0%**	**282,2**	**100,0%**	**48,6**	**17,2%**
Details for main Group companies						
Banca Patrimoni Sella & C. S.p.A.	1,2	0,4%	6,2	2,2%	(5,0)	-80,1%
Banca Sella S.p.A.	44,3	13,4%	10,2	3,6%	34,0	332,4%
Banca Sella Holding S.p.A.	32,0	9,7%	40,3	14,3%	(8,3)	-20,6%
Banca Sella Nordest Bovio Calderari S.p.A.	17,4	5,3%	0,6	0,2%	16,8	2736,5%
Banca Sella Sud Arditi Galati S.p.A.	29,9	9,0%	0,1	-	29,8	27805,6%
Biella Leasing S.p.A.	-	-	12,2	4,3%	(12,2)	-100,0%
CBA Vita S.p.A.	202,8	61,3%	202,5	71,8%	0,3	0,1%
Other Group companies	3,4	1,0%	10,1	3,6%	(6,7)	-66,5%
Total securities available for sale	**330,9**	**100,0%**	**282,2**	**100,0%**	**48,6**	**17,2%**

The distribution by company presented in the table shows that with the exception of CBA Vita, the other companies of the Group in question reported significant changes compared with the previous year.

In the case of Banca Sella Holding and Banca Patrimoni Sella & C. the decrease compared with the previous year was mostly attributable to the impairment loss booked to the two companies which has also been described in the section "Results for the year – Income Statement".

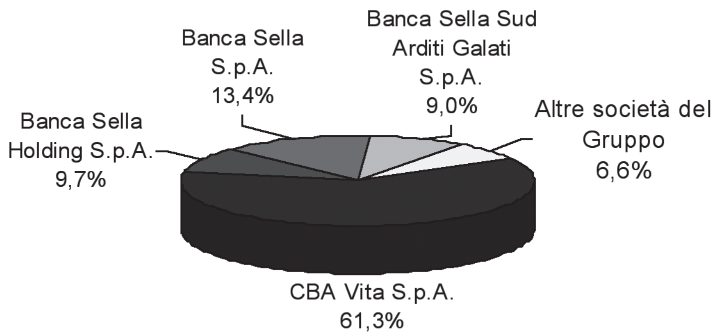
The performance of the other network banks of the Group, instead, was determined by the effects of the reclassifications from the category Financial assets held for trading described above.

The case of Biella Leasing is, instead, different. In financial year 2001 the Company had in fact completed a securitization transaction which involved the sale of a portfolio of performing loans deriving from leasing contracts to the vehicle company Secursel S.r.l. (a Banca Sella Group company)[1]. In February 2008, as the conditions contractually provided for had been fulfilled, the transaction was extinguished in advance through re-acquisition of the securitized loans existing on 28 February 2008. The closure of the transaction entailed redemption by the Company of the Junior note held, which in the previous period had been included among financial assets available for sale.

The chart below shows that the portfolio of financial assets available for sale is held mostly (61,3% of the total) by CBA Vita. The part pertaining to Banca Sella Holding, which accounts for 9,7% of the aggregate, consists entirely of share capital securities (mainly minority interests).

[1] *For this transaction the company took advantage of the optional exemption provided for in IFRS 1, which permits it not to re-recognize financial assets/liabilities sold or derecognized before 1st January 2004.*

Percentage distribution of financial assets available for sale by company



FINANCIAL ASSETS HELD TO MATURITY

The item Financial assets held to maturity includes debt securities of the Group companies, for which the respective Boards of Directors have formalized the decision to hold them until their natural maturity.

The book value of the aggregate, amounting to 85,5 million euro, decreased by 7,7% compared with the previous year. As can be seen from the relevant table, this trend is attributable to the item of Assets sold but not derecognized, the drop in which was more than the increase in debt securities.

FINANCIAL ASSETS HELD TO MATURITY *(euro millions)*

Item	31/12/2008	Proportion (%) of total	31/12/2007	Proportion (%) of total	Change absolute	Change %
Book value:	**85,5**	**100,0%**	**92,6**	**100,0%**	**(7,1)**	**-7,7%**
Debt securities	75,7	88,5%	38,9	42,0%	36,8	94,6%
Assets sold but not derecognized	9,8	11,5%	53,7	58,0%	(43,9)	-81,8%
Fair value:	**87,3**	**100,0%**	**93,5**	**100,0%**	**(6,2)**	**-6,6%**
Debt securities	77,3	88,5%	39,3	42,0%	38,0	96,7%
Assets sold but not derecognized	10,0	11,5%	54,2	58,0%	(44,2)	-81,5%
Details of Group companies (book value)						
Banca Sella Holding S.p.A.	63,1	73,8%	70,4	76,0%	(7,3)	-10,4%
Banca Sella Nordest Bovio Calderari S.p.A.	12,0	14,0%	12,0	13,0%	-	-
Banca Sella Sud Arditi Galati S.p.A.	7,6	8,9%	7,6	8,2%	-	-
Sella Bank A.G.	2,8	3,3%	2,6	2,8%	0,2	7,7%
Total financial assets held to maturity (book value)	**85,5**	**100,0%**	**92,6**	**100,0%**	**(7,1)**	**-7,7%**

The following table breaks them down by maturity date:

DISTRIBUTION BY MATURITY OF FINANCIAL ASSETS HELD TO MATURITY *(euro millions)*						
Group companies	**February 2009**	**May 2009**	**November 2009**	**November 2010**	**February 2015**	**Total**
Banca Sella Holding S.p.A.	-	3,0	50,2	-	9,9	**63,1**
Banca Sella Nordest Bovio Calderari S.p.A.	-	12,0	-	-	-	**12,0**
Banca Sella Sud Arditi Galati S.p.A.	-	2,5	-	5,1	-	**7,6**
Sella Bank A.G.	2,8	-	-	-	-	**2,8**
Total debt securities (by maturity)	**2,8**	**17,5**	**50,2**	**5,1**	**9,9**	**85,5**

FINANCIAL ASSETS / LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Starting from the previous year, Financial asset of fair value through profit or loss include investments on behalf of policy-holders who have taken out unit and index-linked policies and investments arising from managed pension funds in the life assurance field.

During the previous year the Group also availed itself of the possibility of stating at fair value financial liabilities relating to the deposit of unit and index-linked insurance contracts, which are measured at the fair value of the assets.

An examination of the aggregates at 31 December 2008 reveals a drop of 19,1% compared with the previous year in assets, which amounted to 669,6 million euro, partly offset by a decline in liabilities (-15,9% compared with 2007) which at the end of the year totalled 492,1 million.

Owing to these two trends, the total net result at the end of the year amounted to 177,5 million euro, down by 26,9% from 2007, in which the figure was 242,7 million.

This decline was due mainly to an increase in liquidations of insurance policies of the "third kind" (life and non-life policies linked to investment funds) and to writedowns made on a number of securities of the segment carried at fair value. In fact each reduction of the reserve of the product whose investment risk is borne by the insured is reflected in a decrease in the corresponding securities.

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(euro millions)*						
Item	**31/12/2008**	**Proportion (%) of total**	**31/12/2007**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Financial assets at fair value through profit or loss						
Total debt securities (book value)	528,5	78,9%	407,3	49,2%	121,2	29,8%
Share capital securities	11,2	1,7%	2,2	0,3%	9,0	409,1%
UCITS units	98,8	14,8%	418,1	50,5%	(319,3)	-76,4%
Loans and advances	31,1	4,6%	-	-	31,1	-
Total	**669,6**	**100,0%**	**827,6**	**100,0%**	**(158,0)**	**-19,1%**
Financial liabilities at fair value through profit or loss						
Due to customers	492,1	100,0%	584,9	100,0%	(92,8)	-15,9%
Total	**492,1**	**100,0%**	**584,9**	**100,0%**	**(92,8)**	**-15,9%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE	**177,5**		**242,7**		**(65,2)**	**-26,9%**
Details for Group companies						
C.B.A. Vita S.p.A.	177,5		242,6		(65,1)	-26,8%
Sella Life Ltd	-		0,1		(0,1)	-100,0%
TOTAL	**177,5**		**242,7**		**(65,2)**	**-26,9%**

Information on impairment tests for goodwill and intangible assets with unlimited usefull life

The IAS/IFRS international accounting standards envisage that the possibility that an impairment loss has or has not occurred should be checked at least every time financial statements are prepared. In particular IAS 36 provides for the application of the impairment test procedure for the definition of the Salvage Value of an asset: that is to say whichever is greater between the Net Realisable Value (fair value) and the Use Value. For more information on impairment tests for goodwill and intangible assets with unlimited useful life see the Notes to the Financial Statements, Part B – Information on the Balance Sheet Assets – Section 13 Intangible Assets.

Regulatory capital

The regulatory capital and capital ratios at 31 December 2008 have been calculated on the basis of the figures in the balance sheet and income statement determined by applying the IAS/IFRS international accounting standards, in accordance with Circular no 155/91 of the Bank of Italy, containing "Instructions for preparing reports on regulatory capital and prudential ratios".

Application of the instructions contained in the said circular involves a different method of consolidation for insurance companies included in Consolidated Financial Statements. Hence the said companies, consolidated using the line-by-line method for the financial statements, have been consolidated using the net equity method for the purposes of the capital and prudential ratios.

At the end of the year the consolidated regulatory capital of the Group amounted to 883,4 million euro, of which 544,2 million euro of Tier 1 capital (share capital and capital reserves), 365,9 million euro of Tier 2 capital and 9,8 million of Tier 3 capital, net of 36,6 million euro of ineligible elements (consisting almost completely of equity investments in the insurance companies of the Group). Risk weighted assets amounted to 8.044,8 million euro.

At 31 December 2008 the ratio between the Group's total regulatory capital and its total risk weighted assets (Total Capital Ratio) was 10,98%, compared with 11,17% at the end of 2007.

At the end of the year the ratio between the Group's Tier 1 capital and its total risk weighted assets (Tier 1 Capital Ratio) was 6,76% compared with 7,32% at the end of 2007.

REGULATORY CAPITAL *(euro millions)* AND CAPITAL ADEQUACY RATIOS *(%)*				
Item	31/12/2008	31/12/2007	Change	
			Absolute	%
Tier 1 capital	**544,2**	**516,8**	**27,4**	**5,3%**
Tier 2 capital	365,9	302,7	63,2	20,9%
Tier 1 and Tier 2 capital ineligible items	36,6	38,6	(2,0)	-5,2%
Tier 3 capital	9,8	7,5	2,3	30,7%
Regulatory capital including TIER 3	**883,4**	**788,4**	**95,0**	**12,0%**
Credit and counterparty risk	548,4	545,1	3,3	0,6%
Markets risks	13,8	14,2	(0,4)	-2,5%
Operational risk	81,4	-	81,4	-
Other capital requirements	-	5,6	(5,6)	-100,0%
Total capital requirements	**643,6**	**564,8**	**78,8**	**13,9%**
Risk weighted assets	**8.044,8**	**7.060,2**	**984,6**	**13,9%**
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	**6,76%**	**7,32%**		
Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	**10,98%**	**11,17%**		

Liquidity

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

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

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

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

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

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

Information on exposure to "high risk" financial products

SPE (SPECIAL PURPOSE ENTITIES)

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

The securitization transactions concluded by Banca Sella involved performing loans; the vehicle companies are Secursel S.r.l., a Banca Sella Group company, and Mars 2600 S.r.l., in which Banca Sella Holding holds a 10% stake.

For further details the reader is referred to Parte E of the Notes to the Financial Statements, and specifically to the section on securitization transactions.

SUBPRIME AND ALT-A EXPOSURES

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

ABS (CMBS, RMBS)

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

- ABSs deriving from securitizations carried out by Banca Sella S.p.A. on performing residential mortgage loans.

  Banca Sella's own portfolio comprises:
  - Junior tranche securities subscribed in 2001 against the issue of the SPV Secursel. The par value is 2,052 million euro (+7,809 million euro of accruals matured);
  - Junior tranche securities subscribed in 2005 against the issue of the SPV Mars2600. The par value is 3,5 million euro (+1,044 million euro of accruals matured);
  - Senior, mezzanine and junior tranche securities subscribed in 2008 against the issue of the SPV Mars2600. The amount, in nominal terms, corresponds to that of all the securities issued in the securitization transaction and is divided as follows: class A securities 207.3 million euro (+ 2,203 million of accruals matured), class B securities 8,1 million euro (+ 0,088 million accruals matured), class C securities 2,8 million euro (+ 0,031 million of accruals matured), class securities D 6,5 million euro (+0,355 of accruals matured)

  Banca Sella Holding's own portfolio comprises:

- Senior (A) and mezzanine (B) tranche securities of the 2005 Mars2600 securitization for a countervalue of 4,52 million euro and 3,41 million euro respectively, purchased during 2008.

- ABSs from third-party securitizations

  Banca Sella Holding's portfolio comprises:

  - ABSs issued by Italian companies (Società di Cartolarizzazione Italiana Crediti ARL and Società Cartolarizzazione Crediti INPS). These have been held in the Banca Sella Holding portfolio since 2004 and during the first half of 2008 a new tranche was purchased, again of senior securities of Società Cartolarizzazione Crediti INPS. The total countervalue is 12,33 million euro (almost unchanged from 31 December 2007) representing about 1% of the total portfolio (floating+fixed) of Banca Sella Holding.

(in euro thousand)

Description of security	Isin	Currency	Nominal value	Book value
SCIC A2 TV EUR CART	IT0003731426	EURO	7.500,00	2.874,33
SOC CART INPS TV 09	IT0003749360	EURO	7.500,00	7.653,56
SOC CART INPS TV EUR	IT0003953376	EURO	1.771,00	1.797,62
Total				**12.325,50**

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

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

(in euro thousand)

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

- Units of ABSs present in SICAV segments or units of Hedge Funds

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

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

CDS (CREDIT DEFAULT SWAP)

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

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

LEVERAGED FINANCE

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

EXPOSURE TO MADOFF AND LEHMAN BROTHERS

The Banca Sella Group is not exposed in financial instruments involved in the Madoff case, with the sole exception – absolutely marginal however – of Banca Sella Holding's own portfolio (0,05% of the entire portfolio), which at 31 December 2008 contains the Hedge Fund Fairfield Sigma. On the basis of the information obtained, it seems that this hedge fund is for a certain percentage invested in Madoff funds. For more details the reader is referred to the contents of the financial statements of the Parent Company.

The Banca Sella Group's direct exposure to the Lehman Brothers Group is also very limited, and consists exclusively of guarantee margins for business in derivatives for a total value of 3,6 million euro (of which 0,09 million euro for Banca Sella Holding and 3,5 million euro for Sella Bank Luxembourg[1]) and for 0,2 million euro of par value a bond held in CBA Vita's portfolio against redemptions of an index policy (for more information on the exposure of CBA Vita see the paragraph about the Company in the chapter "Group companies").

[1] *At our Luxembourg bank there is a balance of another 0,66 million euro held by a SICAV client depositor .*

Profit distribution policy

As regards the policy on the distribution of profits, a method is used within the Group whereby the dividend distributed by each company on a yearly basis depends on the risk-free interest rate, on a proportion of the risk premium and on the average equity of subsidiaries.

In any case the maximum dividend distributable is the profit for the year less the provisions established by the articles of association and allocated to the legal and statutory reserves.

For the year ended 31 December 2008, the Parent Company will distribute 1 million euro, or 7,4% of the consolidated net profit pertaining to the Parent Company, which came out at 13,6 million euro. The reduction with respect to the dividend distributed in 2007 (6,5 million euro) is a result of the extraordinary events that characterized the two years, which are fully described in the previous sections.

Finally, in order to guarantee an optimal allocation of capital within the Group, regular controls are carried out to assess the capital adequacy of the subsidiaries.

Significant non-recurrent events and operations

FINE IMPOSED BY THE ANTITRUST AUTHORITY ON BANCA SELLA

On 9 May 2008 the Italian Antitrust Authority informed Banca Sella and other Italian banks of the launch of investigatory proceedings in relation to an alleged infringement of Arts. 20 and following of the Consumer Code (Unfair commercial practices).

The Bank will file briefs and provide the information and documentation requested by the Authority, also presenting “commitments” under the terms of Art. 8 of the Regulations on investigatory procedures on the subject of unfair commercial practices.

On 10 July the Authority informed us that it had concluded the investigatory stage and the following 7 August imposed a fine of 300.000 euro, an amount wholly provided for.

Banca Sella lodged an appeal before the Regional Administrative Court of Lazio for cancellation of the order of the Antitrust Authority with which it imposed the above fine.

After the end of the year, the Regional Administrative Court of Lazio (with a judgement filed on 4 February 2009) accepted the appeal and, as a result, cancelled the order we had appealed against.

EQUITY INTEREST IN BANCA MONTE PARMA

On 29 October 2008 the acquisition of an equity interest in Banca Monte Parma was completed by:

- Banca Sella Holding: 280.000 ordinary shares, representing 10% of the share capital of Banca Monte Parma;
- CBA Vita: 84.000 ordinary shares, representing 3% of the share capital of Banca Monte Parma.

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

- HDI Assicurazioni: 84.000 ordinary shares, representing 3% of the share capital;
- Fondazione di Piacenza e Vigevano: 420.000 ordinary shares, representing 15% of the share capital;
- Fondazione Monte Parma: 511.440 ordinary shares, representing about 18,27% of the share capital;

On 18 November 2008, to replace the representatives of the Monte dei Paschi di Siena Group who had resigned, three representatives of the Banca Sella Group were appointed to the Board of Directors of the Parma-based bank; one of these was also appointed to serve on the Executive Committee.

Subsequently Banca Sella Holding signed with Fondazione di Piacenza e Vigevano a preliminary contract with the purpose of agreeing the sale, at the same terms envisaged for the purchase, of 84.000 Banca Monte Parma shares (3% of the share capital of the bank) which consequently were recognized among Financial assets available for sale. The sale was completed after the end of the financial year (on 16 February 2009).and entailed, among other things, a reduction in the representation on the Board of Directors from 3 to 2 members.

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Group companies

As already mentioned previously, the Banca Sella Group operates through 25 companies (of which one in liquidation) working in many different geographical areas with a vast range of products and services.

Within the Group a central role is played by Banca Sella Holding, which in carrying on its business incorporates, in practice, two functions:

- the first is that of Parent Company which concentrates in a single entity the activities of management, coordination and control, defining the strategic orientations and guidelines for the development of the Group;
- the second function is that of a "service provider" in relation to the other Group companies. In fact Banca Sella Holding manages at a centralized level and provides to its subsidiaries various services including:
  - Finance (trading on own behalf, centralized Group treasury, management of own securities portfolios);
  - Trading in financial instruments
  - Customer Desk;
  - Centralized Group treasury (including management of relations and credit lines of Banking Counterparties);
  - Payment systems and access to interbank networks;
  - Global Execution Platform for trading orders (including back office and administrative services);
  - Custodian and Correspondent Bank of SICAVs and Mutual Funds;
  - Electronic service platforms (Online Trading, Internet Banking, Call Center);
  - Provision of the banking information system;
  - Property Management, technical services and Security.

Therefore, for information on the operational performance of the above business areas, the reader is referred to the individual financial statements of Banca Sella Holding.

The main Group companies included in the consolidation area can be divided as follows, on the basis of their business segment:

- Banks and networks in Italy:

- Banca Sella, Banca Sella Nordest Bovio Calderari and Banca Sella Sud Arditi Galati, Italian banks operating mainly in the retail business;

- Large customers and asset management:
  - Banca Patrimoni Sella & C., a bank whose business is focused on securities asset management, investment advice and increasing its customers' total assets, and which also plays the role of provider of private banking tools, services and products to the entire Group;
  - Sella Bank AG and Sella Bank Luxembourg, the Group's foreign banks;
  - Sella Corporate Finance, a company that provides advice on extraordinary finance operations, corporate advice, and advice on the establishment and administration of trusts.
  - Selfid, a company whose purpose is to carry on a so-called "static" fiduciary business;
  - Selgest, a company incorporated in Luxembourg which works as the manager of the Group's SICAVs;
  - Sella Gestioni, a company operating in the managed savings sector (in the segment of col-

lective management) and in the sector of individual management and complementary pensions;

- Leasing
  - Biella Leasing, a company operating in the financial leasing segment;
- Consumer credit
  - Consel, a company which works in the consumer credit sector, providing customers with a wide range of products focused on credit;
- Bancassurance
  - Brosel, a company active in the insurance broking and advice sector;
  - C.B.A. Vita, a company that operates in the sector of life assurance and health and accident insurance;
  - Sella Life, an Irish company specialized in the issue of unit linked policies;
- Banking Services
  - Sella Synergy India, an Indian company operating in the sector of the design and development of software products for the Group companies and banks;
  - Selir, a Romanian company which operates in the sector of the design and development of software products and in the provision of administrative services exclusively for the Group's banks, Easy Nolo and Consel;
  - Easy Nolo, a company operating in the world of electronic payment systems.

For more complete information on the performance of the individual companies listed above, the present section presents a summary comment on the business they carried on and the results they achieved during 2008 (applying the accounting standards used in preparation of the individual financial statements), describing their operating performance and overall results.

Banks and network in Italy

BANCA SELLA S.P.A.

The net profit for the year, which came out at 42,0 million euro (+12% compared with 31 December 2007), took the level of R.O.E. up to 12,1%, compared with 11,7% achieved in 2007.

It should be noted that the comparison with 2007 is not completely exact, as it is affected by the operation for the transfer of eight branches in the Campania region conferred on Banca di Palermo on 1st June 2008. For more information see the Distribution Policies section on the present report on operations.

At 31 December 2008 net interest income amounted to 185,8 million euro, up by 6,4% compared with the previous year, accounting for 70,3% of net banking and insurance income (65,4% in 2007).

The performance of this item was affected by:

- growth in volumes, in terms of both direct deposits and loans;
- a slight worsening of spreads, in the context of which, towards the end of the year, in conjunction with the sudden drop in interest rates, there was a significant shift in profit from the mark down to the mark up.

The trend in net income from services, which amounted to a total of 78,3 million euro, showed a drop of 15,2% compared with the previous year, in which it was 92,4 million euro. This component represented 29,7% of net banking and insurance income (34,6% in 2007).

The result was affected, in particular, by a reduction in revenues of the managed savings and trading sectors.

The reduction in the income from trading item is the direct consequence of a decline in business, as a result of the worsening of the global economic and financial situation and of stock market prices. Positive results were seen in the payment systems sector, thanks to the greater propensity of customers to use electronic money and e-commerce, and in income from the placing of insurance products, in particular as regards the non-life component.

Net income from money management, together with net income from services, led to total net income of 264,2 million euro, down by 1,1% compared with 2007, but better than the results achieved on average in the Italian banking system as a whole.

Operating costs, amounting to 174.9 million euro, net of the positive contribution of 4.9 million euro of the item "Other operating expenses/income", increased by 8.3% compared with 2007, in which they totalled 161.6 million. It must be noted, however, that in 2007 the aggregate had been affected by the positive effect of 3.7 million euro deriving from discounting to the present the provisions for severance indemnities. Net of this component the increase in operating costs compared with 2007 would have been 5.9%.

This result was determined by:

- the higher costs associated with the opening of 20 branches mainly towards the end of 2007, with an impact, in terms of cost, which was minimum in that financial year, and fully effective in financial year 2008.
- an increase in compliance costs deriving from the completion of numerous European operational innovation programmes (Basel II, MiFID, SEPA) and from the necessary audit structures following organisational modifications.

The operating costs component is mostly made up of:

- "Other administrative expenses", which, net of "Recovery of stamp duties and other taxes" totalled 87,9 million euro, compared with the 84,1 million euro recorded at 31 December 2007;
- "Personnel expenses" (including the associated IRAP tax), which reached 88,5 million euro, up by 7,3% compared with the previous year (net of the effect of discounting severance indemnities as mentioned above, the growth would have been 2,7%).

As a result, the efficiency indicator known as the cost-to-income ratio, which is the ratio between operating costs (after deducting IRAP on personnel costs) and net banking and insurance income, came out at 65,1%, worse that the 59,3% of the previous year.

Owing to the above trends the operating result amounted to 89,3 million euro, down by 15,4% in comparison with the figure for the previous year.

As regards provisions for risks and charges for bankruptcy revocatory actions, during 2008 there was a low amount of new provisions, mostly deriving from out-of-court requests formulated by bankruptcy Receivers. Positive solutions were also arrived at on a number of the most important risk positions which led to the release of significant provisions found to be no longer necessary.

Net value adjustments on loans and advances amounted to 21,3 million euro, down by 28,3% compared to the 29,7 million euro of the previous year. This item represents 0,5% of loans. During

2008 the valuation process regarding loans which, while still in a critical but reversible situation, also show considerable expected cash flows, was rationalized and improved. In fact, the Legal Disputes Services carries out a detailed valuation of the recoverability of the single accounts, not only through the attribution of differentiated repayment schedules, in relation to the characteristics of the loans and taking into account any agreements reached with the customers, but also with the use of estimation models for the expected future cash flows.

BANCA SELLA SUD ARDITI GALATI S.P.A.

As mentioned previously in the report on operations, 2008 was the year of the creation of Banca Sella Sud Arditi Galati. It should be recalled that the operation, which had the aim of rationalizing the Group's presence in Southern Italy, involved firstly the transfer, by Banca Sella, of its 8 branches in Campania to Banca di Palermo and later the same day, the incorporation of the Sicilian bank into Banca Arditi Galati, which at the same time changed its name to that above. For more details see the section "Distribution Policies".

The net profit for the year amounted to 12,7 million euro, determining an R.O.E. of 17%. Both figures show an improvement over 2007, in which the annual profit was 7,2 million and the R.O.E. 10,03%.

Net interest income achieved a result of 47,9 million euro, an increase over the 39 million euro of the previous year, although it must be said that the figure for 31 December 2007 relates to the sum of Banca Arditi Galati and Banca di Palermo, while the one for the end of 2008 also contains the effects of the 8 Banca Sella branches acquired on the first of June. The trend of this item was affected exclusively by growth in volumes, in terms of both direct deposits and loans. In particular, towards the end of the year there was a shrinking of spreads, above all as a result of the generalized reduction seen in interest rates and of increased competitiveness on direct deposits.

Total net banking income increased by 11,3% compared with the previous year; in this segment there was, however, a negative figure of 0,4 million from trading activities, due to the effect of the capital losses on CCTs in the portfolio carried at fair value, of 1,28 million euro and a considerable increase in fee expense, not altogether offset by a positive trend in fee income.

The trend in net income from services showed a drop of 24%. The reduction occurred above all in the managed savings segment.

Operating costs, amounting to 40,2 million euro, net of the positive contribution of 3,6 million euro of the item "Other operating expenses/income", increased by 19,9% compared with the previous year. The operating cost component is made up mostly of "Other administrative expenses", which, net of the "recovery of stamp duty and other taxes", amounted to 22,1 million and of "Personnel expenses" (including the associated IRAP tax), which went up to 23,5 million, due to the staggered increases deriving from collective contractual agreements and as a result of the acquisition of the 8 Banca Sella branches.

Owing to the above trends the operating result amounted to 17,4 million euro, a decline of 4,3% in comparison with the figure at 31 December 2007.

During the year provisions of 0,9 million euro were set aside for risks and charges, against potential revocatory risks and forecasts of adverse judgements in relation to lawsuits brought against the company. The aggregate is 58,8% less than in the previous year, in which it was 2,1 million.

Net writebacks on loans amounted to 1,5 million euro.

BANCA SELLA NORDEST BOVIO CALDERARI S.P.A.

Financial year 2008 ended with a loss of 2,9 million euro, and an R.O.E. which came out at –5,2%. The causes of the worsening of the economic result compared with 2007, when there was a profit of 1,3 million euro and an R.O.E. at 3,6%, are illustrated in the comments that follow.

Net interest income was 18,9 million, a sharp increase over 2007 (+18,4%). This accounted for 77,5% of net banking income compared with 64,6% in 2007. The trend was determined by healthy growth in assets administered compared with the previous year (loans: +12,6%; direct deposits: +19,2%) and by substantially stable spreads, which fell only in the last few months of the year in which, in conjunction with the sudden drop in interest rates, there was a significant shift in profit from the mark down on deposits to the mark up on loans.

The 2008 was a very difficult year for net income from services, which at the end of the year showed a total of 5,5 million euro, with a drop of 37,5% compared with 2007. Significant in this context was the negative impact of the situation of generalized crisis on trading activities and on income deriving from investment services.

The good performance of net interest income was therefore cancelled out by these difficulties in income from services, so that total net banking income for the year amounted to 24,4 million euro, a drop of 1,3% compared with 2007.

Operating costs, after deducting positive impact of 1,3 million euro relating to the item "Other operating expenses/income", amounted to 24,1 million euro, an increase of 17,2% compared with 2007. The main items which make up the aggregate are Personnel expenses (including the associated IRAP tax), which amounted to 13,8 million euro (+13,8% over 2007) and Other administrative expenses, of 11,9 million euro (+17,4% compared with 2007). This increase in costs is mainly due to the significant investments in human resources and operational units, made during the year to implement the actions provided for in the 2008-2010 Three-year Strategic Plan, with particular reference to the reorganization of the distribution network.

Owing to the above trends the operating profit for financial year 2008 amounted to 0,3% million euro, down by 92,7% compared with 2007.

During the year provisions of 0,3 million euro were set aside for risks and charges (+ 19,1% over 2007), against forecasts of adverse judgements in relation to lawsuits already brought against the company and customer claims.

Net value adjustments for impairment of loans in 2008 amounted to 2,5 million euro, an increase of 33,5% compared with 2007, representing 0,4% of total cash loans at the end of the year (the proportion was 0,3% in 2007).

In detail, writedowns on loans amounted to 4,9 million euro (+45,5% compared to 2007), while writebacks amounted to 2,4 million euro (+ 60,5% compared to 2007).

In the 2nd quarter of the year the Bank of Italy carried out a general inspection at the Bank, which involved an in-depth investigation for the loan sector. The Bank of Italy was concerned in particular about the assessment of loan facilities granted, and found differences of assessment which were promptly remedied by Banca Sella Nordest Bovio Calderari, complying with the indications of the

Supervisory Authority and consequently modifying the classification of the anomalous positions. This action led to an increase in writedowns of approximately 0.7 million euro.

Large customers and asset management

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

At 31 December 2008 Banca Patrimoni Sella & C. had 11 branches, 178 employees and 297 financial promoters.

The year ended with a loss of 4 million euro, a much worse result than that recorded at 31 December 2007, when there was a net profit of 17 million euro. Both figures were, however, affected by extraordinary events:

- the negative result for 2008 was entirely determined by the loss in value of the equity investment held by the Bank in London Stock Exchange Group Plc, for which it was decided to book an impairment loss on the basis of the share price and of the Euro/British Pound exchange rate at 31 December 2008, taking account of the same decision taken at the Group level. This decision had a negative impact of 4,2 million euro[1] on the item "Net value adjustments for impairment of financial assets available for sale". In the absence of the impairment loss, the year would have ended with a net profit of 106,6 thousand euro, deriving from a gross profit of 0,7 million euro, on which taxes of 0,6 million euro were payable.
- in 2007 the excellent result was mostly due to the capital gain achieved on the sale of a part of the securities acquired following the swap of the equity interest in Borsa Italiana S.p.A. with shares London Stock Exchange Group Plc, which had had a positive impact of 15,9 million euro on the item "Gains on the sale or repurchase of financial assets available for sale".

Excluding the impacts due to the extraordinary events mentioned above, the gross result at 31 December 2008, in comparison with the previous year, was adversely affected by two factors in particular:

- the decrease of 0,5 million euro in net interest income (-7%), as a result of the rise in interest rates charged to customers in the presence of higher average volumes of direct deposits, with no corresponding higher earnings on the loans side, given the residual nature of the same for the Bank. It is important to note that Banca Patrimoni Sella & C. decided to adopt, during the year, a policy of particular prudence in investments of the treasury.
- the drop of 5,5 million euro in Net income from services (-21,2%), determined, predominantly, by the lower income from the business of order collection, placing and asset management, owing to the crisis on the international financial markets, with consequent falls in both share and bond prices. The resulting reduction in turnover was also combined with a propensity, on the part of customers, for products with a lower risk profile and with reduced unitary rates of return.

[1] *The impairment loss entailed allocation to the income statement of the negative valuation reserve recognized in shareholders equity, for an amount of -4.147.838,85 euro, of which -4.196.952,46 euro represent the loss in value of the equity investment and +49.113,61 euro the tax effect.*

These two trends entailed a decrease in net banking and insurance income of 18% compared with 31 December 2007.

Mitigating in part the negative trend in net banking income were the containment of operating costs (the figure inclusive of IRAP on personnel costs and net of provisions decreased by 4,9% compared with the previous year) and the improvement in the item Net provisions for risks and charges, which at 31st December 2008 had a positive sign (+22,6 thousand euro).

The inspection conducted by the Bank of Italy, which began on 15 November 2007, was completed on 13 February 2008. A Report drawn up by the supervisory Authority, containing the outcome of this inspection was subsequently sent to the Company.

No objections emerged.

The areas for improvement indicated by the Bank of Italy were the subject of specific and progressive actions, which were completed in January 2009.

SELLA BANK AG

The Swiss bank of the Group, Sella Bank A.G., operates out of its head office in Zurich and its agencies in Lugano and Geneva.

During financial year 2007 the Bank had benefited from an extraordinary fee of 1,7 million euro deriving from the liquidation of an investment in a private equity fund under own management, and therefore the following comment provided information also on the change compared to the previous year net of this fee. Note also that the comparison with the previous year uses the exchange rate in force on 31 December 2008 (EUR/CHF 1,49).

Net interest income, amounting to 1,7 million euro, increased by 14,7% compared with 2007.

Net income from services amounted to 5,2 million euro, a drop of 30,6% (9,8% net of the extraordinary fee as above).

Consequently net banking income, amounting to 7,6 million euro, fell by 24,4% (8,4% net of the extraordinary fee) compared with 2007.

Operating costs, amounting to 4,9 million euro, show a drop of 3,7% while the cost-to-income ratio, owing to a decrease in net income from services, came out at 65,4%, an increase of 13,5% (4,7% net of the extraordinary fee) compared with 2007.

The trend described above enabled the Bank to achieve net profit of 2.1 million euro, compared with 3,7 million euro in the previous year (2,4 million euro net of the extraordinary fee).

SELLA BANK LUXEMBOURG S.A.

The main objectives pursued by Sella Bank Luxembourg during financial year 2008 were:

- ongoing consolidation of the organisational structures and internal processes with particular focus on the control of operating risks;
- an internal reorganization, which led to the outsourcing of a number of processes relating to the OPC segment, with the consequent reduction of the personnel by 40 people (the result of 48 terminations and 8 recruitments), completed during the month of November through the implementation of a specific corporate plan and a parallel plan to safeguard the jobs of the employees

involved in the operation;

- sale of the property owned;
- continuation of the qualitative selection of the existing assets and accounts, above all in the OPC and private banking segments, and definition and clearing of old dossiers still open regarding both off-shore funds, and no longer operational SICAVs;
- definition of a new commercial development strategy and the creation of a new Business Area.

Net interest income exceeded 2,6 million euro, an increase of more than 28% compared with 2007. On the contrary, net banking income, which reflected a drop in financial business due to the situation on the international markets and a decline in turnover with institutional customers, amounted to 7,7 million euro (-28% compared with the previous year). It is important, however, to note an increase in income deriving from relations with private and corporate customers.

Operating costs declined by a total of about 10%. Personnel expenses, of 6 million euro, went down by 12%.

After the recognition of amortization and depreciation of 1,4 million euro, provisions for risks of 6 million euro (of which 3 million for restructuring and 3 million for an exposure to Lehman[1]) and following a writedown for the equity interest in Selgest (a Group company) of 0,5 million euro, the year ended with a loss of 4,2 million euro.

At the end of December total fiduciary assets collected exceeded 1.074 million euro (-68% compared with the previous year), 205 million of which were deposits. Cash loans to customers fell to 29 million (-35%) as a result of the repayment of a number of significant positions which were not backed by sufficient guarantees.

The reorganization of the bank entailed total expenses of 3,5 million euro and the sale of the property owned which generated a capital gain of 5,6 million euro.

During 2008, in agreement with the Parent Company Banca Sella Holding, a commercial development plan was enacted covering the three years 2008-2010. The aim is mainly to cater to the needs of leading Italian customers through a wide range of services offered by the Luxembourg market in the sectors of advice, corporate domiciling and private banking.

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

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

a) risks attributable to the role of Sella Bank Luxembourg as the custodian bank and administrative agent of the SICAVs Amis Funds (Amis) and Top Ten Multifonds (TTM);

b) risks relating to disputes that arose with reference to the relations of Sella Bank Luxembourg with a number of funds incorporated under the laws of the BVI (British Virgin Islands) and with

[1] *Sella Bank Luxembourg held a margin account at Lehman Brothers Europe Ltd, which served to cover future derivative transactions on behalf of customers. Following the well-known troubles of Lehman Brothers (described also in the paragraph "Macroeconomic reference scenario"), this account was frozen. For this reason Sella Bank Luxembourg prudentially set aside about 85% of the exposure.*

their management and/or sub-management companies or with subjects related to the former or the latter.

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

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

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

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

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

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

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

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

SELLA CORPORATE FINANCE S.P.A.

The company, which is based in Biella, provides advice on extraordinary finance operations, (corporate finance, M&A, the capital markets and structured finance), corporate advice, and advice on the establishment and administration of trusts.

In financial year 2007 income amounting to 718 thousand euro was earned by the various business lines. This was 10,4% less than the previous year.

Operating costs increased by 11,3% to 637 million euro, owing mainly to the higher cost of the workforce.

The Company ended the year with net profit of 31 thousand euro, down by 73% compared with the 115 thousand euro in the previous year.

SELFID S.P.A.

The Company, based in Biella, carries on a so-called "static" fiduciary business (as provided for in Law 1966/39); In 2008 the main activity was the fiduciary custody of financial assets and insurance products, and the assumption of fiduciary appointments for the custody of equity interests and shares of companies.

Over the year, the number of fiduciary warrants (a total of 656), fell by a little less than 3% compared with the previous year; total assets administered at 31 December 2008 amounted to approximately 889 million euro, down by 8% compared with 31 December 2007.

Fee income on fiduciary work amounted to 600 thousand euro , an increase of about 21 thousand euro over the previous year; total costs for services – the largest cost item – amounted to 424 thousand euro, up from 407 thousand euro in the previous year.

Selfid ended the year with a net profit of 143 thousand euro, an increase compared with the 127 thousand euro of the previous year.

It should be noted that in financial year 2009 new agreements will be sought with family office businesses.

SELGEST S.A.

Selgest works in accordance with the laws of Luxembourg, as the management company of the SICAVs of the Banca Sella Group.

During the year the Company had to face up to a significant drop in the profits of the Group's SICAVs, which at 31 December 2008 amounted to 255 million euro, compared with 1.598 million euro in the previous year. However, Selgest confirmed its intention to continue its mission, acquiring all the instruments needed to strengthen its ability to control and to pursue its development targets.

The total costs amounted to 630 thousand euro. Within this aggregate, the trend in personnel expenses reflected the reinforcement of the structure, while administrative costs were in line with the budget.

The year 2008 ended, therefore, with a loss of 199 thousand euro, for the most part due to the aforementioned drop in management profits, which, besides, also determined much lower fee income (417 thousand euro) than forecasted in the budget (826 thousand euro).

It is important to note also that in November 2008, E.F.A. (European Fund Administration) replaced Sella Bank Luxembourg in the role of Administrative Agent for the three SICAVs of the Group for which Selgest acts as the Management Company. In this regard three-way contracts were signed by E.F.A., Selgest and each of the three SICAVs.

SELLA GESTIONI SGR S.P.A.

The Company, which is based in Milan, has operated since 1983 in the managed savings sector, in the segment of collective management; since 1999 it has worked also in the sector of individual management and complementary pensions.

On 1st January 2008 the merger process involving a number of funds and of segments of funds of funds came into effect, responding to the aim of rationalizing and simplifying the product range. At the end of 2008, therefore, the Company managed 16 Italian-law mutual funds, a fund of funds made up of 2 segments, a pension fund made up of 5 segments, and, with delegated powers, 3 Luxembourg-law SICAVs and 2 Monaco-based funds. For the placing of its products the Company works with banks and security brokerage companies both within and beyond the Banca Sella Group.

As far as collective management is concerned, at year end the assets were invested as follows: 77,2% in bond funds, 12,8% in balanced and flexible funds and 10% in equity funds.

At 31 December 2008 total assets managed (net of duplications) amounted to 2.268,4 million euro, a drop of 49,9% compared with the end of 2007. This decline was determined by the trend in deposits, which had a negative balance (understood as the net value between subscriptions and redemptions) of 2.047,1 million euro, as a result both of the considerable fall in the UCITS market and in the distribution policies of the Group.

The market share held by the company in the sphere of collective management was 0,44% at year end, compared with 0,67% at the end of 2007.

In January 2008 the remaining shares in the London Stock Exchange Group were sold; this operation entailed the recognition of a "Gain on disposal of financial assets available for sale" of 635 thousand euro.

The year to 31 December 2008 ended with a net profit of 85 thousand euro, compared with a net profit of 16,9 million euro recorded in 2007. In this regard it is important to note that the 2007 profit was greatly affected by the swap operation involving the shares held as a shareholder in Borsa Italiana and the shares of the London Stock Exchange Group and by the later sale of most of these shares.

Net operating income totalled 8,7 million euro and, net of the above operation, fell by 22,3% compared with 2007. This drop was due to the decline in the assets managed and to a lower income generated by financial management as regards dividends.

Operating costs, of 10,1 million euro, were in line with those of the previous year and are the result of careful attention to cost reduction. In 2007, in fact, the costs of the acquisition of the company division from Sella Capital Management (a Group company) and those associated with the strengthening of the corporate bodies and of the areas relating to organization and controls had been present only for the proportional period, while in 2008 they concerned the whole year.

In particular, the number of personnel of the Company, including attached staff, went down from 91,32 employees (full time equivalent) at the end of 2007 to 82,55 employees (full time equivalent) at the end of 2008.

For 2009 the Company plans to continue its work on rationalizing the corporate structure, with the aim of further reducing costs, and is also studying proposals for the rationalization of its business areas.

Leasing

BIELLA LEASING S.P.A.

The company, based in Biella, works in the financial leasing business, in all sectors but in particular: motor vehicles, capital goods, property and boats. Biella Leasing is present on the ground with 10 branches, besides the head office in Biella.

During the year Biella Leasing signed 4.178 contracts for a total amount of 352,4 million euro, down from 4.566 contracts signed in 2007.

The market share of newly-signed contracts was 0,91%, an increase over the previous year (0,78%)

Operating income, amounting to 16.9 million euro, was slightly down on the previous year (17,1 million), while operating costs, inclusive of personnel expenses and other overheads, amounted to a total of 6,7 million euro, up 10% over the previous year, in which they were 6,1 million.

The proportion of net non-performing leases to total leases went up from 0,73% in 2007 to 0,96% in 2008.

The company thus closed the year with a net profit of 4 million euro, 26,5% down on the figure of 5,4 million euro recorded in 2007.

Consumer credit

CONSEL S.P.A.

The company, which has its operational office in Turin, works in the consumer credit sector, providing its customers with a wide range of credit-based products, in particular financing for hire purchase, credit cards, salary-backed loans and motor vehicle leasing. It carries on its business through an operational structure consisting of 255 employees, 32 branches, more than 2.800 partner sales points active in 2008 all over Italy. As regards consumer credit, the 2008 results derive from a commercial strategy decision taken by the company back in August 2007, with a significant correction of the production mix and consequent recovery of profitability, by means of a sharp reduction in business in the car sector and parallel development and growth in the personal loan sector.

In line also with the trend in the Italian consumer credit market, the company saw a significant slowdown in the growth of the number of customers and lending compared with the previous year. In this work, Consel dealt with 121.966 financing applications (for personal loans, car and other specific financing, salary-backed loans) for a total amount of 569,3 million euro and liquidated 89.544 financing operations for a total of 345,76 million euro. This result reflects the trend of the Italian consumer credit market, which in 2008 saw growth of 1,4% in volumes financed, slowing down compared with the +9,5% recorded in 2007. Consel's market share was 0,61%.

In 2008 the company launched the new businesses carried on through the channel of agencies of the Toro Group (Toro Assicurazioni, Augusta Assicurazioni, Lloyd Italico), following the agreement signed at the end of 2007 with the entry of Toro Assicurazioni into the Consel shareholding structure. After an intense period of training and presentation of the Consel products to the 731 Toro agencies, between June and December 521 had already been signed up as partners (421 of which were operational at the end of 2008). The work of disbursing personal loans through this channel produced 904 new operations, for a total of 13,2 million euro disbursed.

Net interest income amounted to 21,7 million euro, an increase of 24% over 2007, while operating income, amounting to 38 million euro, showed an improvement of 17,3% compared with the previous year, thanks also to the increase in total revenue to 17,1 million (up 1,9%).

At 31 December 2008 operating costs amounted to 24,8 million euro, of which 23,7 million relating to administrative and personnel expenses (an increase compared with the 20,9 million recorded in 2007) and 1,1 million for amortization and depreciation (in 2007 the figure was 1 million). The increase in operating costs is therefore in line with the rate of growth and development of the company.

The net profit came out at 1,9 million euro, after taxes which amounted to 2,8 million euro; the net profit achieved in the previous year had been 1.1 million euro.

Bank assurance

BROSEL S.P.A.

This Biella-based company operates in the field of insurance broking and consultancy work.

In 2008 the company brokered a volume of premiums amounting to 25,5 million euro.

Net fees on insurance broking amounted to 2,2 million euro, down by 1,8% compared with those of the previous year. The limited contraction in net revenues (a figure in any case positive compared with the budget forecasts) and the increase in operating costs of 2,4%, due totally to the rise in personnel costs associated with the need both to maintain a high level of quality of the services and to adjust to the legislative changes that had occurred in the sector, although partially offset by a reduction in other overheads, led to a drop of 3% in the net profit, which came out at 499 thousand euro.

The business continued to develop mainly in the corporate business sector and in the financial and credit institutions sector, where Brosel has particular know-how and professionalism

The main future projects involve both commercial and organizational aspects: in the former the company is studying activities relating to insurance effects on corporate ratings, associated with the application by the banking system of the provisions of Basel 2, and to the development of insurance products for small-businesses. In the latter a complete review of business processes is envisaged, both to adjust to the new legislation in the sector, and in order to obtain a recovery of productivity.

C.B.A. VITA S.P.A.

The company, which is based in Milan, operates in the sector of life assurance and health and accident insurance.

During the year C.B.A. Vita collected total net premiums 126,5 million euro (down by 16,4% compared with the 151,3 million euro of 2007) deriving mainly from traditional life policies 44,9 million euro) and index-linked policies (54 million euro); premiums ceded amounted to 2,7 million euro.

The premiums of the non-life portfolio amounted to 1,9 million while premiums ceded totalled 0,7 million.

The net result of financial and insurance operations was 4,4 million euro, compared with 8,9 million euro in the previous year. The difference between the two years is mainly attributable to a greater devaluation of class D securities due to the less than optimal situation on the financial markets during financial year 2008.

Operating costs, of 4,1 million euro, of which 2,1 million relating to personnel and 2 million to other administrative expenses, constituted an increase of 24% over 2007, mainly as a result of the increased personnel costs.

Compared with the previous year the number of employees increased by one, going up from 21 to 22 people.

The performance described meant that the company ended the year with a net loss of 2,5 million euro, compared with a profit of 2,2 million recorded at the end of 2007. The negative result was mainly due to a worsening of the profitability of the securities portfolio.

As regards the life products, during 2008 the Company began marketing 6 different index-linked contracts, 3 life products with specific links to assets to cover the commitments assumed and a revaluable life assurance product.

The range of life products distributed comprises:

- whole life assurance with single premiums and single recurrent premiums,
- mixed single-premium policies,
- fixed-term annual premium policies,
- temporary policies payable on death,
- a capitalization tariff and a “multibranch” product (which combines a revaluable component linked to a separate management with two unit linked segments) both in the single premium and the recurrent premium form.
- an individual pension plan, called “CBA Previdenza” reserved for people who intend to create a complementary pension.

In the case of insurance products with the investment risk borne by the insured, particular attention is paid CBA Vita to the information provided to the distribution network and consequently to customers, including at critical times. For the most critical cases, such as the one involving Lehman Brothers described below in this section, the Group met with all customers individually in order to improve their level of knowledge of the situation and to illustrate the work done by the Company to recover the credit and protect the customers themselves, so as not to damage the image of the company and Group.

With reference to the well-known events involving the US merchant bank Lehman Brothers, described also in the section “Macroeconomic reference scenario”, it is important to note that CBA Vita has a total exposure of a nominal 28,6 million euro, of which 188 thousand euro in its own assets and 28,4 million in the form of a bond underlying the index-linked policy “CBA Performance Trimestrale”. The contract in question states that the investment risk is borne totally by the customers.

Lehman Brothers Treasury Co Bv, a Dutch company of the Lehman Brothers Group which issued the security underlying the index-linked policy mentioned above, was declared bankrupt on 8 October 2008. In this setting, the Official Receiver announced that the company Lehman Brothers Treasury Co Bv has credits and guarantees with other companies of its Group and in particular with its own parent company;

After providing specific information to the Board at its meeting on 15 December 2008, the Simmons & Simmons Law Office, as proposed by the ANIA, was appointed to pursue the credit against Lehman Brothers Treasury Co. B.V.

On 15 March 2009 the policy paid on schedule the fixed coupon linked to the derivative component, which was issued by Barclays Bank Plc, equivalent to 4,45% of the initial capital.

It is important to note also that on 11 June 2008 the Board of Directors of C.B.A. Vita approved the acquisition of an equity interest in Banca Monte Parma, equivalent to 3% of the share capital, for a total price paid by CBA Vita of 12,6 million.

On 29 October 2008 the Board of Directors decided to proceed with the increase in the share capital of its subsidiary Sella Life for an amount of a million euro, to respond to the future need to cover the Irish solvency margin associated with an assessment of the prospective evolution of the business.

At the end of December 2008, the Company, as a shareholder of InChiaro Assicurazioni, transferred to the latter, in proportion to the equity interest held, a total of 1,2 million in the form of capital.

SELLA LIFE LTD

The Dublin-based insurance company Sella Life Ltd is specialized in the issue of unit-linked policies, mainly distributed through the Group's Italian and foreign networks. In particular the Company offers personalized policies, known in the English-speaking world as personal portfolio bonds and destined for private customers.

In financial year 2008 the company collected premiums worth 57 million euro, achieving a total insurance portfolio of about 341 million euro.

Operating income amounted in 1,2 million euro, a slight reduction compared with the previous year as a result of a considerable reduction in the retail portfolio which had reached maturity, while there was less new production of personal portfolio bonds. In 2008 operating costs amounted to 2,9 million euro.

The combination of these effects means that the company closed the year with a loss of approximately 1 million euro (the previous year's loss was 672 thousand euro).

Banking services

SELLA SYNERGY INDIA LTD

This company, based in Chennai (Madras – India), operates in the sector of the design and development of software products for the Group companies and banks.

Sella Synergy India has 166 employees (of which 75% men and 25% women) with an average age of 28.

Total operating costs were 2,6 million euro of which 1,9 million relating to personnel costs and 0,7 million of administrative expenses .

The company ended financial year 2008 with a profit of 374 thousand euro.

SELIR S.R.L.

The Company, whose head office is in Galati (Romania), works in the field of design and development of IT products and the provision of administrative and call center services exclusively for the Group's banks, for Easy Nolo and for Consel.

Operating income, amounting to 3,4 million euro, grew by 16,2% compared with 2007, with net income from services rising by 17,9% following the increase in the work performed by the Service Centre (up +77,57%) and the decline in turnover connected to software development (-16,69%)

Operating costs, came to 3 million euro, an increase of 19% over 2007, following the increase in personnel expenses (which amounted to 1,8 million euro, up by 30,9% compared with 2007 owing above all to the increase in the number of staff) and the growth of 4,86% in other administrative expenses.

The company closed the financial year with a net profit of 14 thousand euro, down when compared with the previous year, when it was 103 thousand euro.

EASY NOLO S.P.A.

This company, based in Biella, operates in the field of electronic payment systems and specialises in the sector of e-commerce payment gateways, POS terminals, fidelity solutions and mobile services. Its activities include: developing software for online and offline payment acceptance systems on national and international circuits; hiring out, installing and maintaining POS equipment for businesses and banks; creating and managing added-value services providable via POS terminals (telephone top-ups, payment of bills and taxes, customised fidelity services, creation of an Easy Più national fidelity circuit, advice on and assistance with the creation of complex projects for managing payment collection.) It must be remembered that the financial statements for 2008 were drawn up in accordance with the IAS.

The value of production amounted to 12,4 million euro, an increase of 11,2% compared with the previous year.

Production costs amounted to 11,1 million euro, also up (+10,5%) on the previous year.

Consequently, the difference between revenues and production costs amounted to 1,3 million euro, up by 18,1% compared with the previous year.

The company closed the year with a net profit of 705 thousand euro, compared with 482 thousand euro in the previous year.

In financial year 2008 the following important facts occurred:

- consolidation of the gift card products including through the acquisition of an equity interest in Retail Italia S.r.l.;
- partnerships with institutional customers for the distribution of EasyNolo services;
- organization of the EasyWin prize competition;
- expansion of the sales network with personnel specialized in fidelity and incentive services.

Despite the difficult macroeconomic scenario, for the year 2009 the budget for turnover and value of the production forecasts an improvement over 2008. In particular for operations in 2009 the company will concentrate on strengthening the sales network, on creating innovative services on Gsm/Umts Mobile technology (such as digital signatures) and creating innovative payment services on NFC and machine-to-machine technology.

Companies in liquidation

SELLA AUSTRIA FINANCIAL SERVICES AG IN LIQUIDATION

The procedure of liquidation of the company Sella Austria Financial Services AG, launched in October 2005, was completed with the final extinguishment of the juristic person and its cancellation from the Austrian companies register on 10 September 2008.

SELLA CAPITAL MANAGEMENT SGR S.P.A. IN LIQUIDATION

In execution of the resolution passed by the General Meeting on 18 September 2007, with effect from 1st October 2007, the company had placed itself in voluntary liquidation following the transfer of the company division relating to delegated managements and to the advice work and, consequently, following an application presented by the company, with an order of 6 December 2007 had been cancelled from the Roll pursuant to Art. 35 of Lgs. Dec. 58/98 held by the Bank of Italy.

As a result of the above, already at the end of 2007 the company had assumed a simplified organisational configuration geared to assisting the activities connected with the winding-up of the company and the handling of remaining claims and lawsuits mainly relating to the previous activities of Sella Capital Markets SIM, a company that had already ceased trading and from which Sella Capital Management had acquired the company division on 23 November 2003.

During 2008 the structure was further simplified: from 1st September in fact the company no longer has employees of its own and the Liquidator is assisted by a resource partially attached from another Group company.

The year ended with a loss of 412 thousand euro (compared with loss of 133 thousand euro in the previous year), which was determined by the result of the investment of the company's assets, penalized by the performance of the markets. The sharp drop in costs, which was accentuated from 1st September 2008, was, in fact, not sufficient to offset the result of the investment, which is the Company's only source of revenue, given that it is in liquidation and has therefore ceased trading.

SELSOFT DIRECT MARKETING S.P.A. IN LIQUIDATION

The procedure for the liquidation of the company Selsoft Direct Marketing S.p.A. was completed, with cancellation from the companies register, on 14 January 2009.

Own shares

Neither Banca Sella Holding S.p.A. nor any other company included in the perimeter of consolidation has, during the financial year, held, purchased or sold its own shares or those of the Parent Company.

Business outlook

THE SCENARIO

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

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

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

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

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

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

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

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

the financial strength of borrowers, be they families or businesses;
- affirmation of technological innovation as an essential factor on both the operational and the commercial front;
- lower operational risks as a result of consolidation of structures, and of the entry into full operation of the units responsible for monitoring risks.

BUSINESS CONTINUITY, STRATEGY AND PROFITABILITY OF THE GROUP

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

For more than 120 years the Banca Sella Group, as an independent, innovative, professional and dynamic business, is guided in its daily activity by strong ethical and moral values. The Group's reputation has been built up over time with responsible and correct conduct, which has always been consistent and characterized by prudence.

In the future too, the Banca Sella Group intends to be recognized for:
- **quality**, understood as simplicity, rapidity, ability to meet needs;
- **trust**, in terms of correctness and reliability;
- **a personal relationship**, that is attention to and "love" for each customer;
- **innovation**;

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

In order to achieve this goal also in the future, in the light of the general picture painted in the previous section, the Group will continue to focus its strategies on the following three directions:
- **balanced growth;**
- **operational excellence;**
- **strength and governance of risk**.

Balanced growth – understood, from the economic/financial point of view, as the growth of earnings but also as the ability to make deposits grow – will also be the result of an ability to charge the Right Price for the services offered. The investment in Banca Monte Parma is also to be seen in this light, as it will expand the Group's sales network, offering our products and services to its customers. The growth, however, will also involve relations with customers, in terms of both an increase in the number of customers, and of development of existing relationships, paying particular attention also to the evolution of the forms of relationship.

This will be accompanied by internal projects with the aim of improving customer satisfaction and the marketing abilities implementing the appropriate corrective actions. This is true of the project “Mystery shopping and customer satisfaction”, which consists in gathering the experience of customers through systematic monitoring of qualitative and behavioural elements considered strategic (cross selling, politeness, sales ability, competence, etc.), with the goal of obtaining the qualitative and quantitative results needed to build up an overall picture of the status of branches, specific for each of them, highlighting the gap between the level desired and the level perceived.

Particular attention will be paid to innovation, above all to the “Banca del futuro” (Bank of the Future) project, understood as the set of projects considered strategic for continuing development and to confirm the banks cutting-edge position, giving priority to the most significant initiatives from the point of view of the recovery of productivity, of simplification for customers and of the development of new businesses. They concern mainly: Digital signatures, Self service, Innovative branches, Customers relations and contacts (web 2.0).

Operational excellence will entail the simplification of the business processes of the whole Group (branches and head office units), with the aim of making them more efficient, so as to reduce operating costs and losses. This process also includes simplification of internal governance and management of outsourcing, which will also involve the creation of a consortium (as explained in the section “Events subsequent to closing of the financial year”).

Crucial to the search for operational excellence will be the contribution of human resources, for whom innovative policies will be launched as regards the aspects of attraction and retention of talents, training, the communication of corporate values and the alignment and clarity of objectives.

Part of this process is the “Essere GBS” project: a set of organizational rules, projects and actions with the aim of obtaining the application and constant observance of the distinguishing features and vision of the group, with a particular focus on: monitoring of conduct, services offered to customers and simplification.

The year 2009 will see the start of the project “Organizational review of asset management”, which provides for the transfer, from the second half of the year, of the individual asset management business from Sella Gestioni to Banca Patrimoni Sella & C. in order to streamline and rationalize the organizational structure, with the goal of focusing the Asset Management Company on collective asset management.

Strength and governance of risk are features which have always characterized the Banca Sella Group. In the future there will be more of a focus on direct deposits and a review of the policies of credit pricing, disbursement and management in the Group. Guidelines for the credit policies will be:

- definition of the theoretical pricing considering the rating, the EVA, the impact of guarantees, etc.;
- distribution to the network of the credit pricing and approval guidelines and checks on their application;
- consideration of relationships with customers in terms of exchanges (workflows), cross selling and commercial connections;
- identification and management of existing risks, in the event of a worsening crisis, analysing internal and prospective risks dynamically;

- market analysis identifying the areas of prospective risk;
- provision of tools for effective implementation of the guidelines.

At the same time, the Internal Capital Adequacy Assessment Process (ICAAP) will be introduced under the terms of the Second Pillar of Basel 2 and the first complete Report on a consolidated basis will be prepared, for the purposes of operational control and attenuation of the Group's exposure to risks and for regulatory purposes (transmission to the Bank of Italy). Pillar III will also be implemented, through appropriate disclosure of information concerning capital adequacy, exposure to risks and the general features of the systems designed to identify measure and manage risks.

Another important project will also involve refinement of provision management principles, which entails a review of criteria for the measurement of impaired loans and advances with the aim of reducing writedowns on entry, maximizing collections and reducing the time that new positions remain in the disputed category.

The future development of the Group will therefore depend on pursuance of the goals outlined above. The uncertainties associated with the future macroeconomic scenario (as described in the previous section) will have inevitable repercussions on the Italian banking and financial system, and consequently will also affect the development and performance of the Banca Sella Group. From the situation of crisis, however, it is likely that opportunities may also emerge for banks which, thanks to deep roots in the community, are close to the social and industrial fabric and to the needs of their customers. Taking into account the possible changes, and after examining financial indicators (with particular attention paid to liquidity indicators and capital ratios), operational indicators and other significant indicators, the estimates and projections enable the directors to conclude that there is no uncertainty regarding the assumption of business continuity.

Events subsequent to closing of the financial year

CREATION OF A CONSORTIUM

Already at the end of 2008 a project had been launched for the creation of a new Banca Sella Group consortium, devoted to the provision of services to group companies.

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

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

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

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

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

CANCELLATION OF THE FINE IMPOSED BY THE ANTITRUST AUTHORITY ON BANCA SELLA

As described above in the section "Significant non-recurrent events and transactions", the Regional Administrative Court of Lazio with a judgement filed on 4 February 2009 accepted the appeal presented by Banca Sella and, as a result, cancelled the order of the Antitrust Authority with which it had imposed a fine of 300 thousand euro on the Bank.

For more information see the section mentioned above, in which the subject is discussed clearly and exhaustively.

EQUITY INTEREST IN BANCA MONTE PARMA

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

EXPANSION OF THE DISTRIBUTION NETWORK

At the beginning of financial year 2009 the Group's distribution network was expanded with the opening on 23 February, of a Banca Sella branch in Pagliare del Tronto, in the province of Ascoli Piceno. The new opening increased the number of branches of the Company, to 209, and the total number of branches of the Group, which rose to 333.

EQUITY INTEREST IN CENTRALE DEI BILANCI

On 12 March 2009 Banca Sella Holding received an irrevocable offer of purchase for the equity investment held in the company Centrale dei Bilanci S.r.l., representing 1% of the share capital. The price envisaged in the offer is provisionally set at 5.165.000 euro.

MERGER BETWEEN BANCA SELLA HOLDING AND FINANZIARIA 2007

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

As a result of the merger, Banca Sella Holding becomes a shareholder of Banca Sella Nordest Bovio Calderari with a controlling stake of 56.756%.

Statement of reconciliation between shareholders' equity and net profit of the parent company and consolidated shareholders' equity and profit

(euro thousands)	Profit for the year 31 December 2008	Shareholders' equity at 31 December 2008
Balances as per parent company financial statements	**1.734**	**450.246**
Own shares deducted	-	-
Equity pertaining to group of companies consolidated with line-by-line and net equity methods	-	62.104
Profit/(loss) for the period of consolidated investee companies, net of proportion pertaining to minority interests	45.367	45.367
Profit/(loss) for the period of investee companies measured with net equity method pertaining to the Group	325	325
Elimination of intragroup dividends collected in the period	-40.031	-
Consolidation adjustments:		
Reversal of writedowns of consolidated investee companies	6.304	38.861
Amortization of goodwill	-36	-49.594
Reversal of gains on sales made between group companies	-	-12.268
Other adjustments	-31	31
Balances as per consolidated financial statements	**13.632**	**535.072**

The difference between the equity recognized in the individual financial statements and that in the consolidated financial statements is a result of the application of the criteria and methods described in part A, "Accounting policies", of the Notes to the consolidated financial statements. They comply with the provisions of the law and tend to represent the situation and the results of the Group as if it were a single corporate entity.

Biella, 27 March 2009

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

Maurizio Sella

Report of the board of statutory auditors

on the consolidated financial statements at 31 December 2008

Report of the board of statutory auditors

Dear Shareholders,

During financial year 2008, the Board monitored, among other things, the most significant operations, on the basis of the information provided pursuant to Art. 2381, paragraph 5, of the Civil Code, among which of particular importance were:

- the attribution of responsibility for business in Southern Italy to a single banking institution called Banca Sella Sud Arditi Galati, the result of the merger of Banca di Palermo (to which the Banca Sella branches in Campania had been conferred) with Banca Arditi Galati, which changed its name to the above;
- the closure of the foreign agency in Miami decided previously;
- the purchase of an equity interest in Banca Monte Parma by Banca Sella Holding and CBA Vita;
- the completion of the procedure for the liquidation of Sella Austria Financial Services AG;
- the launch of the plan for the downsizing of Sella Bank Luxembourg focusing on the private banking business;
- the splitting of BC Finanziaria and its subsequent change of name;
- the capital increases, to strengthen the capital asset structures, of Banca Sella Holding, Banca Sella Nordest Bovio Calderari, Banca Sella Sud Arditi Galati, Banca Patrimoni Sella & C., Biella Leasing, Immobiliare Lanificio Maurizio Sella and Immobiliare Sella;
- the completion of the procedure for the liquidation of Selsoft Direct Marketing;
- the purchase of an equity interest in HI-MTF by Banca Sella Holding;
- the purchase of an equity interest in Retail Italia by Easy Nolo.

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

The consolidated financial statements at 31 December 2008 – consisting of the balance sheet, income statement, statement of changes in shareholders' equity, cash flow report and notes to the statements, accompanied by the report on operations- show a total profit of 17.084 thousand euro, of which 13.632 thousand pertaining to the group and 3.452 thousand to minority interests.

The total shareholders' equity amounted to 662.747 thousand euro, of which 127.675 thousand pertaining to minority interests.

The accounts and financial statements transmitted by the subsidiaries are prepared by their respective administrative bodies and have been examined only by the external auditors, as part of the procedures followed in auditing the consolidated financial statements, and by the bodies and/or subjects responsible for auditing the individual companies, in accordance with the laws of their respective home countries, if required there.

On these accounts and information, and also on the consolidated financial statements of Banca Sella Holding, the Board of Statutory Auditors - in accordance with the provisions of Art. 41 of Legislative Decree 127/1991, as auditing of the accounts of the same is the responsibility of the external auditors – has therefore not carried out any checks.

As Deloitte & Touche – precisely because their task is to audit the accounts – have informed us that, on the basis of the outcome of the work done up to now, they will issue their own positive opinion on the consolidated financial statements, with no objections, we see no need for further comments by us on the document.

8 April 2009

The Board of Statutory Auditors

Alessandro Rayneri Paolo Piccatti Alberto Rizzo

Consolidated Financial statements at 31 December 2008

Balance sheet

Assets *(euro thousands)*		**31/12/2008**		**31/12/2007**		**Differences %**
10. Cash and available liquidity		118.975		119.713		-0,62%
20. Financial assets held for trading		932.071		1.174.293		-20,63%
30. Financial assets at fair value through profit or loss		669.631		827.575		-19,09%
40. Financial assets available for sale		330.881		282.237		17,24%
50. Financial assets held to maturity		85.498		92.570		-7,64%
60. Due from banks		2.461.513		1.924.525		27,90%
70. Due from customers		8.221.502		7.231.366		13,69%
80. Hedging derivatives		4.457		13.388		-66,71%
100. Equity investments		31.667		11.973		164,49%
110. Reinsurers' share of technical reserves		4.901		4.502		8,86%
120. Tangible assets		171.808		167.108		2,81%
130. Intangible assets		105.219		75.806		38,80%
of which:						
- goodwill	70.099		47.779		46,72%	
140. Tax assets		187.829		151.410		24,05%
a) current	129.958		97.659		33,07%	
b) deferred	57.871		53.751		7,66%	
150. Non-current assets and asset groups held for sale		228		2.794		
160. Other assets		275.565		418.520		-34,16%
Total assets		**13.601.745**		**12.497.780**		**8,83%**

LIABILITIES AND SHAREHOLDERS' EQUITY *(euro thousands)*		**31/12/2008**		**31/12/2007**		**Differences %**
10. Due to banks		314.461		650.226		-51,64%
20. Due to customers		8.677.607		7.351.737		18,03%
30. Outstanding securities		2.286.160		1.965.626		16,31%
40. Financial liabilities held for trading		44.285		41.418		6,92%
50. Financial liabilities at fair value through profit or loss		492.116		584.884		-15,86%
60. Hedging derivatives		71.566		9.902		622,74%
80. Tax liabilities		65.321		71.548		-8,70%
a) current	55.168		60.052		-8,13%	
b) deferred	10.153		11.496		-11,68%	
100. Other liabilities		426.155		559.594		-23,85%
110. Employee severance indemnities		41.207		39.709		3,77%
120. Provisions for risks and charges:		54.300		79.738		-31,90%
a) retirement and similar obligations	-		-		-	
b) other provisions	54.300		79.738		-31,90%	
130. Technical reserves		465.820		497.499		-6,37%
140. Valuation reserves		9.575		34.327		-72,11%
170. Reserves		361.951		237.822		52,19%
180. Share premiums		49.414		49.414		0,00%
190. Share capital		100.500		80.000		25,63%
210. Capital pertaining to minority interests (+/-)		127.675		123.529		3,36%
220. Profit for the year		13.632		120.807		-88,72%
Total liabilities		**13.601.745**		**12.497.780**		**8,83%**

Income statement

ITEM *(euro thousands)*	**Financial year 2008**		**Financial year 2007**		**Differences %**	
10. Interest receivable and similar income		684.773		611.763		11,93%
20. Interest payable and similar expense		(361.937)		(309.018)		17,12%
30. Net interest income		**322.836**		**302.745**		**6,64%**
40. Fee income		254.208		294.519		-13,69%
50. Fee expenses		(79.439)		(92.166)		-13,81%
60. Net fees		**174.769**		**202.353**		**-13,63%**
70. Dividends and similar income		12.924		8.731		48,02%
80. Net gains/(losses) on trading activities		11.475		15.945		-28,03%
90. Net gains/(losses) on hedging activities		1.729		492		251,42%
100. Gains/(losses) on sale or repurchase of:		2.139		88.834		-97,59%
a) loans & receivables	(418)		-		-	
b) financial assets available for sale	834		88.458		-99,06%	
c) financial assets held to maturity	-		-		-	
d) financial liabilities	1.723		376		358,24%	
110. Net gains/(losses) on financial assets and liabilities at Fair Value through profit or loss		(53.601)		(15.531)		245,12%
120. Net banking income		**472.271**		**603.569**		**-21,75%**
130. Net value adjustments for impairment on:		(69.336)		(49.172)		41,01%
a) loans & receivables	(40.634)		(47.103)		-13,73%	
b) financial assets available for sale	(27.965)		(603)		4537,65%	
c) financial assets held to maturity	-		-		-	
d) other financial transactions	(737)		(1.466)		-49,73%	
140. Net gains/(losses) on financial operations		**402.935**		**554.397**		**-27,32%**
150. Net premiums		126.503		151.277		-16,38%
160. Balance of other income/expenses from insurance operations		(88.234)		(143.027)		-38,31%
170. Net gains/(losses) on financial and insurance operations		**441.204**		**562.647**		**-21,58%**
180. Administrative expenses		(404.499)		(384.590)		5,18%
a) personnel expenses	(243.581)		(229.886)		5,96%	
b) other administrative expenses	(160.918)		(154.704)		4,02%	
190. Net provisions for risks and charges		(2.834)		(8.010)		-64,62%
200. Net value adjustments on tangible assets		(21.007)		(19.263)		9,05%
210. Net value adjustments on intangible assets		(11.329)		(9.442)		19,99%
220. Other operating expenses/income		50.128		56.059		-10,58%
230. Operating costs		**(389.541)**		**(365.246)**		**6,65%**
240. Gains/(Losses) on equity investments		(1.076)		700		-253,71%
250. Net gains/(losses) on measurement at fair value of tangible and intangible assets		-		-		-
260. Impairment of goodwill		(36)		-		-
270. Gains/(Losses) on sale of investments		3.909		39		9923,08%
280. Profit/(Loss) from continuing operations before taxes		**54.460**		**198.140**		**-72,51%**
290. Income taxes for the period on continuing operations		(37.376)		(63.439)		-41,08%
300. Profit/(Loss) from continuing operations after taxes		**17.084**		**134.701**		**-87,32%**
310. Profit/(Loss) on asset disposal groups held for sale after taxes		-		(100)		-
320. Profit/(Loss) for the year		**17.084**		**134.601**		**-87,31%**
330. Profit/(Loss) for the period pertaining to minority interests		3.452		13.794		-74,97%
340. Profit/(Loss) for the period pertaining to Parent Company		**13.632**		**120.807**		**-88,72%**

Cash flow statament

Diretc method *(euro thousands)*

A. OPERATING ACTIVITIES	31/12/2008	31/12/2007
1. Operations	**161.128**	**126.256**
Interest income collected (+)	684.773	611.763
Interest expense paid (-)	(361.937)	(309.018)
Dividends and similar income	12.782	8.630
Net fees (+/-)	174.769	202.353
Personnel expenses	(239.362)	(233.638)
Net premiums collected (+)	126.503	151.277
Other insurance income/expenses (+/-)	(88.234)	(143.027)
Other costs (-)	(160.918)	(154.704)
Other revenues (+)	50.128	56.059
Taxes and duties (-)	(37.376)	(63.439)
2. Cash provided (used) by financial assets	**(1.159.888)**	**(1.036.373)**
Financial assets held for trading	253.697	84.673
Financial assets at fair value through profit or loss	104.343	(60.487)
Financial assets available for sale	(60.401)	110.272
Due from customers	(1.031.188)	(681.759)
Due from banks	(536.988)	(414.405)
Other assets	110.649	(74.667)
3. Cash provided (used) by financial liabilities	**1.100.293**	**1.003.265**
Due to banks	(335.765)	153.209
Due to customers	1.325.870	377.231
Outstanding securities	322.257	298.384
Financial liabilities held for trading	2.867	3.814
Financial liabilities at fair value through profit or loss	(92.768)	23.769
Other liabilities	(122.168)	146.858
Net cash provided (used) by operating activities	**101.533**	**93.148**

B. INVESTING ACTIVITIES	31/12/2008	31/12/2007
1. Cash provided by:	**4.307**	**1.504**
Sales of equity investments	-	1.108
Dividends collected on equity investments	142	101
Sales/redemptions of financial assets held to maturity	-	-
Sales of tangible assets	4.165	295
Sales of intangible assets	-	-
Sales of subsidiaries and company divisions	-	-
2. Cash used by:	**(94.063)**	**(67.346)**
Purchases of equity investments	(20.770)	(5.404)
Purchases of financial assets held to maturity	(2.793)	(9.693)
Purchases of tangible assets	(29.722)	(32.893)
Purchases of intangible assets	(40.778)	(15.538)
Sales of subsidiaries and company divisions	-	(3.818)
Net cash provided (used) by investing activities	**(89.756)**	**(65.842)**

C. FUNDING ACTIVITIES	31/12/2008	31/12/2007
Issue/purchase of own shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(12.515)	(7.965)
Net cash provided (used) by funding activities	**(12.515)**	**(7.965)**
NET CASH PROVIDED (USED) IN THE PERIOD	**(738)**	**19.341**

RECONCILIATION	31/12/2008	31/12/2007
Cash and cash equivalents at start of year	**119.713**	**100.372**
Total net cash provided (used) in the period	(738)	19.341
Cash and cash equivalents at end of year	**118.975**	**119.713**

Statement of changes in shareholders' equity 2007

(euro thousands)

	Balance at 31/12/2006 Group	Balance at 31/12/2006 min. interests	Changes to opening balance	Balance at 01/01/2007 Group	Balance at 01/01/2007 min. interests	Allocation of profit of previous year: Group reserves	Allocation of profit of previous year: Minority interest reserves	Allocation of profit of previous year: Dividends and other uses	Changes in the period: Changes to Group reserves	Changes in the period: Changes to minority interest reserves
Share capital:										
a) ordinary shares	80.000	47.576	-	80.000	47.576	-	-	-	-	-6.594
b) other shares	-	-	-	-	-	-	-	-	-	-
Share premiuns	**49.414**	**20.774**	**-**	**49.414**	**20.774**	**-**	**-**	**-**	**-**	**-8.416**
Reserves:										
a) profit reserves	188.821	10.547	-	188.821	10.547	45.696	3.773	-	3.305	4.746
b) others	-	-	-	-	-	-	-	-	-	-
Valuation reserves:										
a) available for sale	54.920	6.680	-	54.920	6.680	-	-	-	-49.876	-6.412
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-
c) special revaluation laws	30.259	3.345	-	30.259	3.345	- 647	-	-	-329	-440
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the years	**49.789**	**6.998**	**-**	**49.789**	**6.998**	**-45.049**	**-3.773**	**-7.965**	**-**	**-**
Shareholders' equity	**453.203**	**95.920**	**-**	**453.203**	**95.920**	**-**	**-**	**-7.965**	**-46.900**	**-17.116**

Continued

	Changes in the period – Operations on shareholders' equity: Issue of new Group shares	Issue of new minority interest shares	Purchase of Group own shares	Purchase of minority interest own shares	Distribution of extra-ordinary dividends	Change in equity instruments	Derivatives of own share	*Stock options*	Profit for the year to 31/12/2007 Group	Profit for the year to 31/12/2007 Min. interests	Shareholders' equity Group 31/12/2007	Shareholders' equity Min. interests 31/12/2007
Share capital:												
a) ordinary shares	-	7.677	-	-	-	-	-	-	-	-	80.000	48.659
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Share premiuns	**-**	**26.479**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49.414**	**38.837**
Reserves:												
a) profit reserves	-	-	-	-	-	-	-	-	-	-	237.822	19.066
b) others	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:												
a) available for sale	-	-	-	-	-	-	-	-	-	-	5.044	268
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-
c) special revaluation laws	-	-	-	-	-	-	-	-	-	-	29.283	2.905
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**120.807**	**13.794**	**120.807**	**13.794**
Shareholders' equity	**-**	**34.156**	**-**	**-**	**-**	**-**	**-**	**-**	**120.807**	**13.794**	**522.370**	**123.529**

Statement of changes in shareholders' equity 2008

(euro thousands)

	Balance at 31/12/2007 Group	Balance at 31/12/2007 min. interests	Changes to opening balance	Balance at 01/01/2008 Group	Balance at 01/01/2008 min. interests	Allocation of profit of previous year: Group reserves	Allocation of profit of previous year: Minority interest reserves	Allocation of profit of previous year: Dividends and other uses	Changes in the period: Changes to Group reserves	Changes in the period: Changes to minority interest reserves
Share capital:										
a) ordinary shares	80.000	48.659	-	80.000	48.659	-	-	-	-	(2.480)
b) other shares	-	-	-	-	-	-	-	-	-	-
Share premiuns	**49.414**	**38.837**	**-**	**49.414**	**38.837**	**-**	**-**	**-**	**-**	**(1.813)**
Reserves:										
a) profit reserves	237.822	19.066	391	238.251	19.028	113.748	7.599	-	9.952	394
b) others	-	-	-	-	-	-	-	-	-	8.649
Valuation reserves:										
a) available for sale	5.044	268	-	5.044	268	-	-	-	(3.356)	(775)
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-
c) special revaluation laws	29.283	2.905	-	29.283	2.905	102	-	-	(998)	(283)
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the years	**120.807**	**13.794**	**(491)**	**120.470**	**13.640**	**(113.991)**	**(7.660)**	**(12.661)**	**-**	**-**
Shareholders' equity	**522.370**	**123.529**	**(100)**	**522.462**	**123.337**	**-**	**-**	**(12.661)**	**5.598**	**3.692**

Continued

	Changes in the period – Operations on shareholders' equity: Issue of new Group shares	Issue of new minority interest shares	Purchase of Group own shares	Purchase of minority interest own shares	Distribution of extra-ordinary dividends	Change in equity instruments	Derivatives of own share	*Stock options*	Profit for the year to 31/12/2008 Group	Profit for the year to 31/12/2008 Min. interests	Shareholders' equity Group 31/12/2008	Shareholders' equity Min. interests 31/12/2008
Share capital:												
a) ordinary shares	20.500	736	-	-	-	-	-	-	-	-	100.500	46.915
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	**-**	**2.499**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49.414**	**39.523**
Reserves:												
a) ordinary shares	-	-	-	-	-	-	-	-	-	-	361.951	27.021
b) others	-	-	-	-	-	-	-	-	-	-	-	8.649
Valuation reserves:												
a) available for sale	-	-	-	-	-	-	-	-	-	-	1.688	(507)
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-
c) special revaluation laws	(20.500)	-	-	-	-	-	-	-	-	-	7.887	2.622
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13.632**	**3.452**	**13.632**	**3.452**
Shareholders' equity	**-**	**3.235**	**-**	**-**	**-**	**-**	**-**	**-**	**13.632**	**3.452**	**535.072**	**127.675**

The change in the opening balance is a result of the effects of IAS 8 in the Consolidated Financial Statements of the application, by the companies Banca Sella Sud Arditi Galati S.p.A. and Banca Patrimoni Sella & C. S.p.A., with a consequent change to the previous year's individual financial statements.
The changes made, which were considered significant in the individual financial statements of the respective companies, are not considered significant in the consolidated financial statements. This is because, besides having a numerically insignificant impact on the consolidated values, the latter already included some of the changes made by Banca Sella Sud Arditi Galati S.p.A..

Notes to the financial statements

Part A – Accounting policies

A 1 - General section

Section 1 - Declaration of conformity to international accounting standards

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

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

The Consolidated Financial Statements, therefore, are clearly set out and give a true and fair picture of the economic and financial situation of the companies in the Banca Sella Group. The accounts used in drafting the Consolidated Financial Statements were those prepared by the Group companies with reference to financial year 2008, adjusted, where necessary, to ensure compliance with the IAS/IFRS.

Section 2 - General drafting principles

The Consolidated Financial Statements for the year ended 31 December 2008 present the assets and liabilities, earnings and financial position of the Group for the year 2008 in total continuity with the Consolidated Financial Statements for the year ended 31 December 2007, and are stated in thousands of euro.

They consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the present Notes to the Financial Statements, and are accompanied by the Directors' Report on operations and on the overall situation of the companies included within the consolidation.

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

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

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

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

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

COMPARATIVE INFORMATION

In accordance with the international accounting standard IAS 1 "Presentation of Financial Statements", comparative information is disclosed in respect of the previous period. The classification of items is consistent with that of the period of comparison with the exception of two cases:

- the effect of the widening of the consolidation area with the inclusion of the Mars 2600 S.r.l. company and of the balance sheet and income statement components other than the receivables (already recognized in the consolidated financial statements) of the securitization transactions enacted with it. For more information see Section 3 – Consolidation area and methods of the present Part A of the notes to the consolidated financial statements. This is in accordance with the interpretation provided by SIC 12 on consolidation of special purposes entities;
- reclassifications of item relating to insurance components due to the need to present the insurance components in the bank's financial statements consistently with the presentation given in the insurance group's consolidated financial statements. All of this is in accordance with IFRS 4. These reclassifications represent only changes in the presentation of certain items and entail no changes in measurement methods; they therefore had no impact on the income statement.

Consequently it was considered appropriate to adjust the previous period.

The statements for financial year 2007 are presented below with the additions and changes made:

Consolidated balance sheet

ASSETS (euro thousands)		31/12/2007 before adjustments		Inclusion of Mars 2600 S.r.l. and Securitizations (changes in consolidation area)		Reclassification of insurance components		31/12/2007 adjusted
10. Cash and cash equivalents		119.713		-		-		119.713
20. Financial assets held for trading		1.193.384		12.119		-31.210		1.174.293
30. Financial assets at fair value through profit or loss		796.365		-		31.210		827.575
40. Financial assets available for sale		282.237		-		-		282.237
50. Financial assets held to maturity		92.570		-		-		92.570
60. Due from banks		1.920.712		3.813		-		1.924.525
70. Due from customers		7.231.088		278		-		7.231.366
80. Hedging derivatives		13.388		-		-		13.388
90. Change in value of financial assets subject to macrohedging (+/-)		-		-		-		-
100. Equity investments		11.973		-		-		11.973
110. Reinsurers' share of technical reserves		4.502		-		-		4.502
120. Tangible assets		167.108		-		-		167.108
130. Intangible assets		75.806		-		-		75.806
of which:								
- goodwill	47.779		-		-		47.779	
140. Tax assets		151.353		57		-		151.410
a) current	97.602		57		-		97.659	
b) deferred	53.751		-		-		53.751	
150. Non-current assets and asset groups held for sale		2.794		-		-		2.794
160. Other assets		418.508		12		-		418.520
Total assets		**12.481.501**		**16.279**		**-**		**12.497.780**

LIABILITIES AND SHAREHOLDERS' EQUITY (euro thousands)	31/12/2007 before adjustments	Inclusion of Mars 2600 S.r.l. and Securitizations (changes in consolidation area)	Reclassification of insurance components	31/12/2007 adjusted
10. Due to banks	650.226	-	-	650.226
20. Due to customers	7.534.294	-189.624	7.067	7.351.737
30. Outstanding securities	1.759.778	205.848	-	1.965.626
40. Financial liabilities held for trading	41.418	-	-	41.418
50. Financial liabilities at fair value through profit or loss	591.951	-	-7.067	584.884
60. Hedging derivatives	9.902	-	-	9.902
80. Tax liabilities	71.548	-	-	71.548
a) current	60.052	-	-	60.052
b) deferred	11.496	-	-	11.496
100. Other liabilities	559.539	55	-	559.594
110. Employee severance indemnities	39.709	-	-	39.709
120. Provisions for risks and charges:	79.738	-	-	79.738
a) retirement and similar obligations	-	-	-	-
b) other provisions	79.738	-	-	79.738
130. Technical reserves	497.499	-	-	497.499
140. Valuation reserves	34.327	-	-	34.327
170. Reserves	237.822	-	-	237.822
180. Share premiums	49.414	-	-	49.414
190. Share capital	80.000	-	-	80.000
210. Capital pertaining to minority interests (+/-)	123.529	-	-	123.529
220. Profit for the year	120.807	-	-	120.807
Total liabilities	**12.481.501**	**16.279**	**-**	**12.497.780**

Consolidated income statement

ITEM (euro thousands)	31/12/2007 before adjustments	Inclusion of Mars 2600 S.r.l. and Securitizations (changes in consolidation area)	Reclassification of insurance components	31/12/2007 adjusted
10. Interest and similar income	604.782	6.981	-	611.763
20. Interest and similar expense	(302.156)	(6.746)	(116)	(309.018)
30. Net interest income	**302.626**	**235**	**(116)**	**302.745**
40. Fee income	294.519	-	-	294.519
50. Fee expense	(91.881)	(285)	-	(92.166)
60. Net fees	**202.638**	**(285)**	**-**	**202.353**
70. Dividends and similar income	8.731	-	-	8.731
80. Net gains/(losses) on trading activities	15.945	-	-	15.945
90. Net gains/(losses) on hedging activities	492	-	-	492
100. Gains/(losses) on sale or repurchase of:	88.834	-	-	88.834
a) loans & receivables	-	-	-	-
b) financial assets available for sale	88.458	-	-	88.458
c) financial assets held to maturity	-	-	-	-
d) financial liabilities	376	-	-	376
110. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	(15.647)	-	116	(15.531)
120. Net banking income	**603.619**	**(50)**	**-**	**603.569**
130. Net value adjustments for impairment losses on:	(49.172)	-	-	(49.172)
a) loans & receivables	(47.103)	-	-	(47.103)
b) financial assets available for sale	(603)	-	-	(603)
c) financial assets held to maturity	-	-	-	-
d) other financial transactions	(1.466)	-	-	(1.466)
140. Net gains/(losses) on financial operations	**554.447**	**(50)**	**-**	**554.397**
150. Net premiums	151.277	-	-	151.277
160. Balance of other income/expenses from insurance operations	(143.027)	-	-	(143.027)
170. Net gains/(losses) on financial and insurance operations	**562.697**	**(50)**	**-**	**562.647**
180. Administrative expenses	(384.586)	(4)	-	(384.590)
a) personnel expenses	(229.886)	-	-	(229.886)
b) other administrative expenses	(154.700)	(4)	-	(154.704)
190. Net provisions for risks and charges	(8.010)	-	-	(8.010)
200. Net value adjustments on tangible assets	(19.263)	-	-	(19.263)
210. Net value adjustments on intangible assets	(9.442)	-	-	(9.442)
220. Other operating expenses/income	56.005	54	-	56.059
230. Operating costs	**(365.296)**	**50**	**-**	**(365.246)**
240. Gains/(Losses) on equity investments	700	-	-	700
250. Net gains/(losses) on measurement at fair value of tangible and intangible assets	-	-	-	-
260. Impaiment of goodwill	-	-	-	-
270. Gains/(Losses) on sale of investments	39	-	-	39
280. Profit/(Loss) from continuing operations before taxes	**198.140**	**-**	**-**	**198.140**
290. Income taxes for the period on continuing operations	(63.439)	-	-	(63.439)
300. Profit/(Loss) from continuing operations after taxes	**134.701**	**-**	**-**	**134.701**
310. Profit/(Loss) on asset disposal groups held for sale after taxes	(100)	-	-	(100)
320. Profit/(Loss) for the year	**134.601**	**-**	**-**	**134.601**
330. Profit/(Loss) for the period pertaining to minority interests	13.794	-	-	13.794
340. Profit/(Loss) for the period pertaining to Parent Company	**120.807**	**-**	**-**	**120.807**

INFORMATION ON OTHER RECLASSIFICATIONS CARRIED OUT IN 2008

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

- following the issue of Circular 900 of 9 January 2009 by the Bank of Italy, which made changes to Circular 262 of 22 December 2005, for financial year 2008 the fees of the Board of Statutory Auditors were included under “Personnel expenses”, and no longer under “Other administrative expenses”;
- as a result of the changes made by the IASB (International Accounting Standards Board) to IAS 39 and IFRS 7, a number of Group banks took the option to reclassify for financial year 2008 part of their securities portfolios recognized in the “held for trading” category. For more information on other reclassifications please revert to section “A.2 Main accounting items” of the present part A of the Notes to the Financial statement.

Section 3 - Consolidation area and methods

The Consolidated Financial Statements comprise the Balance Sheet and Income Statement of the parent company and of its directly and indirectly controlled companies.

Full consolidation consists of acquiring the Balance Sheet and Income Statement aggregates of the controlled companies “line by line”. After attributing to minority interests, under a separate item, the portions pertaining to them of shareholders’ equity and profit, the value of the equity interest is derecognized, offsetting the residual value of the subsidiary’s equity. The differences resulting from this operation, if positive, are recognized – after any allocation to the assets or liabilities of the subsidiary – as goodwill under the Intangible assets item at the date of first consolidation.

Assets, liabilities, income and expenses between consolidated companies are eliminated completely

Subsidiaries are defined as companies in which, directly or indirectly, the Banca Sella Group holds more than half of the voting rights or in which, with a proportion of voting rights of less than half, it has the power to determine the financial and operational policies of the company in question.

When the requisites of effective control are met, the consolidation area includes special purpose entities of securitization transactions of financial assets as envisaged by the IAS/IFRS also irrespective of the existence of an equity interest.

The profits or losses of a subsidiary acquired during the period are included in the Consolidated Financial Statements starting from the date of its acquisition. On the contrary, the profits or losses of a subsidiary sold are included in the Consolidated Financial Statements up to the date on which control ceased. The difference between the selling price and the book value at the disposal date (including any exchange differences recognized each time in shareholders’ equity at the moment of consolidation), is recognized in the Income Statement. If necessary the financial statements of the consolidated companies, which may have been prepared on the basis of different accounting criteria, are adjusted to conform to the Group standards.

Investee companies over which the Group has considerable influence (the set of so-called “associated companies”), that is companies over which it exercises the power to determine the financial and management policies without however controlling or having joint control over them, are measured with the net equity method.

The net equity method entails initial recognition of the equity interest at cost and its subsequent adjustment on the basis of the percentage stake in the shareholders’ equity of the investee company. Differences between the value of the equity interest and the shareholders’ equity of the investee company are treated in the same way as the full consolidation differences described above. In the measurement of the equity proportion any potential voting rights are not considered. The relevant proportion of profits or losses for the period of the investee company is recognized under a specific item of the Consolidated Income Statement.

The assets and liabilities, income and expenses of consolidated companies denominated in currencies other than the euro are converted according to the following rules:

- balance sheet assets and liabilities are translated at the exchange rate obtaining at the balance sheet date;
- revenues and costs in the Income Statement are translated at the average exchange rate for the year;
- all exchange differences arising from the translation are recognized in a specific and separate shareholders’ equity reserve. The above reserve is eliminated at the moment of any sale of the equity interest, and the amounts are added to or subtracted from the Income Statement at the same time.

1. Exclusive equity interests in subsidiaries

Name of company		Head office	Type of relationship	Shareholding relationship Investor	Stake %	Voting rights %
A.Companies						
A.1Line by line consolidation						
1	BANCA SELLA HOLDING S.p.A.	Biella	1			
2	BANCA SELLA S.p.A.	Biella	1	A.1 1	100,0000%	100,0000%
3	BANCA SELLA NORDEST BOVIO CALDERARI S.p.A.	Trento	1	A.1 22	56,7560%	56,7560%
4	BANCA SELLA SUD ARDITI GALATI S.p.A	Lecce	1	A.1 1	60,1290%	60,1290%
				A.1 2	7,5530%	7,5530%
				A.1 17	1,5200%	1,5200%
5	BANCA PATRIMONI SELLA & C. S.p.A.	Torino	1	A.1 1	68,3420%	68,3420%
				A.1 3	3,0983%	3,0983%
6	SELLA BANK AG	Switzerland	1	A.1 23	90,0000%	90,0000%
7	SELLA BANK LUXEMBOURG S.A.	Luxembourg	1	A.1 23	76,3447%	76,3447%
				A.1 1	23,6553%	23,6553%
8	BIELLA LEASING S.p.A.	Biella	1	A.1 1	76,9114%	76,9114%
9	CONSEL S.p.A.	Torino	1	A.1 1	53,6600%	53,6600%
10	SELLA GESTIONI SGR S.p.A.	Milano	1	A.1 1	75,3730%	75,3730%
				A.1 3	10,0000%	10,0000%
				A.1 5	0,8983%	0,8983%
11	SELLA CAPITAL MANAGEMENT SGR S.p.A. (in liquidation)	Milano	1	A.1 1	85,9726%	85,9726%
				A.1 3	10,0000%	10,0000%
				A.1 5	2,5000%	2,5000%
12	SELGEST SA	Luxembourg	1	A.1 1	1,0000%	1,0000%
				A.1 7	99,0000%	99,0000%
13	EASY NOLO S.p.A.	Biella	1	A.1 1	84,7368%	84,7368%
14	SELLA CORPORATE FINANCE S.p.A.	Biella	1	A.1 1	99,5000%	99,5000%
				A.1 8	0,5000%	0,5000%
15	SELFID S.p.A.	Biella	1	A.1 1	88,0000%	88,0000%
16	SECURSEL S.r.l.	Milano	1	A.1 1	80,0000%	80,0000%
17	C.B.A. VITA S.p.A.	Milano	1	A.1 1	82,0000%	82,0000%
				A.1 10	8,0000%	8,0000%
				A.1 3	5,0000%	5,0000%
18	SELLA LIFE Ltd.	Ireland	1	A.1 17	100,0000%	100,0000%
19	BROSEL S.p.A.	Biella	1	A.1 1	61,0000%	61,0000%
				A.1 3	10,0000%	10,0000%
20	SELIR S.r.l.	Romania	1	A.1 23	99,9017%	99,9017%
21	SELLA SYNERGY INDIA Ltd.	India	1	A.1 23	99,9999%	99,9999%
22	FINANZIARIA 2007 S.p.A	Biella	1	A.1 1	100,0000%	100,0000%
23	SELLA HOLDING N.V.	The Netherlands	1	A.1 1	100,0000%	100,0000%
24	IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 1	100,0000%	100,0000%
25	IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 1	100,0000%	100,0000%
26	MARS 2600 S.r.l.*	Treviso	4	A.1 1	10,0000%	10,0000%

** The company is the special purpose vehicle for the Group's securitization transactions.*

Key
Type of relationship:
1= majority of voting rights in shareholders' meetings
4= other forms of control

Mars 2600 S.r.l. was included among companies controlled exclusively; this company was used as a vehicle for the securitization of financial assets together with its balance sheet and income statement components other than the receivables (already recognized in the consolidated financial statements) of the securitization transactions enacted with it.

Majority voting rights are not held in this company but it fulfils the conditions envisaged by the IAS/IFRS principles in relation to "special purpose entities". For this reason it was decided to consolidated it line by line.

To make the comparison consistent it was considered appropriate to modify the previous period as indicated in the statements presented in Section 2 – General drafting principles of the present Part A of the notes to the statements.

2. OTHER INFORMATION

Equity investments in companies subject to significant influence (accounted for with equity method)

Name	Head office	Type of relationship	Shareholding relationship		Voting rights %
			Investor company	Stake %	
B. Companies					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	Subj. to sig. influence	Sella Holding N.V.	45,0000%	45,0000%
IN CHIARO ASSICURAZIONI S.P.A.	Rome	Subj. to sig. influence	CBA Vita S.p.A.	49,0000%	49,0000%
RETAIL ITALIA S.R.L.	Milan	Subj. to sig. influence	Easy Nolo S.p.A.	39,9976%	39,9976%
S.C.P. VDP1	Principality of Monaco	Subj. to sig. influence	Banca Sella Holding S.p.A.	29,0000%	29,0000%
HI-MTF SIM S.P.A.	Milan	Subj. to sig. influence	Banca Sella Holding S.p.A.	20,0000%	20,0000%
BANCA MONTEPARMA S.P.A.	Parma	Subj. to sig. influence	CBA Vita S.p.A.	3,0000%	3,0000%
BANCA MONTEPARMA S.P.A.	Parma	Subj. to sig. influence	Banca Sella Holding S.p.A.	7,0000%*	7,0000%

* *Banca Sella Holding detiene un'ulteriore quota di Banca Monte Parma, pari al 3% del capitale sociale della società parmense, che è stata iscritta tra le attività finanziarie disponibili per la vendita.*

Section 4 - Events subsequent to the closing of the financial year

Banca Sella S.p.A. securitisation of performing loans – financial year 2009

In January 2009 a new securitization transaction was completed, involving performing residential mortgage loans disbursed by Banca Sella to subjects resident in Italy.

The transaction entailed the sale without recourse, on 8 January, to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 226,5 million euro, including the principal amount of the loans and the interest accrued up to the date of sale.

Mars 2600 S r l in exchange issued, on 29 January 2009, Class A notes amounting to 212,9 million euro, Class B notes amounting to 4,55 million euro, Class C notes amounting to 9,05 million euro and Class D notes amounting to 4,6 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's agency gave an Aaa rating to the Class A notes; A1 to the Class B notes; and Baa2 to the Class C notes. The Class D are not quoted and were subscribed by Banca Sella.

Capital increases for Banca Sella Nord Est Bovio Calderari S.p.A., Banca Sella Sud Arditi Galati S.p.A. and Banca Patrimoni Sella & C. S.p.A..

During financial year 2008 Banca Sella Nord Est Bovio Calderari S.p.A., Banca Sella Sud Arditi Galati S.p.A. and Banca Patrimoni Sella & C. S.p.A. carried out capital increases which were registered at the Chamber of Commerce after 31 December 2008. The above operations therefore came into effect under civil law only in financial year 2009. In detail:

- Banca Sella Nord Est Bovio Calderari S.p.A.: paid capital increase from 24.000.000 euro to 28.785.738 euro[1] and subsequent free capital increase from 28.785.738 euro to 30.500.000 euro (using 1.487.265,56 euro from the valuation reserve and 226.996,44 euro from the extraordinary reserve), by means of the issue of 1.714.262 new shares of a nominal 1 euro each;
- Banca Sella Sud Arditi Galati S.p.A.: free capital increase from 30.941.424 euro to 37.500.000 euro (using 6.482.412,46 euro from the valuation reserve and 76.163,54 euro from the extraordinary reserve), by means of the issue of 1.093.096 new shares of a nominal 6 euro each;
- Banca Patrimoni Sella & C. S.p.A: free capital increase from 26.500.000 euro to 28.000.000 euro (using 1.362.458,92 euro from the valuation reserve and 137.541,08 euro from the extraordinary reserve), by means of the issue of 1.500.000 new shares of a nominal 1 euro each.

[1] *The paid capital increase also entailed the payment of 15,2 million euro in the form of share premiums.*

Section 5 - Other aspects

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

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

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

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

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

The valuation times are:

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

The net book value of non-performing and watchlist impaired positions represents 35,2% of these loans, compared with 29,4% in the previous year.

The work described above had a positive effect in the income statement on the amounts of adjusted provisions of 11,6 million, of which 7,2 million on non-performing, and 4,4 million on watchlist positions.

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

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

These refinements involved:

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

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

APPLICATION OF IAS 8 BY BANCA PATRIMONI SELLA & C. AND BANCA SELLA SUD ARDITI GALATI

During the year Banca Sella Sud Arditi Galati S.p.A. and Banca Patrimoni Sella & C. S.p.A. applied IAS 8 with a consequent change in the individual financial statements of the previous year.

The changes made, which were considered significant in the individual financial statements of the respective companies, are not considered significant in the consolidated financial statements. This is because, besides having a numerically insignificant impact on the consolidated values, the latter already included some of the changes made by Banca Sella Sud Arditi Galati S.p.A.

A.2 - Main accounting items

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

INFORMATION ON RECLASSIFICATION OF FINANCIAL ASSETS (IAS 39)

On 13 October 2008 the International Accounting Standards Board (IASB) adopted changes to the international accounting standard IAS 39 and to IFRS 7. These changes authorize the reclassification of certain financial instruments from the Financial assets held for trading category in rare circumstances. The financial crisis which characterized part of 2008 and continues in 2009 is considered one of these circumstances. The Group companies that availed themselves of this option were Banca Sella Holding S.p.A., Banca Sella S.p.A., Banca Sella Nordest Bovio Calderari S.p.A., and Banca Sella Sud Arditi Galati S.p.A.

Financial assets reclassified from the category Financial assets held for trading

(amounts in euro millions)

Company	Type of reclassified financial asset	Portfolio of destination	Nominal value	Book value at 31/12/2008	Fair value at 31/12/2008	Effects on income statement (before tax effect)	Effects on shareholders' equity (before tax effect)
Banca Sella S.p.A.	Debt securities	Financial assets available for sale	35,4	34,4	34,4	1,2	-1,2
Banca Sella Holding S.p.A.	Debt securities	Loans & Receivables	60,9	57,2	55,5	1,7	-
Banca Sella Nordest Bovio Calderari S.p.A.	Debt securities	Financial assets available for sale	15,6	15,2	15,2	0,5	-0,5
Banca Sella Sud Arditi Galati S.p.A.	Debt securities	Financial assets available for sale	31,1	29,8	29,8	1,2	-1,2
Total reclassifications			**142,9**	**136,6**	**134,9**	**4,6**	**-2,9**

If the Group had not taken the option to reclassify the above financial assets, it would have had to recognize in the income statement 4,6 million euro more negative components, while the shareholders' equity reserves would have been 2,9 million euro higher.

Most of the securities reclassified to the Loans and Receivables category are at a floating rate indexed to the Euribor rate.

1 – Financial assets held for trading

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

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

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

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

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

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

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

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

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

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

2 – Financial assets available for sale

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

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

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

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

After initial recognition, assets available for sale continue to be measured at fair value, with recognition in the Income Statement of the value corresponding to the amortized cost, while gains or losses deriving from a change in fair value are recognized in a specific shareholders' equity reserve until the financial asset is derecognized or a lasting impairment is recognized. At the moment of disposal, the gains or losses accumulated are recycled to the Income Statement.

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

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

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

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

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

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

3 – Financial assets held to maturity

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

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

After initial recognition, financial assets held to maturity are measured at the amortized cost, using the effective interest rate method. Any gains or losses due to changes in the fair value of assets held to maturity are recognized in the Income Statement at the moment in which the assets are derecognized. At every annual or interim balance sheet date, a check is carried out on the existence of objective evidence of impairment losses. If such evidence is found the amount of the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognized in the Income Statement. If the reasons for the impairment cease following an event that occurs after recognition of the loss, writebacks are recognized in the Income Statement.

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

4 – Loans and receivables

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

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

Receivables are measured at their amortized cost, which is equivalent to their value on initial recognition reduced/increased by repayments of principal, value adjustments and amortization – calculated with the effective interest rate method – of the difference between the amount disbursed and the amount repayable at maturity, attributable typically to the costs/revenues booked directly to the single receivable. The effective interest rate is found by calculating the rate that makes the present value of future flows of the receivable, for principal and interest, equal to the amount disbursed inclusive of the costs/revenues associated with the receivable. This accounting method, using a financial formula, makes it possible to distribute the economic effect of the costs/revenues along the expected residual life of the receivable. The amortized cost method is not used for receivables whose short life makes it likely that the effect of application of the discounting formula will be negligible. These receivables are valued at their historical cost and the costs/revenues attributable to them are recognized in the Income Statement. The same valuation technique is adopted for receivables with no defined maturity or valid until revoked.

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

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

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

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

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

The methodology described above enables estimates of the so-called "latent loss" for each category of receivables. Value adjustments determined collectively are recognized in the Income Statement. At every annual or interim balance sheet date any additional writedowns or writebacks are recalculated in a differential manner with reference to the entire portfolio of performing loans.

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

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

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

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

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

The valuation times are:

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

5 – Financial assets at fair value through profit or loss

The Group has recognized under this item – which comprises financial instruments carried at fair value with a corresponding entry in the Income Statement – investments for the benefit of policyholders who bear the risk and those arising from management of pension funds in the life assurance segment.

Financial assets consisting of debt and equity securities are initially recognized on the settlement date.

At the moment of initial recognition these financial assets are recognized at cost, understood as the fair value of the instrument. After initial recognition the financial assets are carried at fair value, with any changes in value booked to the income statement.

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

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

6 – Hedging transactions

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

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

IAS 39 describes the following types of hedges:

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

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

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

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

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

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

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

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

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

- with reference to the stock of hedged loans, the market interest rate current at the moment of hedging is ascertained, using information on the pricing of the various amortising IRS hedges signed. This rate represents the "interest rate" portion effectively hedged by the stock of IRS contracts;
- an amortization schedule is then calculated for the stock of hedged loans using the contractual principal payments to which is applied the market interest rate as above;
- at every subsequent valuation date the new amortization schedule is discounted to the present at the market interest rate current at that time;
- at every valuation date the cumulative stock of hedging IRSs and the cumulative stock of hedged loans are also analyzed, checking that the amortization profile of the IRSs corresponds to the amortization profile of the hedged loans;
- the fair value at the valuation date is then calculated, by discounting to the present the new amortization schedule of the stock of hedged loans (established as indicated in the second point) multiplied by the hedging percentage, and the result is compared with the fair value calculated at the previous valuation date. The difference between these two figures is the fair value delta of the loans, which is then compared with the fair value delta of the IRSs.

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

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

7 – Equity investments

These items includes interests held in affiliated companies, which are recognized on the basis of the net equity method. Companies are considered affiliates if they are not controlled but significant influence is exercised over them. It is assumed that the company exercises significant influence in all cases in which it holds 20% or more of voting rights and, irrespective of the stake held, if it has the power to take part in the operational and financial decisions of the investee companies.

Initial recognition of such financial assets takes place on the settlement date. At the moment of initial recognition financial assets classified in this category are recognized at cost.

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

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

8 – Tangible assets

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

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

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

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

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

9 – Intangible assets

Intangible assets include goodwill and application software with multi-annual use. Goodwill represents the positive difference between the purchase cost and the fair value of assets and liabilities purchased. Other intangible assets are recognized as such if they are identifiable and arise from legal or contractual rights.

An intangible asset may be recognized as goodwill only when the positive difference between the fair value of the asset items purchased and the purchase cost of the equity interest (including ancillary expenses) represents the future earning capacity of the interest (goodwill). If this difference is negative (badwill) or in cases when the goodwill cannot be justified by the future earning capacity of the interest, the difference itself is recognized directly in the Income Statement.

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

As regards goodwill, whenever there is evidence of a loss of value and in any case at least once a year after preparation of the three-year plan, a check is made for the existence of lasting reductions in value. To this end it is first necessary to identify the cash flow generating unit to which to attribute the goodwill. The amount of any reduction of value is determined on the basis of the difference between the book value of the goodwill and its recovery value, if less. This recovery value is the greater of the fair value of the cash flow generating unit, net of any selling costs, and its use value. The use value is the present value of the future cash flows expected from the generating units to which the goodwill has been attributed. The consequent adjustments are recognized in the Income Statement.

The cost of intangible fixed assets is amortized on a straight line basis over their useful life. If the useful life is unlimited amortization is not applied; instead adequacy of the book value of the fixed assets is checked regularly. At every balance sheet date, if there is evidence of impairment losses, the recoverable amount of the asset is estimated. The amount of the loss, which is recognized in the Income Statement, is the difference between the carrying amount of the asset and the recoverable amount.

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

10 – Non-current assets, asset groups held for sale and liabilities associated with assets held for sale

Non-current assets and asset/liability groups held for sale are classified under these items. In particular, these assets/liabilities are measured at the lower of their carrying value and their fair value net of selling costs. The relevant income and expenses are recognized in the Income Statement in a separate item net of the tax effect.

11 – Current and deferred taxation

These items include current and deferred tax assets and current and deferred tax liabilities, respectively.

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

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

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

12 – Provisions for risks and charges

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

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

Provisions are set aside for risks and charges only when:

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

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

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

The congruity of these amounts is also reviewed regularly.

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

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

13 – Payables and outstanding securities

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

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

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

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

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

14 – Financial liabilities held for trading

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

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

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

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

15 – Financial liabilities at fair value through profit or loss

The Group availed itself of the possibility of stating at fair value financial liabilities relating to the deposit of unit and index-linked insurance contracts, which are measured at the fair value of the assets.

This method of calculation is not only based on the efficiency of information on financial markets but is also the best approximation of the estimate of the future cash flows of the related policies.

The effects arising from initial recognition on the Balance Sheet of the fair value of these liabilities are recognized in the Income Statement

16 – Foreign currency transactions

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

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

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

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

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

17 – Insurance assets and liabilities

IFRS 4 defines an insurance contract as a contract under which one party (the insurer) accepts a significant insurance risk from another party (the policyholder) agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policy-holder.

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

The financial risk is in turn 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 indices, credit ratings and any other variable, provided that, in the case of a non-financial variable, it is not specific to one of the contractual counterparties.

An insurance risk is significant if, and only if, the insured event can entail the payment by the insurer of additional significant compensation on the occurrence of any circumstance having economic substance (excluding, that is, events with no identifiable effect on the economic aspects of the transaction).

On the basis of the analysis carried out on the policies in the portfolio, all contracts of the non-life and life business that have significant components of insurance risk fall within the scope of IFRS 4 (insurance contracts).

In accordance with the definition of insurance contract supplied by IFRS 4, contracts that present a non-significant insurance risk therefore fall within the scope of IAS 39 (Financial instruments: recognition and evaluation) and IAS 18 (Revenues).

Technical reserves – Non-life insurance

The premium reserve for losses was calculated following the principles of ISVAP Regulation No. 16 of 4 March 2008 and, to be precise, calculating analytically with the pro-rata temporis method the proportion of the gross premiums written accruing to the future period, deducting from the latter the related acquisition fees. The same method was also applied to determine the premium reserves charged to reinsurers.

For the aging reserve the 10% minimum rate was applied to premiums for the financial year as per the provision of Article 45 of ISVAP Regulation No. 16 of 4 March 2008.

The damage reserve is determined analytically through the valuation of all outstanding claims for damages at the end of the financial year and on the basis of technically prudent estimates which ensure that the amount reserved is sufficient to pay the outstanding claims. This damage reserve also includes provisions for late claims.

The share of the damage reserve charged to reinsurers reflects the recovery on the amounts reserved, as envisaged in the existing agreements.

Technical reserves – Life assurance

The mathematical reserves of life assurance policies, determined according to actuarial criteria, are in line with the provisions of Art. 36 of Lgs. Dec. 209/2005. They are sufficient to cover the commitments assumed towards the interested parties, as stated in the technical report prepared and signed by the actuary appointed by the company. In particular this calculation took into account the provisions of the rules on the subject of adjustment of the technical basis for annuity benefits, and of ISVAP Regulation No. 21 of 28 March 2008 on the establishment of additional reserves against foreseeable returns on the funds managed separately.

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In order to ascertain the congruity of the technical reserves it is envisaged that companies will carry out a sufficiency test on them, the so-called "Liability Adequacy Test", on the basis of the present values of future cash flows. If from this assessment it emerges that the book value of the insurance liabilities, net of the associated capitalized purchase costs and intangible assets, is insufficient, the difference must be recognized in the Income Statement.

Shadow accounting

Contracts with revaluation of the benefits linked to profits on a separate management are classified as insurance or investment contracts with discretionary participation features (DPF). The DPF component derives from the existence of unrealized capital gains and losses from valuation. IFRS 4 (par. 30) permits changes to the accounting standards, so that a capital gain or loss recognised but not realized on an asset reflects in measurements of the insurance liabilities, of the associated deferred purchase costs and of the related intangible assets, as if it were a realized component.

The adjustment that follows is recognized in shareholders' equity only if the same treatment is adopted for realized gains or losses.

On the contrary, latent capital gains or losses on assets recognized directly in the Income Statement (including adjustments for lasting impairment) entail a corresponding writedown of insurance liabilities recognized directly in the Income Statement.

The Shadow Accounting calculation is performed every year.

Other liabilities

This item includes, among other things, the management fees of CBA Vita contracts classified as investments, which are recognised as revenues, in accordance with IAS 18, when the service is rendered.

This implies that the service component is deferred and recognized in the Income Statement on a straight line basis over the entire term of the contract so as to offset the costs of providing the services borne by the company. The estimate of the term of the policy takes into account the propensity for liquidations on the part of policyholders, for well-tested products on which the Group has acquired experience, and of expectations assessed in the development stage, for new products. Recurrent components, such as fees received, commissions paid and portfolio management costs, are booked to the Income Statement of the period in which they are generated.

Aspects of the Income Statement related to the insurance business

As regards insurance contracts, in accordance with IFRS 4, the following are to be recognized in the Income Statement: premiums, which include amounts for the year deriving from the issuance of contracts, net of cancellations; changes in technical reserves, which represent the change in future commitments towards policyholders deriving from insurance contracts; fees for the accounting period payable to intermediaries; and the cost of damages, redemptions and expiries for the accounting period.

18 – Other information

Securitizations

In financial year 2001 the Company completed two securitizations with which Banca Sella S.p.A. and Biella Leasing S.p.A. sold, respectively, a portfolio of performing loans and the flows deriving from a portfolio of leasing contracts to the vehicle company Securs el S.r.l. For both the securitization transactions described above the company took advantage of the optional exemption provided for in IFRS 1, which permits it not to re-recognize financial assets/liabilities sold or derecognized before 1st January 2004.

During 2005 Banca Sella completed a further sale of a portfolio of performing loans to the special purpose vehicle Mars 2600 S.r.l.

The loans involved in this latest securitization transaction were re-recognized in the Consolidated Financial Statements because it was not possible to derecognize them in accordance with the provisions of IAS 39 and with the interpretation provided by SIC 12.

Employee benefits

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

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

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

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

Recognition of revenues and costs

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

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

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

Own shares

Any own shares held are deducted from shareholders’ equity.

Similarly, the initial cost of these shares and the gains or losses deriving from their subsequent sale are accounted for as changes in shareholders’ equity.

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

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

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

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

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

- for the reduction of the value of loans and other financial assets, the determination of losses;
- in determining the fair value of financial instruments not quoted on active markets, the use of valuation models;
- for goodwill and other intangible assets, the estimate of the congruity of the value;
- for provisions for personnel and for risks and liabilities, estimates of their value;
- for deferred tax assets, estimates and assumptions on their recoverability;
- in developing insurance products and defining the basis of calculation of the supplementary reserves, demographic assumptions (linked to the prospective mortality of the insured population) and financial assumptions (deriving from the possible evolution of the financial markets).

Part B – Information on the consolidated balance sheet

ASSETS

Section 1 - Cash and available liquidity - Item 10

1.1 Cash and available liquidity: breakdown

	Banking Group	Insurance companies	Other Companies	Total 31/12/2008	Total 31/12/2007
a) Cash on hand	108.230	1	-	108.231	109.339
b) Demand deposits at central banks	10.744	-	-	10.744	10.374
Total	**118.974**	**1**	**-**	**118.975**	**119.713**

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Item/Amount	Banking group		Insurance companies		Other companies		Total 31/12/2008	Total 31/12/2007
	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted		
A. Cash assets								
1. Debt securities	605.428	1.044	-	1.664	-	-	608.136	565.632
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	605.428	1.044	-	1.664	-	-	608.136	565.632
2. Equity securities	2.238	17	186	-	-	-	2.441	358
3. UCITS units	1.005	17.366	37.330	81	-	-	55.782	85.509
4. Loans and advances	-	-	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-
6. Assets sold but not derecognized	227.457	1	-	-	-	-	227.458	489.984
Total A	**836.128**	**18.428**	**37.516**	**1.745**	**-**	**-**	**893.817**	**1.141.483**
B. Derivative instruments								
1. Financial derivatives:	3.720	34.032	-	502	-	-	38.254	32.810
1.1 for trading	3.720	33.736	-	502	-	-	37.958	31.986
1.2 linked to fair value option	-	-	-	-	-	-	-	-
1.3 others	-	296	-	-	-	-	296	824
2. Credit derivatives:	-	-	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-	-	-
Total B	**3.720**	**34.032**	**-**	**502**	**-**	**-**	**38.254**	**32.810**
Total A+B	**839.848**	**52.460**	**37.516**	**2.247**	**-**	**-**	**932.071**	**1.174.293**

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

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

Following changes in the consolidation area and in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

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

Item/Amount	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
A. CASH ASSETS					
1. Debt securities	**606.472**	**1.664**	**-**	**608.136**	**565.632**
a) Governments and Central Banks	481.197	-	-	481.197	378.419
b) Other public bodies	184	1.664	-	1.848	1.958
c) Banks	110.149	-	-	110.149	134.817
d) Other issuers	14.942	-	-	14.942	50.438
2. Equity securities	**2.255**	**186**	**-**	**2.441**	**358**
a) Banks	760	14	-	774	25
b) Other issuers:	1.495	172	-	1.667	333
- insurance companies	309	69	-	378	115
- financial companies	18	-	-	18	16
- non-financial companies	1.168	-	-	1.168	4
- others	-	103	-	103	198
3. UCITS units	**18.371**	**37.411**	**-**	**55.782**	**85.509**
4. Loans and advances	**-**	**-**	**-**	**-**	**-**
a) Governments and central banks	-	-	-	-	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
5. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and central banks	-	-	-	-	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
6. Assets sold but not derecognized	**227.458**	**-**	**-**	**227.458**	**489.984**
a) Governments and central banks	215.909	-	-	215.909	485.734
b) Other public bodies	-	-	-	-	-
c) Banks	3.502	-	-	3.502	4.250
d) Other issuers	8.047	-	-	8.047	-
Total A	**854.556**	**39.261**	**-**	**893.817**	**1.141.483**
B. DERIVATIVE INSTRUMENTS					
a) Banks	14.211	502	-	14.713	24.101
b) Customers	23.541	-	-	23.541	8.709
Total B	**37.752**	**502**	**-**	**38.254**	**32.810**
Total A+B	**892.308**	**39.763**	**-**	**932.071**	**1.174.293**

Following changes in the consolidation area and in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

2.3 Financial assets held for trading: derivative trading instruments

2.3.1 attributable to the banking group

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans & Receivables	Others	Total 31/12/2008	Total 31/12/2007
A) Quoted derivatives							
1. Financial derivatives	**-**	**-**	**3.720**	**-**	**-**	**3.720**	**4.407**
• with equity swap							
- options purchased	-	-	-	-	-	-	92
- other derivatives	-	-	-	-	-	-	-
• without equity swap							
- options purchased	-	-	3.720	-	-	3.720	4.315
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
Total A	**-**	**-**	**3.720**	**-**	**-**	**3.720**	**4.407**
B) Unquoted derivatives							
1. Financial derivatives	**6.419**	**27.000**	**613**	**-**	**-**	**34.032**	**28.341**
• with equity swap							
- options purchased	-	4.506	-	-	-	4.506	2.068
- other derivatives	-	22.031	-	-	-	22.031	13.924
• without equity swap							
- options purchased	3.762	-	613	-	-	4.375	5.938
- other derivatives	2.657	463	-	-	-	3.120	6.411
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
Total B	**6.419**	**27.000**	**613**	**-**	**-**	**34.032**	**28.341**
Total A + B	**6.419**	**27.000**	**4.333**	**-**	**-**	**37.752**	**32.748**

2.3.2 attributable to insurance companies

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans & Receivables	Others	Total 31/12/2008	Total 31/12/2007
A) Quoted derivatives							
1. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• without equity swap							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B) Unquoted derivatives							
1. Financial derivatives	**-**	**-**	**502**	**-**	**-**	**502**	**62**
• with equity swap							
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• without equity swap							
- options purchased	-	-	502	-	-	502	62
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
Total B	**-**	**-**	**502**	**-**	**-**	**502**	**62**
Total A + B	**-**	**-**	**502**	**-**	**-**	**502**	**62**

Following changes in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

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

2.4.1 attributable to the banking group

Change/Underlying asset	Debt securities	Equity securities	UCITS units	Loans and advances	Total 31/12/2008
A. Opening balance	**565.632**	**20**	**25.567**	**-**	**591.219**
B. Increases	**130.104.118**	**6.228.630**	**94.970**	**-**	**136.427.718**
B.1 Purchases	130.013.977	6.228.102	94.652	-	136.336.731
B.2 Increases in fair value	85	-	-	-	85
B.3 Other changes	90.056	528	318	-	90.902
C. Decreases	**130.063.278**	**6.226.395**	**102.166**	**-**	**136.391.839**
C.1 Sales	129.655.557	6.212.365	97.864	-	135.965.786
C.2 Redemptions	285.097	-	-	-	285.097
C.3 Reductions in fair value	628	-	313	-	941
C.4 Other changes	121.996	14.030	3.989	-	140.015
D. Closing balance	**606.472**	**2.255**	**18.371**	**-**	**627.098**

Following changes in the consolidation area, the opening balance was made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

2.4.2 attributable to insurance companies

Change/Underlying asset	Debt securities	Equity securities	UCITS units	Loans and advances	Total 31/12/2008
A. Opening balance	**-**	**338**	**59.942**	**-**	**60.280**
B. Increases	**1.664**	**46**	**279.836**	**-**	**281.546**
B.1 Purchases	-	46	279.818	-	279.864
B.2 Increases in fair value	-	-	18	-	18
B.3 Other changes	1.664	-	-	-	1.664
C. Decreases	**-**	**198**	**302.367**	**-**	**302.565**
C.1 Sales	-	40	298.047	-	298.087
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	-	158	1.616	-	1.774
C.4 Other changes	-	-	2.704	-	2.704
D. Closing balance	**1.664**	**186**	**37.411**	**-**	**39.261**

Section 3 - Financial assets at fair value through profit or loss - Item 30

3.1. Financial assets at fair value through profit or loss: breakdown by type

Item/Amount	Banking group		Insurance companies		Other companies		Total 31/12/2008	Total 31/12/2007
	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted		
1. Debt securities	-	-	507.402	21.102	-	-	528.504	407.276
1.1 Structured securities	-	-	18.049	-	-	-	18.049	83.280
1.2 Other debt securities	-	-	489.353	21.102	-	-	510.455	323.996
2. Equity securities	-	-	11.184	-	-	-	11.184	2.223
3. UCITS units	-	-	98.812	-	-	-	98.812	418.076
4. Loans and advances	-	-	-	31.131	-	-	31.131	-
4.1 Structured	-	-	-	-	-	-	-	-
4.2. Other loans and advances	-	-	-	31.131	-	-	31.131	-
5. Impaired assets	-	-	-	-	-	-	-	-
6. Assets sold but not derecognized	-	-	-	-	-	-	-	-
Total	**-**	**-**	**617.398**	**52.233**	**-**	**-**	**669.631**	**827.575**
Cost	**-**	**-**	**702.781**	**53.200**	**-**	**-**	**755.981**	**831.379**

The decline in financial assets at fair value through profit or loss was due mainly to an increase in liquidations of insurance policies of the "third kind" and to writedowns made on a number of securities of the segment carried at fair value. In fact each reduction of the reserve of products where the investment risk is borne by policyholders is reflected in a decrease in the corresponding securities.
Following changes in the consolidation area and in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

3.2. Financial assets at fair value through profit or loss: breakdown by borrowers/issuers

	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Debt securities	**-**	**528.504**	**-**	**528.504**	**407.276**
a) Governments and Central Banks	-	21.930	-	21.930	23.040
b) Other public bodies	-	-	-	-	-
c) Banks	-	210.251	-	210.251	264.116
d) Other issuers	-	296.323	-	296.323	120.120
2. Equity securities	**-**	**11.184**	**-**	**11.184**	**2.223**
a) Banks	-	-	-	-	1.825
b) Other issuers	-	11.184	-	11.184	398
- insurance companies	-	-	-	-	-
- financial companies	-	711	-	711	-
- non-financial companies	-	-	-	-	-
- others	-	10.473	-	10.473	398
3. UCITS units	**-**	**98.812**	**-**	**98.812**	**418.076**
4. Loans and advances	**-**	**31.131**	**-**	**31.131**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	31.131	-	31.131	-
d) Other subjects	-	-	-	-	-
5. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
6. Assets sold but not derecognized	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks					
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
Total	**-**	**669.631**	**-**	**669.631**	**827.575**

Following changes in the consolidation area and in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

3.3 Financial assets at fair value through profit or loss other than assets sold but not derecognized and impaired assets: annual changes

3.3.2 attributable to insurance companies

	Debt securities	Equity securities	UCITS units	Loans and advances	Total 31/12/2008
A. Opening balance	**407.276**	**2.223**	**418.076**	**-**	**827.575**
B. Increases	**272.745**	**15.139**	**1.272**	**31.131**	**320.287**
B.1 Purchases	59.168	547	71	-	59.786
B.2 Increases in fair value	7.331	104	1.201	-	8.636
B.3 Other changes	206.246	14.488	-	31.131	251.865
C. Decreases	**151.517**	**6.178**	**320.536**	**-**	**478.231**
C.1 Sales	81.864	1.903	231	-	83.998
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	69.653	4.275	21.225	-	95.153
C.4 Other changes	-	-	299.080	-	299.080
D. Closing balance	**528.504**	**11.184**	**98.812**	**31.131**	**669.631**

Following changes in the consolidation area and in the exposure of a number of insurance items, the opening balance was made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

Section 4 - Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown by type

Item/Amount	Banking group		Insurence companies		Other companies		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted
1. Debt securities	56.181	9.861	202.792	-	-	-	258.973	9.861	202.523	22.431
1.1 Structured securities	-	-	18.147	-	-	-	18.147	-	29.410	-
1.2 Other debt securities	56.181	9.861	184.645	-	-	-	240.826	9.861	173.113	22.431
2. Equity securities	12.702	24.569	-	-	-	-	12.702	24.569	49.654	7.629
2.1 Carried at fair value	12.702	17.487	-	-	-	-	12.702	17.487	49.654	245
2.2 Carried at cost	-	7.082	-	-	-	-	-	7.082	-	7.384
3. UCITS units	-	-	-	-	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-
6. Assets sold but not derecognized	24.776	-	-	-	-	-	24.776	-	-	-
Total	**93.659**	**34.430**	**202.792**	**-**	**-**	**-**	**296.451**	**34.430**	**252.177**	**30.060**

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

The item "Assets sold but not derecognized" contains some of the reclassified securities mentioned above. More precisely, the item consists entirely of own securities which are used to hedge Repurchase Agreement transactions.

Banca Sella Holding signed with Fondazione di Piacenza e Vigevano a preliminary contract with the purpose of agreeing the sale, at the same terms envisaged for the purchase, of 84.000 Banca Monte Parma shares (3% of the share capital of the bank) which consequently were recognized among Financial assets available for sale for a total of 12,1 million euro. The sale was completed after the end of the financial year, on 16 February 2009.

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

- *London Stock Exchange Group Plc (measurement method: market price): given the significance of the loss of value with respect to the carrying cost and its extension over time, the interest was written down with effects in the income statement at the closing market price on 31 December 2008; the writedown was 27,9 million euro gross of the tax effects;*
- *Intesa Sanpaolo S.p.A. (measurement method: market price): although the price of the security had fallen, it was decided that there was still no objective evidence of a structural reduction in value, and therefore the resulting writedown of 1.2 million euro gross of the tax effects was booked to a negative shareholders' equity reserve;*

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

- *Centrale dei Bilanci S.r.l. (measurement method: recent market transactions): following the sale by the majority shareholders of 91,81% of the share capital to Clessidra SGR S.p.A. and Bain Capital Ltd, Banca Sella Holding revalued its equity interest recognizing in shareholders' equity a positive reserve of 4,7 million euro;*
- *Mastercard – Class B shares (measurement method: comparable transactions): as the Class B shares have been subject several times to "Conversion and Sale Plans" promoted by the company, in which the Class B shares were converted into listed Class A shares, at a rate of 1:1, the equity interest was revalued at the market price of Class A shares, appropriately discounted to take account of the Class B share lock-in clause; a positive reserve of 1,1 million euro was booked to shareholders' equity.*

In October 2008 the assignment of Visa – Class C shares, distributed by Visa Europe following the Visa Inc IPO was also recognized among minority interests. Using the comparable transactions method, the Class C shares were valued in a ratio of 1:1 with the Class A shares, discounting them to take account of the lock-in clause which prevents trading until 2013. This resulted in a recognition of 2,3 million euro; at the end of the year an insignificant loss of value, of 44 thousand euro, was recognized; this was due exclusively to the exchange rate effect.

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

Item/Amount	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Debt securities	**66.042**	**202.792**	**-**	**268.834**	**224.954**
a) Governments and central banks	56.181	107.451	-	163.632	138.964
b) Other public bodies	-	9.905	-	9.905	10.180
c) Banks	-	69.154	-	69.154	43.796
d) Other issuers	9.861	16.282	-	26.143	32.014
2. Equity securities	**37.271**	**-**	**-**	**37.271**	**57.283**
a) Banks	13.258	-	-	13.258	2.269
b) Other issuers:	24.013	-	-	24.013	55.014
- insurance companies	-	-	-	-	-
- financial companies	17.684	-	-	17.684	53.483
- non-financial companies	6.329	-	-	6.329	1.531
- others	-	-	-	-	-
3. UCITS units	**-**	**-**	**-**	**-**	**-**
4. Loans and advances	**-**	**-**	**-**	**-**	**-**
a) Governments and central banks	-	-	-	-	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
5. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and central banks	-	-	-	-	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
6. Assets sold but not derecognized	**24.776**	**-**	**-**	**24.776**	**-**
a) Governments and central banks	24.776	-	-	24.776	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
Total	**128.089**	**202.792**	**-**	**330.881**	**282.237**

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

4.5.1 attributable to the banking group

	Debt securities	Equity securities	UCITS units	Loans and advances	Total 31/12/2008
A. Opening balance	**22.431**	**57.283**	**-**	**-**	**79.714**
B. Increases	**66.076**	**21.256**	**-**	**-**	**87.332**
B.1 Purchases	-	15.431	-	-	15.431
B.2 Increases in fair value	-	5.825	-	-	5.825
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	57.083	-	-	-	57.083
B.5 Other changes	8.993	-	-	-	8.993
C. Decreases	**22.465**	**41.268**	**-**	**-**	**63.733**
C.1 Sales	-	6.380	-	-	6.380
C.2 Redemptions	12.202	-	-	-	12.202
C.3 Reductions in fair value	740	34.870	-	-	35.610
C.4 Impairment losses	-	18	-	-	18
- charged to the income statement	-	18	-	-	18
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	9.523	-	-	-	9.523
D. Closing balance	**66.042**	**37.271**	**-**	**-**	**103.313**

Item B.4 Increases – Transfers to other portfolios contains some of the securities reclassified from Financial assets held for trading not used to hedge Repurchase Agreement transactions.

4.5.2 attributable to insurance companies

	Debt securities	Equity securities	UCITS units	Loans and advances	Total 31/12/2008
A. Opening balance	**202.523**	**-**	**-**	**-**	**202.523**
B. Increases	**143.290**	**-**	**-**	**-**	**143.290**
B.1 Purchases	142.964	-	-	-	142.964
B.2 Increases in fair value	326	-	-	-	326
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	-	-	-	-	-
C. Decreases	**143.021**	**-**	**-**	**-**	**143.021**
C.1 Sales	143.021	-	-	-	143.021
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-
C.4 Impairment losses	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	-	-	-	-	-
D. Closing balance	**202.792**	**-**	**-**	**-**	**202.792**

Section 5 - Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: breakdown by type

Type of transactions/ Group components	Banking group		Insurance companies		Other companies		Total 31/12/2008		Total 31/12/2007	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Debt securities	75.720	77.344	-	-	-	-	75.720	77.344	38.864	39.261
1.1 Structured securities	-	-	-	-	-	-	-	-	-	-
1.2 Other debt securities	75.720	77.344	-	-	-	-	75.720	77.344	38.864	39.261
2. Loans and advances	-	-	-	-	-	-	-	-	-	-
3. Impaired assets	-	-	-	-	-	-	-	-	-	-
4. Assets sold but not derecognized	9.778	9.962	-	-	-	-	9.778	9.962	53.706	54.241
Total	**85.498**	**87.306**	**-**	**-**	**-**	**-**	**85.498**	**87.306**	**92.570**	**93.502**

For information on the break down according to maturities of financial assets held to maturity see the contents of the section "Results for the year – Balance Sheet Data" of the Report on Operations, and, specifically, the paragraph "Financial Assets".

The item "Assets sold but not derecognized" refers to instruments in the company portfolio which, as of 31 December 2008, served as collateral for funding repurchase agreements. The drop compared with the previous year was due to the decline in repurchase agreements and to the decision to use as collateral financial assets from other portfolios.

5.2 Financial assets held to maturity: borrowers/issuers

Type of transaction/Amount	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Debt securities	**75.720**	**-**	**-**	**75.720**	**38.864**
a) Governments and central banks	75.720	-	-	75.720	36.288
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	1.881
d) Other issuers	-	-	-	-	695
2. Loans and advances	**-**	**-**	**-**	**-**	**-**
a) Governments and central banks	-	-	-	-	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
3. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and central banks	-	-	-	-	-
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
4. Assets sold but not derecognized	**9.778**	**-**	**-**	**9.778**	**53.706**
a) Governments and central banks	9.778	-	-	9.778	53.706
b) Other public bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other subjects	-	-	-	-	-
Total	**85.498**	**-**	**-**	**85.498**	**92.570**

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

	Debt securities	Loans and advances	Total
A. Opening balance	**38.864**	**-**	**38.864**
B. Increases	**47.282**	**-**	**47.282**
B.1 Purchases	2.793	-	2.793
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	44.489	-	44.489
C. Decreases	**10.426**	**-**	**10.426**
C.1 Sales	-	-	-
C.2 Redemptions	9.520	-	9.520
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	906	-	906
D. Closing balance	**75.720**	**-**	**75.720**

The item "Increases – Other changes" refers to assets held to maturity sold but not derecognized as of 31 December 2008.

Section 6 - Due from banks – Item 60

6.1 Due from banks: breakdown by type

6.1.1 attributable to the banking group

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
A) Due from central banks	**1.825.878**	**477.564**
1. Term deposits	1.670.000	-
2. Statutory reserve	155.878	477.392
3. Reverse repurchase agreements	-	-
4. Others	-	172
B) Due from banks	**613.762**	**1.443.383**
1. Current accounts and demand deposits	126.347	131.934
2. Term deposits	119.117	278.592
3. Other loans and advances	339.163	1.023.650
3.1 reverse repurchase agreements	336.595	1.008.676
3.2 financial leasing	1.878	1.814
3.3 others	690	13.160
4. Debt securities	29.135	9.207
4.1 structured	-	-
4.2 others	29.135	9.207
5. Impaired assets	-	-
6. Assets sold but not derecognized	-	-
Total (book value)	**2.439.640**	**1.920.947**
Total (fair value)	**2.436.373**	**1.920.947**

During the year a number of debt securities were reclassified to the item Due from banks from the item Financial assets held for trading. For more information on these reclassifications, see the contents of Part A of the present Notes to the Financial Statements.
The increase in the item "A) Due from central banks", was a result of the different allocation of the group liquidity following the profound changes in the economic and financial scenario (the European Central Bank is the safest entity to which to entrust liquidity).
The decrease in the item "B) Due from banks", can instead be attributed to the repurchase agreement component, which declined with respect to 2007 owing to a drop in subscriptions of the same by customers and an increase in transactions with underlying own securities.
Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

6.1.2 attributable to insurance companies

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
A) Due from central banks	**-**	**-**
1. Term deposits	-	-
2. Statutory reserve	-	-
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**21.873**	**3.578**
1. Current accounts and demand deposits	1.397	3.578
2. Term deposits	-	-
3. Other loans and advances	-	-
3.1 reverse repurchase agreements	-	-
3.2 financial leasing	-	-
3.3 others	-	-
4. Debt securities	20.476	-
4.1 structured	-	-
4.2 others	20.476	-
5. Impaired assets	-	-
6. Assets sold but not derecognized	-	-
Total (book value)	**21.873**	**3.578**
Total (fair value)	**21.873**	**3.578**

6.2 Due from banks: assets subject to micro-hedging

6.2.1 attributable to the banking group

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

Section 7 - Due from customers – Item 70

7.1 Due from customers: breakdown by type

7.1.1 attributable to the banking group

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Current accounts	1.369.943	1.276.924
2. Repurchase agreements	-	-
3. Mortgage loans	3.253.457	2.692.338
4. Credit cards, personal loans, salary-backed loans	1.054.948	1.037.151
5. Financial leasing	1.147.496	1.013.263
6. Factoring	-	-
7. Other operations	1.130.542	1.049.523
8. Debt securities	32.070	14.894
8.1 Structured	-	-
8.2 Others	32.070	14.894
9. Impaired assets	233.034	147.273
10. Assets sold but not derecognized	-	-
Total (Book value)	**8.221.490**	**7.231.366**
Total (fair value)	**8.158.791**	**7.234.748**

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

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

7.1.2 attributable to insurance companies

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Current accounts	-	-
2. Repurchase agreements	-	-
3. Mortgage loans	-	-
4. Credit cards, personal loans, salary-backed loans	-	-
5. Financial leasing	-	-
6. Factoring	-	-
7. Other operations	12	-
8. Debt securities	-	-
8.1 Structured	-	-
8.2 Others	-	-
9. Impaired assets	-	-
10. Assets sold but not derecognized	-	-
Total (Book value)	**12**	**-**
Total (fair value)	**12**	**-**

7.2 Due from customers: breakdown by borrowers/issuers

7.2.1 attributable to the banking group

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Debt securities issued by:	**32.070**	**14.894**
a) Governments	-	-
b) Other public bodies	-	-
c) Other issuers	32.070	14.894
- non-financial companies	1.480	-
- financial companies	30.590	632
- insurance companies	-	-
- others	-	14.262
2. Loans and advances to:	**7.956.386**	**7.069.199**
a) Governments	2.038	3.200
b) Other public bodies	14.715	15.890
c) Other issuers	7.939.633	7.050.109
- non-financial companies	4.442.786	3.712.187
- financial companies	108.583	134.921
- insurance companies	386	656
- others	3.387.878	3.202.345
3. Impaired assets:	**233.034**	**147.273**
a) Governments	-	-
b) Other public bodies	-	-
c) Other issuers	233.034	147.273
- non-financial companies	132.498	90.019
- financial companies	329	784
- insurance companies	21	-
- others	100.186	56.470
4. Assets sold but not derecognized:	**-**	**-**
a) Governments	-	-
b) Other public bodies	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
Total	**8.221.490**	**7.231.366**

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

7.2.2 attributable to insurance companies

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Debt securities issued by:	**-**	**-**
a) Governments	-	-
b) Other public bodies	-	-
d) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
2. Loans and advances to:	**12**	**-**
a) Governments	-	-
b) Other public bodies	-	-
d) Other issuers	12	-
- non-financial companies	1	-
- financial companies	-	-
- insurance companies	11	-
- others	-	-
3. Impaired assets:	**-**	**-**
a) Governments	-	-
b) Other public bodies	-	-
d) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
4. Assets sold but not derecognized:	**-**	**-**
a) Governments	-	-
b) Other public bodies	-	-
d) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
Total	**12**	**-**

7.3 Due from customers: assets subject to micro-hedging

7.3.1 attributable to the banking group

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Loans subject to micro-hedging of fair value	**1.774.911**	**1.156.609**
a) interest rate risk	1.774.911	1.156.609
b) exchange rate risk	-	-
c) credit risk	-	-
d) other risks	-	-
2. Loans subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**1.774.911**	**1.156.609**

The item "Loans subject to micro-hedging of fair value" consists entirely of loans hedged by Interest Rate Swaps.

Section 8 - Hedging derivatives – Item 80

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

8.1.1 attributable to the banking group

Derivative type/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans & Receivables	Other	Total
A) Quoted						
1. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap						
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without equity swap						
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unquoted						
1. Financial derivatives	**4.457**	**-**	**-**	**-**	**-**	**4.457**
• with equity swap						
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without equity swap						
- options purchased	-	-	-	-	-	-
- other derivatives	4.457	-	-	-	-	4.457
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
Total B	**4.457**	**-**	**-**	**-**	**-**	**4.457**
Total (A+B) 31/12/2008	**4.457**	**-**	**-**	**-**	**-**	**4.457**
Total (A+B) 31/12/2007	**13.388**	**-**	**-**	**-**	**-**	**13.388**

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging (book value)

8.2.1 attributable to the banking group

Transaction/Type of hedging	Fair Value						Cash flows	
	Micro					Macro	Micro	Macro
	interest rate risk	exchange rate risk	credit risk	price risk	more than one risk			
1. Financial assets available for sale	-	-	-	-	-	X	-	X
2. Receivables	2.688	-	-	X	-	X	-	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
5. Foreign investments	X	X	X	X	X	X	-	X
Total assets	**2.688**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	1.769	-	-	X	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**1.769**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Pending transactions	X	X	X	X	X	X	-	-

The amount in the item Loans and Receivables refers to the hedging of interest rate risk on mortage contracts signed with customers by means of interest rate swap contracts.
The amount in the item Financial liabilities refers to the hedging of interest rate risk on outstanding bonds by means of interest rate swap contracts.

Section 10 - Equity investments – Item 100

10.1 Equity investments in jointly controlled companies (accounted for with equity method) and in companies subject to significant influence: information on shareholdings

Name	Head office	Type of relationship	Shareholding relationship Investor company	Stake %	Voting rights %
B. Companies					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	sub. to sign. influence	Sella Holding N.V.	45,0000%	45,0000%
IN CHIARO ASSICURAZIONI S.P.A.	Rome	sub. to sign. influence	CBA Vita S.p.A.	49,0000%	49,0000%
RETAIL ITALIA S.R.L.	Milan	sub. to sign. influence	Easy Nolo S.p.A.	39,9976%	39,9976%
S.C.P. VDP1	Principality of Monaco	sub. to sign. influence	Banca Sella Holding S.p.A.	29,0000%	29,0000%
HI-MTF SIM S.P.A.	Milan	sub. to sign. influence	Banca Sella Holding S.p.A.	20,0000%	20,0000%
BANCA MONTEPARMA S.P.A.	Parma	sub. to sign. influence	CBA Vita S.p.A.	3,0000%	3,0000%
BANCA MONTEPARMA S.P.A.	Parma	sub. to sign. influence	Banca Sella Holding S.p.A.	7,0000%	7,0000%

For more information on the equity interest in Banca Monte Parma the reader is referred to the contents of the section below "Significant non-recurrent events and operations".

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

Name	Total assets	Total revenues	Profit (Losses)	Shareholders' equity	Consolidated book value
A. Companies accounted for with equity method					
A.2 subject to significant influence					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	218.046	11.255	1.348	14.307	6.438
IN CHIARO ASSICURAZIONI S.P.A.	19.278	1.853	(2.650)	10.872	5.302
BANCA MONTEPARMA S.P.A.	2.849.966	183.140	7.675	187.583	18.530
HI-MTF SIM S.P.A.	4.183	1.298	(579)	3.847	769
RETAIL ITALIA S.R.L.	668	38	5	146	58
S.C.P. VDP1	5.680	187	(4)	1.967	570
Total					**31.667**

10.3 Equity investments: annual changes

	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
A. Opening balance	**6.569**	**5.404**	**-**	**11.973**	**6.977**
B. Increases	**14.355**	**6.784**	**-**	**21.139**	**6.125**
B.1 Purchases	13.912	6.784	-	20.696	6.125
B.2 Writebacks	-	-	-	-	-
B.3 Revaluations	-	-	-	-	-
B.4 Other changes	443	-	-	443	-
C. Decreases	**118**	**1.327**	**-**	**1.445**	**1.129**
C.1 Sales	-	-	-	-	-
C.2 Writedowns	-	-	-	-	721
C.4 Other changes	118	1.327	-	1.445	408
D. Closing balance	**20.806**	**10.861**	**-**	**31.667**	**11.973**
E. Total revaluations	**-**	**-**	**-**	**-**	**-**
F. Total adjustments	**-**	**-**	**-**	**-**	**-**

Section 11 - Reinsurers' share of technical reserves - Item 110

11.1 Reinsurers' share of technical reserves: breakdown

	Total 31/12/2008	Total 31/12/2007
A. Non-life insurance	**640**	**596**
A.1 premium reserves	363	450
A.2 claims reserve	119	71
A.3 other reserves	158	75
B. Life assurance	**4.261**	**3.906**
B.1 actuarial reserves	3.966	3.823
B.2 outstanding claims reserve	230	83
B.3 other reserves	65	-
C. Technical reserves where the investment risk is borne by the policyholders	**-**	**-**
C.1 Reserves relating to investment fund and index-linked contracts	-	-
C.2 Reserves deriving from the administration of pension funds	-	-
D. Total reinsurers' share of technical reserves	**4.901**	**4.502**

11.2 Variation of item 110 "Reinsurers' share of technical reserves"

	Total 31/12/2008
Opening balance	**4.502**
A. Non-life insurance	**44**
A.1 premium reserves	(87)
A.2 claims reserve	48
A.3 other reserves	83
B. Life assurance	**355**
B.1 actuarial reserves	143
B.2 outstanding claims reserve	147
B.3 other reserves	65
C. Technical reserves where the investment risk is borne by the policyholders	**-**
C.1 reserves relating to investment fund linked contracts	-
C.2 reserves deriving from the administration of pension funds	-
D. Total reinsurers' share of technical reserves	**4.901**

Section 12 - Tangible assets - Item 120

12.1 Tangible assets: breakdown of assets carried at cost

Asset/Amount	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
A. Assets used for business purposes					
1.1 owned	**162.258**	**237**	**-**	**162.495**	**158.557**
a) land	31.015	-	-	31.015	32.850
b) buildings	98.915	-	-	98.915	93.331
c) furniture	3.100	8	-	3.108	3.345
d) electronic equipment	16.938	166	-	17.104	18.052
e) others	12.290	63	-	12.353	10.979
1.2 acquired through financial leasing	**6.500**	**-**	**-**	**6.500**	**5.692**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
c) furniture	-	-	-	-	-
d) electronic equipment	37	-	-	37	5.692
e) others	6.463	-	-	6.463	-
Total A	**168.758**	**237**	**-**	**168.995**	**164.249**
B. Assets held for investment					
2.1 owned	**2.813**	**-**	**-**	**2.813**	**2.859**
a) land	1.050	-	-	1.050	1.036
b) buildings	1.763	-	-	1.763	1.823
e) others	-	-	-	-	-
2.2 acquired through financial leasing	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
e) others	-	-	-	-	-
Total B	**2.813**	**-**	**-**	**2.813**	**2.859**
Total (A + B)	**171.571**	**237**	**-**	**171.808**	**167.108**

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

12.3 Tangible assets used for business purposes: annual changes

12.3.1 attributable to the banking group

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**32.850**	**114.396**	**18.097**	**154.731**	**16.860**	**336.934**
A.1 Total net value adjustments		21.065	14.781	131.348	5.986	173.180
A.2 Net opening balance	**32.850**	**93.331**	**3.316**	**23.383**	**10.874**	**163.754**
B. Increases	**775**	**11.473**	**1.493**	**21.523**	**27.416**	**62.680**
B.1 Purchases	-	10.251	1.480	10.120	7.844	29.695
B.2 Capitalised improvement expenses	-	57	-	-	-	57
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	775	1.159	1	13	12	1.960
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	6	12	11.390	19.560	30.968
C. Decreases	**2.610**	**5.889**	**1.709**	**27.931**	**19.537**	**57.676**
C.1 Sales	2.596	2.605	22	152	2.189	7.564
C.2 Depreciation	-	3.193	1.370	9.843	6.250	20.656
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	58	3	53	-	114
C.6 Transfers to:	14	33	-	537	-	584
a) tangible assets held for investment	14	33	-	-	-	47
b) assets held for sale	-	-	-	537	-	537
C.7 Other changes	-	-	314	17.346	11.098	28.758
D. Net closing balance	**31.015**	**98.915**	**3.100**	**16.975**	**18.753**	**168.758**
D.1 Total net value adjustments		(30.199)	(19.630)	(112.038)	(23.167)	(185.034)
D.2 Gross closing balance	**31.015**	**129.114**	**22.730**	**129.013**	**41.920**	**353.792**
E. Carried at cost	-	-	-	-	-	-

12.3.2 attributable to insurance companies

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**-**	**-**	**117**	**856**	**170**	**1.143**
A.1 Total net value adjustments		-	88	495	65	648
A.2 Net opening balance	**-**	**-**	**29**	**361**	**105**	**495**
B. Increases	**-**	**-**	**4**	**39**	**16**	**59**
B.1 Purchases	-	-	4	17	6	27
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	22	10	32
C. Decreases	**-**	**-**	**25**	**234**	**58**	**317**
C.1 Sales	-	-	-	26	-	26
C.2 Depreciation	-	-	3	201	58	262
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	22	7	-	29
D. Net closing balance	**-**	**-**	**8**	**166**	**63**	**237**
D.1 Total net value adjustments		-	114	1.179	144	1.437
D.2 Gross closing balance	**-**	**-**	**122**	**1.345**	**207**	**1.674**
E. Carried at cost	-	-	-	-	-	-

12.4 Tangible assets held for investment: annual changes

	Banking Group		Insurance companies		Other companies		Total	
	Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings
A. Opening balance	**1.036**	**1.823**	**-**	**-**	**-**	**-**	**1.036**	**1.823**
B. Increases	**14**	**34**	**-**	**-**	**-**	**-**	**14**	**34**
B.1 Purchases	-	-	-	-	-	-	-	-
B.2 Capitalised improvement expenses	-	-	-	-	-	-	-	-
B.3 Increases in fair value	-	-	-	-	-	-	-	-
B.4 Writebacks	-	-	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-	-	-
B.6 Transfers from buildings for business purposes	14	33	-	-	-	-	14	33
B.7 Other changes	-	1	-	-	-	-	-	1
C. Decreases	**-**	**94**	**-**	**-**	**-**	**-**	**-**	**94**
C.1 Sales	-	-	-	-	-	-	-	-
C.2 Depreciation	-	93	-	-	-	-	-	93
C.3 Negative reductions in fair value	-	-	-	-	-	-	-	-
C.4 Impairment losses	-	-	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-	-	-
C.6 Transfers from other asset portfolios	-	-	-	-	-	-	-	-
a) buildings for business purposes	-	-	-	-	-	-	-	-
b) non-current assets held for sale	-	-	-	-	-	-	-	-
C.7 Other changes	-	1	-	-	-	-	-	1
D. Closing balance	**1.050**	**1.763**	**-**	**-**	**-**	**-**	**1.050**	**1.763**
E. Carried at fair value	-	-	-	-	-	-	-	-

12.5 Commitments to buy tangible assets

	Banking Group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
Commitments to buy property	-	-	-	-	440

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by type of asset

Asset/Amount	Banking Group		Insurance companies		Other Companies		Total 31/12/2008		Total 31/12/2007	
	Lim.	Unlim.	Lim.	Unlim.	Lim.	Unlim.	Lim.	Unlim.	Lim.	Unlim.
A.1 Goodwill:	**X**	**63.383**	**X**	**6.716**	**X**	**-**	**X**	**70.099**	**X**	**47.779**
A.1.1 attributable to the group	X	62.434	X	6.700	X	-	X	69.134	X	43.249
A.1.2 attributable to minority interests	X	949	X	16	X	-	X	965	X	4.530
A.2 Other intangible assets:	**34.965**	**-**	**155**	**-**	**-**	**-**	**35.120**	**-**	**28.027**	**-**
A.2.1 Assets carried at cost	34.965	-	155	-	-	-	35.120	-	28.027	-
a) Intangible assets generated internally	-	-	-	-	-	-	-	-	-	-
b) Other assets	34.965	-	155	-	-	-	35.120	-	28.027	-
A.2.2 Assets carried at fair value	-	-	-	-	-	-	-	-	-	-
a) Intangible assets generated internally	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**34.965**	**63.383**	**155**	**6.716**	**-**	**-**	**35.120**	**70.099**	**28.027**	**47.779**

In accordance with the prescriptions of IAS 36 goodwill must be subjected annually to impairment tests to verify its recoverability. To this end the goodwill must first be allocated to the cash-flow generating unit (CGU) to which it relates.

INFORMATION ON IMPAIRMENT TESTS FOR GOODWILL AND INTANGIBLE ASSETS WITH UNLIMITED LIFE

The IAS/IFRS international accounting standards envisage that the possibility that an impairment loss has or has not occurred should be checked at least every time financial statements are prepared. In particular IAS 36 provides for the application of the impairment test procedure for the definition of the Recoverable Value of an asset: that is to say, the greater of the Net Realisable Value (fair value) and the Use Value.

Determination of the fair value

IAS 36 provides indications for the determination of the fair value of an asset. In particular the standard (§ 25-29) establishes a kind of hierarchy:

- *if there is a binding agreement for its sale the fair value of the asset is the price agreed;*
- *if there is no agreement but the asset is traded on an active market, the fair value is the current offer price (current at the valuation date and not on the basis of average prices);*
- *if no prices can be found on active markets the fair value has to be determined on the basis of valuation methods which incorporate the best information available, including any recent transactions on the same assets, after ascertaining that there have been no significant changes in the economic scenario between the date in which the transactions taken into consideration occurred and the valuation date.*

However, as they are useful for the purpose and substantially in line with the previous rules, the indications of IAS 39 (§ AG 71-AG 79) are also followed; they too envisage a hierarchy of sources for determining the fair value of financial assets:

- *if the financial asset is quoted on an active market, the fair value is the current offer price (also in this case current at the valuation date). Moreover, the implementation guidance (§ E.2.2) specifies that the amount of an investment in an equity security (or rather the number of shares held) is irrelevant for the purpose of determining the fair value of securities quoted on an active market; in practice, the price recorded on an active market (retail price) must also be used to value significant shareholdings which, if sold en bloc, could reasonably be expected to fetch a higher price compared with that recorded on the market;*
- *if there are recent transactions relating to the same financial instrument, these can be used to determine the fair value, after checking that there have been no significant changes in the economic scenario between the date of the transactions taken into consideration and the valuation date;*
- *if there have been transactions on similar financial instruments, these can be used to determine the fair value, after ascertaining the comparability (on the basis of the type of business, size, geographical market, etc.) between the instrument for which transactions have been recorded and the instrument to be valued;*
- *if no prices can be found on active markets the fair value must be determined on the basis of valuation models which take into account all the factors which the participants in the market would consider in setting a price.*

The valuations carried out make use of the following methods:

- *the Transaction Multiples Method: this is based on an estimate of the multiples implicit in the prices of a sample of transactions of comparable companies and the subsequent application of these multiples to the fundamental numbers of the company being valued;*
- *the Actuarial Method: this is considered the most suitable method for valuing insurance companies: the valuation is obtained from the sum of the shareholders' equity of the company adjusted for the value of existing policies (embedded value) and for the value of future policies (appraisal value);*
- *the Net Equity Method: this involves considering the proportion of shareholders' equity (share capital, provisions, profit for the period) held;*
- *the Adjusted Net Equity Method: this involves considering the proportion of shareholders' equity held adjusted:*
  - *by the value attributed to the volume of assets managed by the company (CGU A3);*
  - *by the higher value with respect to the book value attributed to the equity interests held (CGU A13).*

Determination of the value in use

IAS 36 defines the value in use as the present value of future cash flows expected to derive from an asset. The estimate of value in use should reflect the following elements:

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

Information on impairment tests is provided below:

Description of the CGU identified and allocation of goodwill to the CGUs:

Entities subjected to impairment tests	CGU	Goodwill allocated *(euro thousands)* Current year
Equity interest in Banca Sella Nord Est Bovio Calderari	CGU A1	813
Equity interest in Banca Sella Sud Arditi Galati	CGU A2	15.535
Equity interest in Banca Patrimoni Sella & C.	CGU A3	1.338
Equity interest in Sella Bank AG	CGU A4	1.352
Equity interest in Biella Leasing	CGU A5	1.754
Equity interest in Consel	CGU A6	671
Equity interest in Sella Gestioni	CGU A7	7.225
Equity interest in Sella Capital Management	CGU A8	32
Equity interest in Selfid	CGU A9	448
Equity interest in CBA Vita	CGU A10	3.998
Equity interest in Brosel	CGU A11	26
Equity interest in Sella Synergy India	CGU A12	134
Equity interest in Finanziaria 2007	CGU A13	6.209
Equity interest in Immobiliare Lanificio Maurizio Sella	CGU A14	56
Equity interest in Banca Monte Parma	CGU B1	21.792
Equity interest in HI MTF	CGU B2	115
Equity interest in Retail Italia	CGU B3	77
Branches of BSNE (Cadore)	CGU C1	3.233
Branch of BS in Milan, Via Gonzaga	CGU C2	542
Branches of BSSAG (formerly Cram)	CGU C3	1.881
Branches of BSSAG, S. Michele and Fasano	CGU C4	1.099
Branches of BSSAG (from acquisition of BCC Camastra e Naro)	CGU C5	1.770
TOTAL		**70.099**

Methods of calculation of the recoverable value of the CGU:

CGU	Recoverable value	Method of calculation used	Result of impairment test
CGU A1	Fair value	Transaction Multiples (1)	The impairment test detected no loss in value
CGU A2	Fair value	Transaction Multiples	The impairment test detected no loss in value
CGU A3	Fair value	Adjusted Net Equity	The impairment test detected no loss in value
CGU A4	Fair value	Net Equity	The impairment test detected no loss in value
CGU A5	Fair value	Net Equity	The impairment test detected no loss in value
CGU A6	Fair value	Net Equity	The impairment test detected no loss in value
CGU A7	Fair value	Transaction Multiples (1)	The impairment test detected no loss in value
CGU A8	Fair value	Net Equity	The impairment test detected no loss in value
CGU A9	Value in use	Discounting of future profit flows	The impairment test detected no loss in value
CGU A10	Fair value	Actuarial method	The impairment test detected no loss in value
CGU A11	Fair value	Net Equity	The impairment test detected no loss in value
CGU A12	Fair value	Net Equity	The impairment test detected no loss in value
CGU A13	Fair value	Adjusted Net Equity (1)	The impairment test detected no loss in value
CGU A14	Fair value	Net Equity	The impairment test detected no loss in value
CGU B1	Fair value	Recent transaction relating to the same financial instrument	The impairment test detected no loss in value
CGU B2	Fair value	Recent transaction relating to the same financial instrument	The impairment test detected no loss in value
CGU B3	Fair value	Recent transaction relating to the same financial instrument	The impairment test detected no loss in value
CGU C1	Value in use	Discounting of future profit flows	The impairment test detected no loss in value
CGU C2	Value in use	Discounting of future profit flows	The impairment test detected no loss in value
CGU C3	Value in use	Discounting of future profit flows	The impairment test detected no loss in value
CGU C4	Value in use	Discounting of future profit flows	The impairment test detected no loss in value
CGU C5	Value in use	Discounting of future profit flows	The impairment test detected no loss in value

(1) *Valuations carried out with the assistance of an independent advisoring company*

Information on the recoverable value calculation assumptions:

CGU	Basic assumptions	Method of determination
CGU A1, A2	Net Equity	Data at 31 December 2008
	Net banking and insurance income	Data at 31 December 2008
	Net Profit	Data at 31 December 2008
	Total deposits	Data at 31 December 2008
	Turnover	Data at 31 December 2008
CGU A3	Net Equity	Data at 31 December 2008
	Total deposits	Data at 31 December 2008
CGU A4, A5, A6, A8, A11, A12, A14	Net equity	Data at 31 December 2008
CGU A7	Assets Under Management	Data at 31 December 2008
	Fee income	Data at 31 December 2008
	Net banking and insurance income	Data at 31 December 2008
CGU A9	Net Profit	Economic and financial forecasts 2009-2011
	Discount rate	8,95% as the sum of a free risk rate and a risk premium
	Profitability beyond the forecasted period	2%
CGU A10	Net Equity	Data at 31 December 2008
	Value of existing portfolio	Life portfolio as of 30/06/08
	Value of future policies	Economic and financial forecasts 2009-2013
	Flow discount rate	7,5% as the sum of a free risk rate and a risk premium
CGU A13	Net Equity	Data at 31 December 2008
	NAV of the equity interest in BSNE	Valuation carried out using the Transaction Multiples method
CGU B1, B2, B3	Value of the transaction	
CGU C1, C2, C3, C4, C5	Gross profit	Economic and financial forecasts used to prepare the 2009 budget of the branches
	Net Profit	Economic and financial forecasts used to prepare the 2009 budget of the branches
	Discount rate	8,95% as the sum of a free risk rate and a risk premium
	Profitability beyond the forecast period	The calculation was carried out without increasing for future years the profitability forecast for 2009

Sensitivity analysis:

CGU	Change in discount rate		Change in profitability growth rate	
	Change considered	% proportion of value in use	Change considered	% proportion of value in use
CGU A9	+/- 10 b. p.	-/+ 1,5%	+/- 10 b. p.	+/- 1,3%
CGU C1,C2,C3,C4,C5	+/- 10 b. p.	-/+ 0,9%	+/- 10 b. p.	+/- 1%

The sensitivity analysis revealed no indications of reduction in value requiring registration.

13.2 Intangible assets: annual changes

13.2.1 attributable to the banking group

		Other intangible assets: generated internally		Other intangible assets: others		
	Goodwill	Lim.	Unlim.	Lim.	Unlim.	Total
A. Gross opening balance	**47.589**	**-**	**-**	**119.725**	**-**	**167.314**
A.1 Total net value adjustments	-	-	-	91.735	-	91.735
A.2 Net opening balance	**47.589**	**-**	**-**	**27.990**	**-**	**75.579**
B. Increases	**19.492**	**-**	**-**	**18.422**	**-**	**37.914**
B.1 Purchases	19.492	-	-	18.393	-	37.885
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	25	-	25
B.6 Other changes	-	-	-	4	-	4
C. Decreases	**3.698**	**-**	**-**	**11.447**	**-**	**15.145**
C.1 Sales	3.698	-	-	136	-	3.834
C.2 Writedowns	-	-	-	11.265	-	11.265
- amortization	X	-	-	11.259	-	11.259
- writedowns	-	-	-	6	-	6
- shareholders' equity	X	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences		-	-	16	-	16
C.6 Other changes	-	-	-	30	-	30
D. Net closing balance	**63.383**	**-**	**-**	**34.965**	**-**	**98.348**
D.1 Total net value adjustments	-	-	-	89.700	-	89.700
E. Gross closing balance	**63.383**	**-**	**-**	**124.665**	**-**	**188.048**
F. Carried at cost	-	-	-	-	-	-

Purchases of goodwill relate mainly to the operation for the purchase of the equity interest in Banca Monte Parma.

Sales of goodwill relate mainly to the decrease in the consolidation differences of minorities in the equity interest in Banca Sella Nordest Bovio Calderari following the operation for the splitting of BC Finanziaria.

13.2.2 attributable to insurance companies

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Lim.	Unlim.	Lim.	Unlim.	
A. Gross opening balance	**190**	**-**	**-**	**3.696**	**-**	**3.886**
A.1 Total net value adjustments	-	-	-	3.659	-	3.659
A.2 Net opening balance	**190**	**-**	**-**	**37**	**-**	**227**
B. Increases	**6.526**	**-**	**-**	**188**	**-**	**6.714**
B.1 Purchases	6.526	-	-	188	-	6.714
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**70**	**-**	**70**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	-	-	-	70	-	70
- amortization	X	-	-	70	-	70
- writedowns	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**6.716**	**-**	**-**	**155**	**-**	**6.871**
D.1 Total net value adjustments	-	-	-	3.729	-	3.729
E. Gross closing balance	**6.716**	**-**	**-**	**3.884**	**-**	**10.600**
F. Carried at cost	-	-	-	-	-	-

Section 14 - Tax assets and liabilities - Item 140 of assets and item 80 of liabilities

Current tax assets: breakdown

	Total 31/12/2008	Total 31/12/2007
Prepaid taxes	82.082	63.297
Credits for withholdings	1.520	784
Assets from inclusion in tax consolidation	9.260	11.322
Tax credits	37.096	22.256
Total	**129.958**	**97.659**

Current tax liabilities: breakdown

	Total 31/12/2008	Total 31/12/2007
Provisions for direct taxes	53.838	57.747
Provisions for indirect taxes	1.330	2.305
Total	**55.168**	**60.052**

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

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

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

14.1 Deferred tax assets: breakdown

14.1.1 attributable to the banking group

	Ires (corporation tax)	Irap (regional business tax)	Others	Total 31/12/2008	Total 31/12/2007
Value adjustments on loans	33.072	287	-	33.359	30.443
Provisions for sundry risks and charges	8.640	12	-	8.652	8.294
Depreciation and valuation of buildings	1.956	3	33	1.992	1.932
Sundry administrative expenses	780	17	-	797	1.658
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	1.525	-	-	1.525	2.361
Collective valuations of guarantees issued	655	-	-	655	569
Securitised receivables	986	136	-	1.122	642
Other assets	3.385	355	22	3.762	2.278
Total deferred tax assets (charged to income statement)	**50.999**	**810**	**55**	**51.864**	**48.177**
Depreciation and valuation of buildings	3.409	-	-	3.409	3.125
Measurement of available-for-sale financial assets	892	198	-	1.090	598
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**4.301**	**198**	**-**	**4.499**	**3.723**

14.1.2 attributable to insurance companies

	Ires (corporation tax)	Irap (Regional business tax)	Others	Total 31/12/2008	Total 31/12/2007
Value adjustments on loans	1	-	-	1	-
Provisions for sundry risks and charges	-	-	-	-	-
Depreciation and valuation of buildings	8	-	-	8	10
Sundry administrative expenses	4	-	-	4	14
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	42	-	-	42	35
Collective valuations of guarantees issued	-	-	-	-	-
Securitised receivables	-	-	-	-	-
Other assets	855	15	-	870	-
Total deferred tax assets (charged to income statement)	**910**	**15**	**-**	**925**	**59**
Depreciation and valuation of buildings	-	-	-	-	-
Measurement of available-for-sale financial assets	583	-	-	583	-
Others	-	-	-	-	1.792
Total deferred tax assets (charged to shareholders' equity)	**583**	**-**	**-**	**583**	**1.792**

14.2 Deferred tax liabilities: breakdown

14.2.1 attributable to the banking group

	Ires (corporation tax)	Irap (Regional business tax)	Others	Total 31/12/2008	Total 31/12/2007
Gains on sale of available-for-sale financial assets	193	-	-	193	515
Different calculation of depreciation of tangible assets	1.059	65	-	1.124	2.888
Different calculation of amortization of intangible assets	77	11	-	88	415
Contributions for training costs	110	-	-	110	228
Discounting to the present of provisions for sundry risks and charges	88	4	-	92	347
Mars mortgage loans	936	163	-	1.099	592
Discounting to the present of severance indemnities	-	-	-	-	358
Capital gain on sale of company division	796	-	-	796	15
Writedowns of receivables	-	-	-	-	106
Other liabilities	1.247	63	1.518	2.828	2.670
Total deferred taxes (charged to income statement)	**4.506**	**306**	**1.518**	**6.330**	**8.134**
Measurement of available-for-sale financial assets	84	292	-	376	461
Valuation of tangible assets	-	-	-	-	619
Capital gain on sale of company division	390	-	-	390	585
Depreciation and valuation of buildings	795	126	-	921	265
Other liabilities	140	-	-	140	523
Total deferred taxes (charged to shareholders' equity)	**1.409**	**418**	**-**	**1.827**	**2.453**

14.2.2 attributable to insurance companies

	Ires (corporation tax)	Irap (regional business tax)	Others	Total 31/12/2008	Total 31/12/2007
Gains on sale of available-for-sale financial assets	1.790	-	-	1.790	-
Different calculation of depreciation of tangible assets	-	-	-	-	-
Different calculation of amortization of intangible assets	-	-	-	-	-
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	-	-	-	-	-
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	4	-	-	4	-
Capital gain on sale of company division	-	-	-	-	-
Writedowns of receivables	-	-	-	-	-
Other liabilities	199	3	-	202	909
Total deferred taxes (charged to income statement)	**1.993**	**3**	**-**	**1.996**	**909**
Measurement of available-for-sale financial assets	-	-	-	-	-
Valuation of tangible assets	-	-	-	-	-
Capital gain on sale of company division	-	-	-	-	-
Depreciation and valuation of buildings	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to shareholders' equity)	**-**	**-**	**-**	**-**	**-**

14.3 Changes in deferred tax assets (charged to income statement)

	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Initial amount	**48.177**	**59**	**-**	**48.236**	**53.264**
2. Increases	**14.162**	**1.081**	**-**	**15.243**	**19.678**
2.1 Prepaid taxes recognized during the year	13.145	45	-	13.190	17.327
a) relating to previous years	1.243	-	-	1.243	1.771
b) due to changes in accounting policies	-	-	-	-	-
c) writebacks	-	-	-	-	-
d) others	11.902	45	-	11.947	15.556
2.2 New taxes cancelled during the year	871	-	-	871	40
2.3 Other increases	146	1.036	-	1.182	2.311
3. Decreases	**10.475**	**215**	**-**	**10.690**	**24.706**
3.1 Prepaid taxes cancelled during the year	9.955	215	-	10.170	13.946
a) reversals	9.955	215	-	10.170	13.391
b) writedowns for unrecoverable items	-	-	-	-	555
c) changes in accounting policies	-	-	-	-	-
3.2 Reductions in tax rates	-	-	-	-	6.352
3.3 Other decreases	520	-	-	520	4.408
4. Final amount	**51.864**	**925**	**-**	**52.789**	**48.236**

The change in deferred tax assets recognized as a contra-entry in the income statement does not correspond to the change indicated in Tables 20.1 and 21.2 of the Income Statement for the following reasons:

- *application of IAS 8 by a number of Group companies, the effects of which were included in item 2.1 d) for 1.429 thousand euro;*
- *inclusion in item 2.3 of changes for taxes reclassified as "deferred tax assets recognised as a contra-entry in shareholders' equity" of 696 thousand euro.*

14.4 Changes in deferred tax liabilities (charged to income statement)

	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Opening balance	**8.134**	**909**	**-**	**9.043**	**11.066**
2. Increases	**3.416**	**1.087**	**-**	**4.503**	**4.742**
2.1 Deferred taxes recognized during the year	2.226	1.087	-	3.313	4.125
a) relating to previous years	476	-	-	476	1.068
b) due to changes in accounting policies	630	-	-	630	-
c) others	1.120	1.087	-	2.207	3.057
2.2 New taxes or increases in tax rates	3	-	-	3	-
2.3 Other increases	1.187	-	-	1.187	617
3. Decreases	**5.220**	**-**	**-**	**5.220**	**6.765**
3.1 Deferred taxes cancelled during the year	4.923	-	-	4.923	3.793
a) reversals	3.903	-	-	3.903	2.016
b) due to changes in accounting policies	-	-	-	-	-
c) others	1.020	-	-	1.020	1.777
3.2 Reductions in tax rates	-	-	-	-	946
3.3 Other decreases	297	-	-	297	2.026
4. Final amount	**6.330**	**1.996**	**-**	**8.326**	**9.043**

The change in deferred tax assets recognized as a contra-entry in the income statement does not correspond to the change indicated in Tables 20.1 and 21.2 of the Income Statement for the following reasons:

- *the transfer of taxes on capital gains on sales initially recognized as taxes in a contra-entry in shareholders' equity and transferred as a contra-entry to the income statement, included, for a total of 1.176 thousand euro, in Item 2.3;*
- *the presence of an exchange difference for an amount of 141 thousand euro.*

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

	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Opening balance	**3.723**	**1.792**	**-**	**5.515**	**5.307**
2. Increases	**1.564**	**583**	**-**	**2.147**	**3.042**
2.1 Prepaid taxes recognized during the year	1.048	583	-	1.631	961
a) relating to previous years	34	-	-	34	-
b) due to changes in accounting policies	-	-	-	-	-
c) others	1.014	583	-	1.597	961
2.2 New taxes or increases in tax rates	-	-	-	-	-
2.3 Other increases	516	-	-	516	2.081
3. Decreases	**788**	**1.792**	**-**	**2.580**	**2.834**
3.1 Prepaid taxes cancelled during the year	599	756	-	1.355	2.034
a) reversals	172	756	-	928	1.550
b) writedowns for unrecoverable items	427	-	-	427	484
c) due to changes in accounting policies	-	-	-	-	-
3.2 Reductions in tax rates	-	-	-	-	649
3.3 Other decreases	189	1.036	-	1.225	151
4. Final amount	**4.499**	**583**	**-**	**5.082**	**5.515**

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

	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Opening balance	**2.453**	**-**	**-**	**2.453**	**3.818**
2. Increases	**410**	**-**	**-**	**410**	**2.695**
2.1 Deferred taxes recognized during the year	410	-	-	410	1.397
a) relating to previous years	46	-	-	46	936
b) due to changes in accounting policies	-	-	-	-	-
c) others	364	-	-	364	461
2.2 New taxes or increases in tax rates	-	-	-	-	-
2.3 Other increases	-	-	-	-	1.298
3. Decreases	**1.036**	**-**	**-**	**1.036**	**4.060**
3.1 Deferred taxes cancelled during the year	1.028	-	-	1.028	3.704
a) reversals	1.028	-	-	1.028	3.682
b) due to changes in accounting policies	-	-	-	-	-
c) others	-	-	-	-	22
3.2 Reductions in tax rates	-	-	-	-	311
3.3 Other decreases	8	-	-	8	45
4. Final amount	**1.827**	**-**	**-**	**1.827**	**2.453**

Section 15 - Non-current assets and groups of assets held for sale and associated liabilities - Item 150 of assets and item 90 of liabilities

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

	Banking Group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
A. Single assets					
A.1 Equity investments	-	-	-	-	-
A.2 Tangible assets	228	-	-	228	2.794
A.3 Intangible assets	-	-	-	-	-
A.4 Other non-current assets	-	-	-	-	-
Total A	**228**	**-**	**-**	**228**	**2.794**
B. Asset groups (discontinued operations)					
B.1 Financial assets held for trading	-	-	-	-	-
B.2 Financial assets at fair value through profit or loss	-	-	-	-	-
B.3 Financial assets available for sale	-	-	-	-	-
B.4 Financial assets held to maturity	-	-	-	-	-
B.5 Due from banks	-	-	-	-	-
B.6 Due from customers	-	-	-	-	-
B.7 Equity investments	-	-	-	-	-
B.8 Tangible assets	-	-	-	-	-
B.9 Intangible assets	-	-	-	-	-
B.10 Other assets	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**
C. Liabilities associated with single assets held for sale					
C.1 Debts	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other liabilities	-	-	-	-	-
Total C	**-**	**-**	**-**	**-**	**-**
D. Liabilities associated with single assets held for sale					
D.1 Due to banks	-	-	-	-	-
D.2 Due to customers	-	-	-	-	-
D.3 Securities in issue	-	-	-	-	-
D.4 Financial liabilities held for trading	-	-	-	-	-
D.5 Financial assets at fair value through profit or loss	-	-	-	-	-
D.6 Funds	-	-	-	-	-
D.7 Other liabilities	-	-	-	-	-
Total D	**-**	**-**	**-**	**-**	**-**

The amount of 228 thousand euro relates to a property owned by Immobiliare Lanificio Maurizio Sella S.p.A. for which there exists a contractual agreement for its sale.

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown

	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
Items receivable in transit	2.396	-	-	2.396	5.002
Bills and other securities for collection	-	-	-	-	-
Items being processed	-	-	-	-	-
Forms in stock	756	-	-	756	449
Payment orders to sundry others being debited	63.476	-	-	63.476	130.708
Countervalues on securities trading being settled	8.954	-	-	8.954	30.331
Matured coupons and securities being settled	12.577	-	-	12.577	9.937
Current account cheques drawn against third parties	50.404	-	-	50.404	60.074
Current account cheques drawn against the bank	31.067	-	-	31.067	38.926
Commission advances	312	-	-	312	306
Substitute taxes to be recovered from customers	11	-	-	11	253
Advance taxes paid to tax office for third parties	-	53	-	53	-
Regional contributions on work training contracts	-	-	-	-	-
Guarantee deposits on own behalf	65	4	-	69	233
Commission and fees in the process of collection	25.886	287	-	26.173	31.286
Expenses for improvements to third-party properties	8.745	-	-	8.745	7.941
Adjustments for non-cash portfolio items	25.634	-	-	25.634	18.881
Advances and accounts payable	8.897	13	-	8.910	14.297
Disputed items not deriving from lending transactions	7.677	-	-	7.677	3.492
Deferrals on administrative expenses and fees	5.581	119	-	5.700	3.779
Due from insured	43	727	-	770	758
Due from intermediaries	1.256	320	-	1.576	2.010
Insurance refunds	-	363	-	363	3.808
Consolidation adjustments	1.447	-	-	1.447	31.541
Others	17.523	972	-	18.495	24.508
Total	**272.707**	**2.858**	**-**	**275.565**	**418.520**

"Disputed items not deriving from lending transactions" relate for 3,4 million to a deficit of Banca Sella following a robbery suffered by the customer All System Vigliano; for 1,3 million euro to a credit claimed by Banca Sella Sud Arditi Galati from Professione e Finanza Sim in compulsory liquidation, in relation to which the Bank's claim as a creditor has been accepted for 3,2 million euro and it expects to collect the credit, in accordance with the redistribution plan in progress, by the end of financial year 2009; for 0,8 million euro owing to employee disloyalty which Banca Sella Sud Arditi Galati estimates that it can recover through payment of the insurance covering the risk.

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

Part B – Information on the consolidated balance sheet

LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type

Type of operation/ Group components	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Due to central banks	**10.077**	**-**	**-**	**10.077**	**1.098**
2. Due to banks	**304.384**	**-**	**-**	**304.384**	**649.128**
2.1 Current accounts and demand deposits	87.795	-	-	87.795	72.818
2.2 Term deposits (including term C/As)	109.205	-	-	109.205	416.180
2.3. Loans and advances	106.379	-	-	106.379	121.170
2.3.1 financial leasing	64	-	-	64	-
2.3.2 others	106.315	-	-	106.315	121.170
2.4 Payables for own equity instrument repurchase commitments	-	-	-	-	-
2.5. Liabilities against assets sold but not derecognized	1.005	-	-	1.005	38.958
2.5.1 repurchase agreements	1.005	-	-	1.005	38.958
2.5.2 others	-	-	-	-	-
2.6 Other payables	-	-	-	-	2
2.6.1 Other payables - REPOs	-	-	-	-	1
2.6.2 Other payables - Other	-	-	-	-	1
Total	**314.461**	**-**	**-**	**314.461**	**650.226**
Fair value	**314.461**	**-**	**-**	**314.461**	**650.226**

The reduction in Due to banks, and in particular in the term deposits component, is due to the increase in Group liquidity which made the provision of funding on the interbank market less necessary.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type

Type of operation/ Group components	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Current accounts and demand deposits	7.034.370	-	-	7.034.370	5.842.696
2. Term deposits and term C/As	497.093	-	-	497.093	325.915
3. Managed third-party funds	14.031	-	-	14.031	13.349
4. Loans and advances	770.407	-	-	770.407	584.397
4.1 financial leasing	38	-	-	38	51
4.2 others	770.369	-	-	770.369	584.346
5. Payables for own equity instrument repurchase commitments	-	-	-	-	-
6. Liabilities against assets sold but not derecognized	257.510	-	-	257.510	504.704
6.1 repurchase agreements	257.510	-	-	257.510	504.704
6.2 others	-	-	-	-	-
7. Other payables	68.190	36.006	-	104.196	80.676
7.1 Repurchase agreements	-	-	-	-	-
7.2 Others	68.190	36.006	-	104.196	80.676
Total	**8.641.601**	**36.006**	**-**	**8.677.607**	**7.351.737**
Fair value	**8.641.728**	**36.006**	**-**	**8.677.734**	**7.351.737**

The growth in Due to customers is partly due to the trend in the item "Current accounts and demand deposits" the increase in which is the result above all of the trend of Banca Sella, the Group's main network bank, which contributed to the increase in the item thanks to the positive contribution of electronic accounts and corporate customers, to which were offered deposit products at particularly advantageous conditions. The decline in Item 6.1 is due to the increase in repurchase agreements enacted with securities issued by the Group, which at the consolidated level are eliminated, transforming the type of transaction into "Loans and advances – Others".

Following changes in the consolidation area and in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

2.3 Details of item 20 "Due to customers": structured debts

	Total 31/12/2008	Total 31/12/2007
- structured debts	1.018	-
Total	**1.018**	**-**

Section 3 - Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type

Type of security/ Components of the group	Banking group		Insurance companies		Other companies		Total 31/12/2008		Total 31/12/2007	
	BV	FV	BV	FV	BV	FV	BV	FV	BV	FV
A. Quoted securities	**856.037**	**832.623**	**-**	**-**	**-**	**-**	**856.037**	**832.623**	**855.495**	**852.966**
1. Bonds	856.037	832.623	-	-	-	-	856.037	832.623	855.495	852.966
1.1 structured	-	-	-	-	-	-	-	-	-	-
1.2 others	856.037	832.623	-	-	-	-	856.037	832.623	855.495	852.966
2. Other securities	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-	-	-
B. Unquoted securities	**1.430.123**	**1.439.445**	**-**	**-**	**-**	**-**	**1.430.123**	**1.439.445**	**1.110.131**	**1.107.205**
1. Bonds	1.299.697	1.294.013	-	-	-	-	1.299.697	1.294.013	1.011.999	1.009.073
1.1 structured	14.410	14.769	-	-	-	-	14.410	14.769	15.838	15.432
1.2 others	1.285.287	1.279.244	-	-	-	-	1.285.287	1.279.244	996.161	993.641
2. Other securities	130.426	145.432	-	-	-	-	130.426	145.432	98.132	98.132
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 others	130.426	145.432	-	-	-	-	130.426	145.432	98.132	98.132
Total	**2.286.160**	**2.272.068**	**-**	**-**	**-**	**-**	**2.286.160**	**2.272.068**	**1.965.626**	**1.960.171**

KEY: BV = book value, FV = fair value

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

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

	Total 31/12/2008	Total 31/12/2007
- subordinated securities	402.171	313.823
Total	**402.171**	**313.823**

3.3 Details of item 30 "Outstanding securities": securities subject to micro-hedging

Type of transaction/Amount	Total 31/12/2008	Total 31/12/2007
1. Securities subject to micro-hedging of fair value	**49.361**	**72.186**
a) interest rate risk	49.361	72.186
b) exchange rate risk	-	-
c) other risks	-	-
2. Securities subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**49.361**	**72.186**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

Security type/ Group components	Banking group				Insurance companies				Other companies			
	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*
		Q	UQ			Q	UQ			Q	UQ	
A. Cash liabilities												
1. Due to banks	2	2	-	2	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-		-	-	-		-	-	-	
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	X	-	-	-	X	-	-	-	X
3.1.2 Other bonds	-	-	-	X	-	-	-	X	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	X	-	-	-	X	-	-	-	X
3.2.2 Others	-	-	-	X	-	-	-	X	-	-	-	X
Total A	**2**	**2**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments												
1. Financial derivatives	X	6.355	37.848	X	X	-	5	X	X	-	-	X
1.1 Held for trading	X	6.355	34.938	X	X	-	-	X	X	-	-	X
1.2 Linked to fair value option	X	-	-	X	X	-	-	X	X	-	-	X
1.3 Others	X	-	2.910	X	X	-	5	X	X	-	-	X
2. Credit derivatives	X	-	75	X	X	-	-	X	X	-	-	X
2.1 Held for trading	X	-	75	X	X	-	-	X	X	-	-	X
2.2 Linked to fair value option	X	-	-	X	X	-	-	X	X	-	-	X
2.3 Others	X	-	-	X	X	-	-	X	X	-	-	X
Total B	**X**	**6.355**	**37.923**	**X**	**X**	**-**	**5**	**X**	**X**	**-**	**-**	**X**
Total A+B	**X**	**6.357**	**37.923**	**X**	**X**	**-**	**5**	**X**	**X**	**-**	**-**	**X**

continued

Security type/ Group components	Total 31/12/2008				Total 31/12/2007			
	NV	FV		FV*	NV	FV		FV*
		Q	UQ			Q	UQ	
A. Cash liabilities								
1. Due to banks	2	2	-	2	12	-	12	12
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	X	-	-	-	X
3.1.2 Other bonds	-	-	-	X	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	X	-	-	-	X
3.2.2 Others	-	-	-	X	-	-	-	X
Total A	**2**	**2**	**-**	**2**	**12**	**-**	**12**	**12**
B. Derivative instruments								
1. Financial derivatives	X	6.355	37.853	X	X	3.374	38.032	X
1.1 Held for trading	X	6.355	34.938	X	X	3.374	25.919	X
1.2 Linked to fair value option	X	-	-	X	X	-	-	X
1.3 Others	X	-	2.915	X	X	-	12.113	X
2. Credit derivatives	X	-	75	X	X	-	-	X
2.1 Held for trading	X	-	75	X	X	-	-	X
2.2 Linked to fair value option	X	-	-	X	X	-	-	X
2.3 Others	X	-	-	X	X	-	-	X
Total B	**X**	**6.355**	**37.928**	**X**	**X**	**3.374**	**38.032**	**X**
Total A+B	**X**	**6.357**	**37.928**	**X**	**X**	**3.374**	**38.044**	**X**

KEY
FV = fair value
FV* = fair value calculated excluding changes in value due to changes in credit worthiness of the issuer after the issue date
NV = nominal or notional value
Q = quoted
UQ = unquoted

4.4 Financial liabilities held for trading: derivative instruments

4.4.1 attributable to the banking group

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans & Receivables	Other	Total 31/12/2008	Total 31/12/2007
A) Quoted derivatives							
1. Financial derivatives:	**-**	**-**	**6.355**	**-**	**-**	**6.355**	**7.145**
• with equity swap	-	-	-	-	-	-	3.868
- options issued	-	-	-	-	-	-	97
- other derivatives	-	-	-	-	-	-	3.771
• without equity swap	-	-	6.355	-	-	6.355	3.277
- options issued	-	-	6.355	-	-	6.355	3.277
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
Total A	**-**	**-**	**6.355**	**-**	**-**	**6.355**	**7.145**
B) Unquoted derivatives							
1. Financial derivatives:	**5.323**	**32.497**	**28**	**-**	**-**	**37.848**	**28.188**
• with equity swap	-	28.623	-	-	-	28.623	16.006
- options issued	-	4.460	-	-	-	4.460	2.905
- other derivatives	-	24.163	-	-	-	24.163	13.101
• without equity swap	5.323	3.874	28	-	-	9.225	12.182
- options issued	2.004	-	28	-	-	2.032	6.637
- other derivatives	3.319	3.874	-	-	-	7.193	5.545
2. Credit derivatives:	**-**	**-**	**-**	***75***	**-**	***75***	**-**
• with equity swap	-	-	-	75	-	75	-
• without equity swap	-	-	-	-	-	-	-
Total B	**5.323**	**32.497**	**28**	**75**	**-**	**37.923**	**28.188**
Total A+B	**5.323**	**32.497**	**6.383**	**75**	**-**	**44.278**	**35.333**

4.4.2 attributable to insurance companies

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans & Receivables	Other	Total 31/12/2008	Total 31/12/2007
A) Quoted derivatives							
1. Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B) Unquoted derivatives							
1. Financial derivatives:	**5**	**-**	**-**	**-**	**-**	**5**	**6.073**
• with equity swap	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• without equity swap	5	-	-	-	-	5	6.073
- options issued	-	-	-	-	-	-	-
- other derivatives	5	-	-	-	-	5	6.073
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-	-
Total B	**5**	**-**	**-**	**-**	**-**	**5**	**6.073**
Total A+B	**5**	**-**	**-**	**-**	**-**	**5**	**6.073**

4.5 Cash financial liabilities (excluding "technical overdrafts") held for trading: annual changes

	Due to banks	Due to customers	Outstanding securities	Total 31/12/2008
A. Opening balance	**12**	**-**	**-**	**12**
B. Increases	**2**	**-**	**-**	**2**
B1. Issues	-	-	-	-
B2. Sales	-	-	-	-
B3. Fair value increases	-	-	-	-
B4. Other changes	2	-	-	2
C. Decreases	**12**	**-**	**-**	**12**
C1. Purchases	-	-	-	-
C2. Repayments	-	-	-	-
C3. Fair value decreases	-	-	-	-
C4. Other changes	12	-	-	12
D. Closing balance	**2**	**-**	**-**	**2**

Section 5 - Financial liabilities at fair value through profit or loss - Item 50

5.1. Financial liabilities at fair value through profit or loss

Type of transaction/Amount	Banking group				Insurance companies				Other companies			
	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*
		Q	UQ			Q	UQ			Q	UQ	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	X	-	-	-	X	-	-	-	X
1.2 Others	-	-	-	X	-	-	-	X	-	-	-	X
2. Due to customers	**-**	**-**	**-**	**-**	**492.116**	**-**	**492.116**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	X	-	-	-	X	-	-	-	X
2.2 Others	-	-	-	X	492.116	-	492.116	X	-	-	-	X
3. Outstanding securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	X	-	-	-	X	-	-	-	X
3.2 Others	-	-	-	X	-	-	-	X	-	-	-	X
TOTAL	**-**	**-**	**-**	**-**	**492.116**	**-**	**492.116**	**-**	**-**	**-**	**-**	**-**

continued

Type of transaction/Amount	Total 31/12/2008				Total 31/12/2007			
	NV	FV		FV*	NV	FV		FV*
		Q	NQ			Q	NQ	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	X	-	-	-	X
1.2 Others	-	-	-	X	-	-	-	X
2. Due to customers	**492.116**	**-**	**492.116**	**-**	**584.884**	**417.667**	**167.217**	**-**
2.1 Structured	-	-	-	X	-	-	-	X
2.2 Others	492.116	-	492.116	X	584.884	417.667	167.217	X
3. Outstanding securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	X	-	-	-	X
3.2 Others	-	-	-	X	-	-	-	X
TOTAL	**492.116**	**-**	**492.116**	**-**	**584.884**	**417.667**	**167.217**	**-**

Key
FV = fair value
FV* = fair value calculated excluding changes in value due to changes in credit worthiness of the issuer after the issue date
NV = nominal value
Q = quoted
UQ = unquoted

The decline in financial liabilities at fair value through profit or loss was due mainly to an increase in liquidations of insurance policies of the "third kind" and to writedowns made on a number of securities of the segment carried at fair value. In fact each reduction of the reserve of products where the investment risk is borne by policyholders is reflected in a decrease in the corresponding securities.

Following changes in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

5.3. Financial liabilities at fair value through profit or loss: annual changes

	Due to banks	Due to customers	Outstanding securities	Total 31/12/2008
A. Opening balance	**-**	**584.884**	**-**	**584.884**
B. Increases	**-**	**4.746**	**-**	**4.746**
B1. Issues	-	-	-	-
B2. Sales	-	-	-	-
B3. Fair value increases	-	4.245	-	4.245
B4. Other changes	-	501	-	501
C. Decreases	**-**	**97.514**	**-**	**97.514**
C1. Purchases	-	-	-	-
C2. Repayments	-	-	-	-
C3. Fair value decreases	-	-	-	-
C4. Other changes	-	97.514	-	97.514
D. Closing balance	**-**	**492.116**	**-**	**492.116**

The increases and decreases recognized under "Other changes " were of the following kinds:
- the decreases comprise liquidations relating to index contracts classified as "investment" products;
- the increases comprise premiums relating to specific asset financing agreements classified as "investment" products.

Following changes in the exposure of certain insurance items, the opening balance was made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

Section 6 - Hedging derivatives - Item 60

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

6.1.1 attributable to the banking group

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans & Receivables	Others	Total
A) Quoted						
1. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unquoted						
1. Financial derivatives	**71.566**	**-**	**-**	**-**	**-**	**71.566**
• with equity swap	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without equity swap	71.566	-	-	-	-	71.566
- options issued	-	-	-	-	-	-
- other derivatives	71.566	-	-	-	-	71.566
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with equity swap	-	-	-	-	-	-
• without equity swap	-	-	-	-	-	-
Total B	**71.566**	**-**	**-**	**-**	**-**	**71.566**
Total (A+B) 31/12/2008	**71.566**	**-**	**-**	**-**	**-**	**71.566**
Total (A+B) 31/12/2007	**9.902**	**-**	**-**	**-**	**-**	**9.902**

The increase compared with the previous year can be attributed both to a rise in volumes of fixed-rate loans hedged by Interest Rate Swap contracts, and to a decline in market rates which increased the fair value of the hedging derivatives.

6.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

6.2.1 attributable to the banking group

Transaction/Type of hedging	Fair value hedges						Cash flow hedges	
	Micro					Macro	Micro	Macro
	Interest rate risk	exchange rate risk	credit risk	price risk	more than one risk			
1. Financial assets available for sale	-	-	-	-	-	X	-	X
2. Receivables	64.805	-	-	X	-	X	-	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
5. Foreign investments	X	X	X	X	X	X	-	X
Total assets	**64.805**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	6.761	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**6.761**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Pending transactions	X	X	X	X	X	X	-	-

The amount in the item Loans and Receivables refers to the hedging of interest rate risk on loan contracts entered into with customers by means of interest rate swap contracts.
The amount in the item Financial liabilities refers to the hedging of interest rate risk on outstanding bonds by means of interest rate swap contracts.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
Items payable in transit	745	-	-	745	3.596
Taxes payable for third parties	31.255	228	-	31.483	24.508
Adjustments for non-cash portfolio items	66.843	-	-	66.843	130.329
Cash available to customers	32.733	-	-	32.733	61.886
Bank transfers and other payments due	164.124	-	-	164.124	165.077
Accounts payable and fees payable to sundry third parties	58.887	1.878	-	60.765	86.375
Personnel expenses	34.387	537	-	34.924	46.923
Payables for guarantees and commitments	2.384	-	-	2.384	2.520
Fees payable to statutory auditors and directors	2.859	153	-	3.012	534
Contributions payable to sundry agencies	8.196	1	-	8.197	8.239
Deferrals	4.900	8	-	4.908	1.647
Payments to cover recalled bills	63	-	-	63	93
Special law contributions to be paid to customers	470	-	-	470	311
Cram in liquidation for liability action	-	-	-	-	11
Debt deriving from direct insurance operations	838	4	-	842	867
Debt deriving from reinsurance operations	-	363	-	363	321
Commissions for premiums being collected	-	189	-	189	272
Deferred income reserve	-	3.193	-	3.193	4.791
Others	9.642	1.275	-	10.917	21.294
Total	**418.326**	**7.829**	**-**	**426.155**	**559.594**

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

The item Deferred income reserve relates to revenues for fees on investment products (on the basis of the provisions of IAS 39) accruing to future years on the basis of the term of the policy.

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes

	Banking group	Insurance companies	Other companies	Total 31/12/2008
A. Opening balance	**39.161**	**548**	**-**	**39.709**
B. Increases	**4.744**	**163**	**-**	**4.907**
B.1 Provisions	4.055	163	-	4.218
B.2 Other increases	689	-	-	689
C. Decreases	**3.392**	**17**	**-**	**3.409**
C.1 Liquidations paid	2.847	17	-	2.864
C.2 Other decreases	545	-	-	545
D. Closing balance	**40.513**	**694**	**-**	**41.207**

The increase in the reserve is due almost exclusively to a decline in the market rates which influenced the effect of discounting this reserve.

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

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

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Item/Component	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Company pension funds	-	-	-	-	-
2. Other provisions for risks and charges	54.300	-	-	54.300	79.738
2.1 Legal disputes and customer complaints	19.739	-	-	19.739	22.691
2.2 Operational risks	29.038	-	-	29.038	53.369
2.3 Personnel charges	1.852	-	-	1.852	330
2.4 Supplementary customer allowance and goodwill compensation for termination of agency relationship	1.535	-	-	1.535	1.163
2.5 Others	2.136	-	-	2.136	2.185
Total	**54.300**	**-**	**-**	**54.300**	**79.738**

The item "Legal disputes and customer claims" consists mainly of estimates of liabilities likely for bankruptcy revocatory actions, lawsuits against the company and customers claims. Provisions for operational risks include the amounts set aside for disputes relating to Sella Bank Luxembourg (for which the due dates for payments were extended to 3/5 year) and for employee disloyalty.
The payment times of the liabilities relating to lawsuits and customer claims can be estimated as a time period of approximately 18/24 months, while for revocatory actions oscillates between about 30 and 40 months in relation to the geographical area of reference.

12.2 Provisions for risks and charges: annual changes

12.2.1 attributable to the banking group

Item/Component	Pension funds	Legal Disputes	Operat. risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others
A. Opening balance	**-**	**22.691**	**53.369**	**330**	**1.163**	**2.185**
B. Increases	**-**	**5.531**	**3.792**	**3.053**	**675**	**1.165**
B.1 Provisions for the year	-	4.332	745	3.048	298	1.125
B.2 Changes due to passing of time	-	832	1.165	2	-	32
B.3 Changes due to fluctuations in discount rate	-	202	1.476	1	-	3
B.4 Other changes	-	165	406	2	377	5
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	11	-	2	-	4
- other changes (+)	-	154	406	-	377	1
C. Decreases	**-**	**8.483**	**28.123**	**1.531**	**303**	**1.214**
C.1 Utilization in the period	-	3.170	23.144	1.463	147	416
C.2 Changes due to fluctuations in discount rate	-	16	-	-	-	-
C.3 Other changes	-	5.297	4.979	68	156	798
- business combinations (-)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	5.297	4.979	68	156	798
D. Closing balance	**-**	**19.739**	**29.038**	**1.852**	**1.535**	**2.136**

As regards operational risks, the amount of Item C.1 "Utilization in the period" relates for 21,8 million euro to the payment made by Sella Bank Luxembourg in August 2008, in the context of the dispute relating to the SICAVs Amis and TTM, as explained in the report on operations, in the section devoted to the Luxembourg-based company.

Section 13 - Technical reserves - Item 130

13.1 Technical reserves: breakdown

	Direct work	Indirect work	Total 31/12/2008	Total 31/12/2007
A. Non-life	**1.433**	**-**	**1.433**	**1.519**
A1. Premium reserves	818	-	818	996
A2. Claims reserve	318	-	318	278
A3. Other reserves	297	-	297	245
B. Life business	**295.900**	**-**	**295.900**	**260.779**
B1. Actuarial reserves	285.079	-	285.079	251.641
B2. Outstanding claims reserve	2.998	-	2.998	2.445
B3. Other reserves	7.823	-	7.823	6.693
C. Technical reserves where the investment risk is borne by the policyholders	**168.487**	**-**	**168.487**	**235.201**
C1. Reserves relating to investment fund and index-linked contracts	168.487	-	168.487	235.201
C2. Reserves deriving from the administration of pension funds	-	-	-	-
D. Total technical reserves	**465.820**	**-**	**465.820**	**497.499**

13.2 Technical reserves: annual changes

	Total 31/12/2007	Change	Total 31/12/2008
A. Non-life	**1.519**	**(86)**	**1.433**
A1. Premium reserves	996	(178)	818
Premium portion reserve	996	(178)	818
Current risk reserve	-	-	-
A2. Claims reserve	278	40	318
Compensation and direct expenses reserve	178	(178)	-
Settlement costs reserve	-	-	-
Incurred and unreported losses reserve	100	218	318
A3. Other reserves	245	52	297
B. Life business	**260.779**	**35.121**	**295.900**
B1. Actuarial reserves	251.641	33.438	285.079
B2. Outstanding claims reserve	2.445	553	2.998
B3. Other reserves	6.693	1.130	7.823
C. Technical reserves where the investment risk is borne by the insurers	**235.201**	**(66.714)**	**168.487**
C1. Reserves relating to investment fund and index-linked contracts	235.201	(66.714)	168.487
C2. Reserves deriving from the administration of pension funds	-	-	-
D. Total technical reserves	**497.499**	**(31.679)**	**465.820**

Section 15 - Consolidated capital - Items 140, 160, 170, 180, 190, 200 and 220

15.1 Consolidated capital: breakdown

Item/Amount	31/12/2008	31/12/2007
1. Share capital	100.500	80.000
2. Share premiums	49.414	49.414
3. Reserves	361.951	237.822
4. (Own shares)	-	-
a) Parent Company	-	-
b) Subsidiaries	-	-
5. Valuation reserve	9.575	34.327
6. Equity instruments	-	-
7. Profit/(loss) for the year of the Group	13.632	120.807
Total	**535.072**	**522.370**

During the year the parent company Banca Sella Holding carried out a free capital increase from 80.000.000 euro to 100.500.000 euro. In addition to those enacted by the Parent Company, other Group companies carried out similar operations. For more information see the Report on operations, in the section "Changes in the Group structure and in equity investments", paragraph "Capital increases".

15.2 "Share capital" and "Own shares": breakdown

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

15.3 Share capital - Number of parent company shares: annual changes

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

During the year the parent company Banca Sella Holding carried out a free capital increase through the issue of 41.000.000 new shares with a par value of 0,50 euro each. In addition to those enacted by the Parent Company, other Group companies carried out similar operations. For more information see the Report on operations, in the section "Changes in the Group structure and in equity investments", paragraph "Capital increases".

15.6 Valuation reserves: breakdown

Item/Component	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Financial assets available for sale	2.818	(1.130)	-	1.688	5.044
2. Tangible assets	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedges	-	-	-	-	-
5. Cash flow hedges	-	-	-	-	-
6. Exchange rate differences	-	-	-	-	-
7. Non-current assets held for sale	-	-	-	-	-
8. Special revaluation laws	7.887	-	-	7.887	29.283
Total	**10.705**	**(1.130)**	**-**	**9.575**	**34.327**

The decrease in valuation reserves compared with the previous year is attributable to the free capital increases carried out during the year, as described in the Report on operations, in the section "Changes in the Group structure and in equity investments" , paragraph "Capital increases".
With reference to the insurance companies, in 2008, as in the previous year, the prerequisites for provisions to the Shadow Accounting reserve were not found to be met.

15.7 Valuation reserves: annual changes

15.7.1 attributable to the banking group

	Financial assets available for sale	Tangible assets	Intangible assets	Foreign investment hedges	Cash flow hedges	Exchange rate differences	Non-current assets held for sale	Special revaluation laws
A. Opening balance	**6.323**	**-**	**-**	**-**	**-**	**-**	**-**	**29.283**
B. Increases	**11.350**	**-**	**-**	**-**	**-**	**-**	**-**	**293**
B.1 Increases in fair value	5.505	-	-	-	-	-	-	X
B.2 Other changes	5.845	-	-	-	-	-	-	293
C. Decreases	**14.855**	**-**	**-**	**-**	**-**	**-**	**-**	**21.689**
C.1 Reductions in fair value	13.911	-	-	-	-	-	-	X
C.2 Other changes	944	-	-	-	-	-	-	21.689
D. Closing balance	**2.818**	**-**	**-**	**-**	**-**	**-**	**-**	**7.887**

15.7.2 attributable to the insurance companies

	Financial assets available for sale	Tangible assets	Intangible assets	Foreign investment hedges	Cash flow hedges	Exchange rate differences	Non-current assets held for sale	Special revaluation laws
A. Opening balance	**(1.279)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**204**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Increases in fair value	204	-	-	-	-	-	-	X
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**55**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Reductions in fair value	-	-	-	-	-	-	-	X
C.2 Other changes	55	-	-	-	-	-	-	-
D. Closing balance	**(1.130)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

15.8 Valuation reserves of financial assets available for sale: breakdown

Asset/Amount	Banking group		Insurance companies		Other companies		Total 31/12/2008		Total 31/12/2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	1.717	-	1.130	-	-	-	2.847	-	1.279
2. Share capital securities	4.656	121	-	-	-	-	4.656	121	6.337	14
3. UCITS units	-	-	-	-	-	-	-	-	-	-
4. Loans and adv.	-	-	-	-	-	-	-	-	-	-
Total	**4.656**	**1.838**	**-**	**1.130**	**-**	**-**	**4.656**	**2.968**	**6.337**	**1.293**

15.9 Valuation reserves of financial assets available for sale: annual changes

15.9.1 attributable to the banking group

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**-**	**6.323**	**-**	**-**
2. Increases	**-**	**11.110**	**-**	**-**
2.1 Increases in fair value	-	5.505	-	-
2.2 Reversal to income statement of negative reserves	-	4.148	-	-
- following impairment	-	-	-	-
- following realization	-	4.148	-	-
2.3 Other changes	-	1.457	-	-
3. Decreases	**1.717**	**12.898**	**-**	**-**
3.1 Reductions in fair value	1.629	12.536	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	-	-	-	-
3.4 Other changes	88	362	-	-
4. Closing balance	**(1.717)**	**4.535**	**-**	**-**

15.9.2 attributable to the insurance companies

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**(1.279)**	**-**	**-**	**-**
2. Increases	**204**	**-**	**-**	**-**
2.1 Increases in fair value	204	-	-	-
2.2 Reversal to income statement of negative reserves	-	-	-	-
- following impairment	-	-	-	-
- following realization	-	-	-	-
2.3 Other changes	-	-	-	-
3. Decreases	**55**	**-**	**-**	**-**
3.1 Reductions in fair value	-	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	-	-	-	-
3.4 Other changes	55	-	-	-
4. Closing balance	**(1.130)**	**-**	**-**	**-**

Section 16 - Minority interest - Item 210

16.1 Minority interest: breakdown

Item/Components	Banking Group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Share capital	44.878	2.037	-	46.915	48.659
2. Share premiums	39.523	-	-	39.523	38.837
3. Reserves	35.528	142	-	35.670	19.066
4. (Own shares)	-	-	-	-	-
5. Valuation reserves	2.221	(106)	-	2.115	3.173
6. Equity instruments	-	-	-	-	-
7. Minority interest proft (loss) for the year	3.469	(17)	-	3.452	13.794
Total	**125.619**	**2.056**	**-**	**127.675**	**123.529**

16.2 Valuation reserves: breakdown

Item/Components	Banking Group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Financial assets available for sale	(401)	(106)	-	(507)	268
2. Tangible assets	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedges	-	-	-	-	-
5. Cash flow hedges	-	-	-	-	-
6. Exchange rate differences	-	-	-	-	-
7. Non-current assets held for sale	-	-	-	-	-
8. Special revaluation laws	2.622	-	-	2.622	2.905
Total	**2.221**	**(106)**	**-**	**2.115**	**3.173**

16.4 Valuation reserves of financial assets available for sale: breakdown

Asset/Amount	Banking group		Insurance companies		Other companies		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	(401)	-	(106)	-	-	-	(507)
2. Share capital securities	-	-	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-	-	-
Total	**-**	**(401)**	**-**	**(106)**	**-**	**-**	**-**	**(507)**

16.5 Valuation reserves: annual changes

16.5.1 attributable to the banking group

	Financial assets available for sale	Tangible assets	Intangible assets	Foreign investment hedges	Cash flow hedges	Exchange rate differences	Non-current assets held for sale	Special revaluation laws
A. Opening balance	**389**	**-**	**-**	**-**	**-**	**-**	**-**	**2.905**
B. Increases	**1.253**	**-**	**-**	**-**	**-**	**-**	**-**	**218**
B.1 Increases in fair value	-	-	-	-	-	-	-	X
B.2 Other changes	1.253	-	-	-	-	-	-	218
C. Decreases	**2.043**	**-**	**-**	**-**	**-**	**-**	**-**	**501**
C.1 Reductions in fair value	1.733	-	-	-	-	-	-	X
C.2 Other changes	310	-	-	-	-	-	-	501
D. Closing balance	**(401)**	**-**	**-**	**-**	**-**	**-**	**-**	**2.622**

16.5.2 attributable to insurance companies

	Financial assets available for sale	Tangible assets	Intangible assets	Foreign investment hedges	Cash flow hedges	Exchange rate differences	Non-current assets held for sale	Special revaluation laws
A. Opening balance	**(121)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Increases in fair value	19	-	-	-	-	-	-	X
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Reductions in fair value	-	-	-	-	-	-	-	X
C.2 Other changes	4	-	-	-	-	-	-	-
D. Closing balance	**(106)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Other information

1. Guarantees issued and commitments

Transactions	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1) Financial guarantees issued	**74.774**	**-**	**-**	**74.774**	**66.402**
a) Banks	-	-	-	-	-
b) Customers	74.774	-	-	74.774	66.402
2) Commercial guarantees issued	**276.374**	**-**	**-**	**276.374**	**241.162**
a) Banks	143	-	-	143	300
b) Customers	276.231	-	-	276.231	240.862
3) Irrevocable commitments to disburse funds	**567.130**	**-**	**-**	**567.130**	**771.413**
a) Banks	336.515	-	-	336.515	385.373
i) certain to be drawn down	319.415	-	-	319.415	372.359
ii) not certain to be drawn down	17.100	-	-	17.100	13.014
b) Customers	230.615	-	-	230.615	386.040
i) certain to be drawn down	161.808	-	-	161.808	258.629
ii) not certain to be drawn down	68.807	-	-	68.807	127.411
4) Commitments underlying credit derivatives: protection sales	**-**	**-**	**-**	**-**	**-**
5) Assets pledged for third party obligations	**62.924**	**-**	**-**	**62.924**	**94.645**
6) Other commitments	**76.251**	**-**	**-**	**76.251**	**113.104**
Total	**1.057.453**	**-**	**-**	**1.057.453**	**1.286.726**

Item 6) consists of the amount of the commitments assumed by the parent company Banca Sella Holding in relation to its subsidiary Sella Bank Luxembourg through a letter of financial support, issued on 27 March 2009, concerning the operational risks illustrated in the Report on Operations, in the section on Group Companies, with reference to the company Sella Bank Luxembourg.

2. Assets pledged against own liabilities and commitments

Portfolios	Balance 31/12/2008	Balance 31/12/2007
1. Financial assets held for trading	316.634	654.259
2. Financial assets at fair value through profit or loss	-	-
3. Financial assets available for sale	23.197	-
4. Financial assets held to maturity	71.893	69.472
5. Due from banks	1.514	-
6. Due from customers	8.474	-
7. Tangible assets	-	-

The item Financial assets held for trading consists of securities used to guarantee:
- *repurchase agreements.*
- *advances from the Bank of Italy;*
- *derivative transactions.*

The item Financial assets available for sale consists of securities used to guarantee:
- *repurchase agreements.*

The item Financial assets held to maturity consists of securities used to guarantee:
- *repurchase agreements.*
- *bank drafts at the Bank of Italy;*
- *advances from the Bank of Italy;*
- *derivative transactions.*

The item Due to banks consists of securities used to guarantee:
- *repurchase agreements.*

The item Due to customers consists of securities used to guarantee:
- *repurchase agreements.*

REPURCHASE AGREEMENTS
There are no specific clauses and conditions associated with this guarantee.

ISSUE OF BANK DRAFTS
Banks authorised to issue bank drafts are required to lodge a deposit at the Bank of Italy. The minimum value of the deposit lodged is 20% of the amount of drafts in circulation. The Bank of Italy holds the deposits lodged and checks the congruity of the amount with respect to the minimum amount in relation to the circulation of bank drafts and the release of the financial instruments deposited.
Banks with misalignments in the amount of the deposit must take appropriate corrective measures, which, depending on the situation, will consist of rectifying the reports at the first favourable occasion or increasing the deposits, to be implemented within the 5 days following the notification. If they fail to increase the deposits or infringe the regulations on their amount or composition, then the banks may be fined from 516,46 euro to 25.822,84 euro, in accordance with Article 144, paragraph 1, of Legislative Decree 385/93.

ADVANCES FROM THE BANK OF ITALY
For advances granted by the Bank of Italy in order to finance, during the same business day, any temporal misalignments between payments and receipts, the Group banks are required to offer their assets as surety, which are registered in the specific guarantee securities deposit account opened at the Bank of Italy.
If the surety is not lodged within the deadline envisaged, and the misalignment continues, the Bank of Italy may terminate the contract. Such termination entails the immediate closure of the intraday advance account, and consequently an obligation to repay the debt in the said account and reimburse any advances granted.

DERIVATIVE TRANSACTIONS
The Banca Sella Group banks adhere to the guarantee system managed by the Clearing and Guarantee House, through the payment of margins. The final settlement of Contractual Positions on Derivative Financial Instruments may be carried out through differential liquidation in cash or “delivery” of the underlying asset, in accordance with the provisions of the relevant Contractual Schedule.
In the event of default or insolvency, the Clearing and Guarantee House proceeds to close the accounts of the party in default and calculates the charges incurred in this operation.

4. Breakdown of investments relating to unit-linked and index-linked policies

	Total 31/12/2008	Total 31/12/2007
I. Land and buildings	-	-
II. Investments in group companies and subsidiary companies:	-	-
1. Shares and holdings	-	-
2. Bonds	-	-
3. Loans and advances	-	-
III. Stakes in mutual funds	-	417.759
IV. Other financial investments:	669.631	403.047
1. Shares and holdings	109.900	398
2. Bonds and other fixed-income securities	505.810	374.797
3. Deposits with credit institutions	31.131	-
4. Miscellaneous financial investments	22.790	27.852
V. Other assets	-	-
VI. Cash	-	101
Total	**669.631**	**820.907**

5. Management and intermediation on third party behalf: banking group

Type of service	Balance 31/12/2008	Balance 31/12/2007
1. Trading of financial instruments for third parties	**117.673.466**	**185.547.025**
a) Purchases	58.597.514	91.834.632
1. settled	58.509.603	91.595.271
2. not settled	87.911	239.361
b) Sales	59.075.952	93.712.393
1. settled	58.985.519	93.401.708
2. not settled	90.433	310.685
2. Asset management	**3.251.945**	**5.273.353**
a) Individual	3.094.811	5.054.739
b) Collective	157.134	218.614
3. Custody and administration of securities		
a) Third-party securities on deposit: related to custodian bank services (excluding asset management)	2.281.575	5.072.890
1. securities issued by companies included within consolidation	-	-
2. other securities	2.281.575	5.072.890
b) other third-party securities on deposit (exc. asset man.): others	10.593.737	9.685.057
1. securities issued by companies included within consolidation	669.181	616.835
2. other securities	9.924.556	9.068.222
c) third-party securities deposited with third parties	15.683.641	16.100.266
d) own securities deposited with third parties	1.432.952	1.306.918
4. Other transactions *	**252.461.104**	**292.276.378**

** The item "Other transactions" includes the volume of work of receiving and sending orders, which is divided as follows:*
- purchases: 127.601.583
- sales: 124.859.521

Part C – Information on the consolidated Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest receivable and similar income: breakdown

1.1.1 attributable to the banking group

Item/Technical type	Performing financial assets: Debt securities	Performing financial assets: Loans and advances	Impaired financial	Other assets	Total 31/12/2008	Total 31/12/2007
1. Financial assets held for trading	20.243	-	-	6.565	26.808	36.250
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	974	-	-	-	974	959
4. Financial assets held to maturity	3.161	-	-	-	3.161	3.243
5. Due from banks	2.046	83.905	-	-	85.951	96.251
6. Due from customers	696	482.119	219	-	483.034	403.404
7. Hedging derivatives	X	X	X	13.390	13.390	3.904
8. Financial assets sold but not derecognized	25.153	19.293	-	-	44.446	34.180
9. Other assets	X	X	X	1.466	1.466	1.475
Total	**52.273**	**585.317**	**219**	**21.421**	**659.230**	**579.666**

The item "Financial assets sold but not derecognized" includes interest on securities in portfolio used to guarantee repurchase agreements on securitized mortgage loans.

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

1.1.2 attributable to insurance companies

Item/Technical type	Performing financial assets: Debt securities	Performing financial assets: Loans and advances	Impaired financial	Other assets	Total 31/12/2008	Total 31/12/2007
1. Financial assets held for trading	64	-	-	-	64	6.428
2. Financial assets at fair value through profit or loss	15.293	-	-	-	15.293	17.541
3. Financial assets available for sale	9.531	-	-	-	9.531	7.949
4. Financial assets held to maturity	-	-	-	-	-	-
5. Due from banks	504	151	-	-	655	173
6. Due from customers	-	-	-	-	-	-
7. Hedging derivatives	X	X	X	-	-	-
8. Financial assets sold but not derecognized	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	6
Total	**25.392**	**151**	**-**	**-**	**25.543**	**32.097**

1.3 Interest receivable and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies

	Total 31/12/2008	Total 31/12/2007
- on assets in foreign currencies	32.618	46.431

1.3.2 Interest income on financial leasing operations

	Total 31/12/2008	Total 31/12/2007
- on financial leasing operations	63.643	53.385

1.4 Interest payable and similar expenses: breakdown

1.4.1 attributable to the banking group

Item/Technical type	Payables	Securities	Other liabilities	Total 31/12/2008	Total 31/12/2007
1. Due to banks	32.039	X	-	32.039	42.824
2. Due to customers	159.049	X	21	159.070	122.082
3. Outstanding securities	X	108.553	-	108.553	83.599
4. Financial liabilities held for trading	-	-	6.665	6.665	12.217
5. Financial liabilities at fair value through profit or loss	-	-	-	-	-
6. Financial liabilities against assets sold but not derecognized	39.889	-	-	39.889	35.374
7. Other liabilities and reserves	X	X	211	211	182
8. Hedging derivatives	X	X	14.472	14.472	9.701
Total	**230.977**	**108.553**	**21.369**	**360.899**	**305.979**

The item "Financial assets sold but not derecognized" includes interest on repurchase agreements guaranteed by securities in portfolio and interest on payables to the special purpose vehicle Mars 2006 S.r.l. resulting from the securitization of mortgage loans, for information on which see section C.1 of Part E of the present Notes to the Financial Statements.

Following changes in the consolidation area and in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

1.4.2 attributable to insurance companies

Item/Technical type	Payables	Securities	Other liabilities	Total 31/12/2008	Total 31/12/2007
1. Due to banks	-	X	-	-	56
2. Due to customers	1.009	X	-	1.009	116
3. Outstanding securities	X	-	-	-	-
4. Financial liabilities held for trading	-	-	-	-	2.852
5. Financial liabilities at fair value through profit or loss	-	-	-	-	-
6. Financial liabilities against assets sold but not derecognized	-	-	-	-	-
7. Other liabilities and reserves	X	X	29	29	15
8. Hedging derivatives	X	X	-	-	-
Total	**1.009**	**-**	**29**	**1.038**	**3.039**

Following changes in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

1.5 Interest payable and similar expenses: differences on hedging transactions

Item/Segment	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
A. Positive differences on transactions for:					
A.1 Micro-hedging of fair value of assets	3.552	-	-	3.552	449
A.2 Micro-hedging of fair value of liabilities	1.641	-	-	1.641	118
A.3 Macro-hedging of interest rate risk	8.197	-	-	8.197	3.337
A.4 Micro-hedging of asset cash flows	-	-	-	-	-
A.5 Micro-hedging of liability cash flows	-	-	-	-	-
A.6 Macro-hedging of cash flows	-	-	-	-	-
Total positive differences (A)	**13.390**	**-**	**-**	**13.390**	**3.904**
B. Negative differences on transactions for:					
B.1 Micro-hedging of fair value of assets	11.499	-	-	11.499	9.025
B.2 Micro-hedging of fair value of liabilities	1.827	-	-	1.827	548
B.3 Macro-hedging of interest rate risk	1.146	-	-	1.146	128
B.4 Micro-hedging of asset cash flows	-	-	-	-	-
B.5 Micro-hedging of liability cash flows	-	-	-	-	-
B.6 Macro-hedging of cash flows	-	-	-	-	-
Total negative differences (B)	**14.472**	**-**	**-**	**14.472**	**9.701**
C. Balance (A-B)	**1.082**	**-**	**-**	**1.082**	**5.797**

1.6 Interest payable and similar expenses: other information

1.6.1 Interest expense on liabilities in foreign currencies

	Total 31/12/2008	Total 31/12/2007
- on liabilities in foreign currencies	22.663	35.903

1.6.3 Interest expense on third-party funds administered

	Total 31/12/2008	Total 31/12/2007
- on managed third party funds	1	1

Section 2 - Fees - Items 40 and 50

2.1 Fee income: breakdown

2.1.1 attributable to the banking Group

Type of service/Sector	Total 31/12/2008	Total 31/12/2007
a) Guarantees issued	**2.984**	**2.755**
b) Credit derivatives	**-**	**-**
c) Asset management, brokerage and advisory services:	**110.041**	**147.528**
1. Financial instruments trading	5.392	8.546
2. Currency trading	1.170	1.419
3. Asset management	39.705	62.834
3.1. individual	19.090	27.015
3.2. collective	20.615	35.819
4. Custody and administration of securities	1.984	2.177
5. Custodian bank	4.032	6.769
6. Placement of securities	3.806	13.326
7. Order collection	37.829	45.884
8. Consultancy activities	95	138
9. Distribution of third party services	16.028	6.435
9.1. Asset management	2.559	189
9.1.1. individual	2.558	189
9.1.2. collective	1	-
9.2. Insurance products	10.309	5.983
9.3. Other products	3.160	263
d) Collection and payment services	**92.926**	**93.122**
e) Servicing for securitization transactions	**315**	**578**
f) Services for factoring transactions	**-**	**-**
g) Tax collection services	**-**	**-**
h) Other services	**44.910**	**47.280**
- Loans	-	8.473
- Credit and debit cards	8.279	8.384
- Expense recovery on loans to customers	12.289	12.552
- Others	24.342	17.871
Total	**251.176**	**291.263**

2.1.2 attributable to insurance companies

Type of service/Sector	Total 31/12/2008	Total 31/12/2007
a) Guarantees issued	**-**	**-**
b) Credit derivatives	**-**	**-**
c) Asset management, brokerage and advisory services:	**1.460**	**1.474**
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. Custody and administration of securities	-	-
5. Custodian bank	-	-
6. Placement of securities	1.460	1.474
7. Order collection	-	-
8. Consultancy activities	-	-
9. Distribution of third party services	-	-
9.1. Asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	-	-
9.3. Other products	-	-
d) Collection and payment services	**-**	**-**
e) Servicing for securitization transactions	**-**	**-**
f) Services for factoring transactions	**-**	**-**
g) Tax collection services	**-**	**-**
h) Other services	**1.572**	**1.782**
Total	**3.032**	**3.256**

2.2 Fee income: distribution channels of products and services (current regulations): banking group

Channels/sectors	Total 31/12/2008	Total 31/12/2007
a) Own branches:	**38.773**	**56.738**
1. Asset management	31.764	50.201
2. Placement of securities	2.336	5.289
3. Third party products and services	4.673	1.248
b) Door-to-door sales:	**13.083**	**19.338**
1. Asset management	7.940	12.375
2. Placement of securities	1.421	6.950
3. Third party products and services	3.722	13
c) Other distribution channels:	**7.683**	**6.519**
1. Asset management	1	258
2. Placement of securities	49	1.087
3. Third party products and services	7.633	5.174

2.2 Fee income: distribution channels of products and services (current regulations): insurance companies

Channels/sectors	Total 31/12/2008	Total 31/12/2007
a) Own branches:	**-**	**-**
1. Asset management	-	-
2. Placement of securities	-	-
3. Third party products and services	-	-
b) Door-to-door sales:	**-**	**-**
1. Asset management	-	-
2. Placement of securities	-	-
3. Third party products and services	-	-
c) Other distribution channels:	**1.460**	**1.474**
1. Asset management	-	-
2. Placement of securities	1.460	1.474
3. Third party products and services	-	-

2.3 Fee expense: breakdown

2.3.1 attributable to the banking group

Services/Sectors	Total 31/12/2008	Total 31/12/2007
a) Guarantees received	**32**	**-**
b) Credit derivatives	**-**	**-**
c) Asset management, brokerage and advisory services:	**28.739**	**38.804**
1. Financial instruments trading	5.582	8.105
2. Currency trading	5	9
3. Asset management	-	106
3.1. Own portfolio	-	-
3.2. Third party portfolio	-	106
4. Custody and administration of securities	1.701	2.298
5. Placement of financial instruments	1.584	3.056
6. Door-to-door sale of securities, products and services	19.867	25.230
d) Collection and payment services	**46.849**	**48.166**
e) Other services	**3.719**	**4.897**
Total	**79.339**	**91.867**

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

2.3.2 attributable to insurance companies

Services/Sectors	Total 31/12/2008	Total 31/12/2007
a) Guarantees received	**-**	**-**
b) Credit derivatives	**-**	**-**
c) Asset management, brokerage and advisory services:	**56**	**282**
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Asset management	56	282
3.1. Own portfolio	34	282
3.2. Third party portfolio	22	-
4. Custody and administration of securities	-	-
5. Placement of financial instruments	-	-
6. Door-to-door sale of securities, products and services	-	-
d) Collection and payment services	**31**	**-**
e) Other services	**13**	**17**
Total	**100**	**299**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Item/Income	Banking group		Insurance companies		Other companies		Total 31/12/2008		Total 31/12/2007	
	Dividends	Income from UCITSunits	Dividends	Income from UCITSunits	Dividends	Income from UCITSunits	Dividends	Income from UCITSunits	Dividends	Income from UCITSunits
A. Financial assets held for trading	4.667	247	14	-	-	-	4.681	247	3.081	19
B. Financial assets available for sale	7.996	-	-	-	-	-	7.996	-	5.530	-
C. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
D. Equity investments	-	X	-	X	-	X	-	X	101	X
Total	**12.663**	**247**	**14**	**-**	**-**	**-**	**12.677**	**247**	**8.712**	**19**

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

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

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

4.1.1 attributable to the banking group

Transaction/Income component	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains/(losses) (A+B)-(C+D)
1. Financial assets held for trading	**2.658**	**31.296**	**15.457**	**24.332**	**(5.835)**
1.1 Debt securities	2.645	29.993	10.802	10.615	11.221
1.2 Share capital securities	13	476	4.342	12.547	(16.400)
1.3 UCITS units	-	347	313	1.160	(1.126)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	480	-	10	470
2. Financial liabilities held for trading	**-**	**4**	**-**	**303**	**(299)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	4	-	303	(299)
2.3 Others	-	-	-	-	-
3 Other financial assets and liabilities:					
exchange differences	**X**	**X**	**X**	**X**	**4.598**
4. Derivative instruments	**107.187**	**206.395**	**118.408**	**177.154**	**15.398**
4.1 Financial derivatives:	107.109	206.395	118.260	176.998	15.624
- On debt securities and interest rates	106.732	27.871	111.788	22.286	529
- On share capital securities and share indices	377	178.193	6.472	154.497	17.601
- On currencies and gold	X	X	X	X	(2.622)
- Others	-	331	-	215	116
4.2 Credit derivatives	78	-	148	156	(226)
Total	**109.845**	**237.695**	**133.865**	**201.789**	**13.862**

4.1.2 attributable to insurance companies

Transaction/Income component	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains/(losses) (A+B)-(C+D)
1. Financial assets held for trading	**18**	**623**	**1.775**	**3.456**	**(4.590)**
1.1 Debt securities	-	-	-	204	(204)
1.2 Share capital securities	-	1	158	4	(161)
1.3 UCITS units	18	622	1.617	3.248	(4.225)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities:					
exchange rate differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**140**	**5.607**	**2.817**	**727**	**2.203**
4.1 Financial derivatives:	140	5.607	2.817	727	2.203
- On debt securities and interest rates	139	-	2.569	2	(2.432)
- On share capital securities and share indices	1	5.607	248	725	4.635
- On currencies and gold	X	X	X	X	-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**158**	**6.230**	**4.592**	**4.183**	**(2.387)**

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

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

Income component/Amount	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
A. Income from:					
A.1 Fair value hedging derivatives	8.316	-	-	8.316	5.342
A.2 Hedged financial assets (fair value)	82.158	-	-	82.158	7.954
A.3 Hedged financial liabilities (fair value)	-	-	-	-	355
A.4 Cash flow hedging derivatives	-	-	-	-	-
A.5 Assets and liabilities in foreign currencies	-	-	-	-	-
Total income from hedging activities (A)	**90.474**	**-**	**-**	**90.474**	**13.651**
B. Expenses for:					
B.1 Fair value hedging derivatives	78.322	-	-	78.322	8.687
B.2 Hedged financial assets (fair value)	7.954	-	-	7.954	4.122
B.3 Hedged financial liabilities (fair value)	2.469	-	-	2.469	350
B.4 Cash flow hedging derivatives	-	-	-	-	-
B.5 Assets and liabilities in foreign currencies	-	-	-	-	-
Total expenses for hedging activities (B)	**88.745**	**-**	**-**	**88.745**	**13.159**
C. Net gains/(losses) on hedging activities (A-B)	**1.729**	**-**	**-**	**1.729**	**492**

The table contains information on the impact of the valuation of interest rate swap derivative contracts, of the fixed-rate mortgage loans hedged by them and of fixed-rate bonds.

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

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

Item/Income component	Banking group			Insurance companies			Other companies		
	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)	Gains	Net gains/	Risultato (losses)
Financial assets									
1. Due from banks	-	418	(418)	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-	-	-	-
3. Financial assets available for sale	1.055	426	629	495	290	205	-	-	-
3.1 Debt securities	-	-	-	495	290	205	-	-	-
3.2 Share capital securities	8	14	(6)	-	-	-	-	-	-
3.3 UCITS units	1.047	412	635	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
Total assets	**1.055**	**844**	**211**	**495**	**290**	**205**	**-**	**-**	**-**
Financial liabilities									
1. Due to banks	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-
3. Outstanding securities	2.316	660	1.656	67	-	67	-	-	-
Total liabilities	**2.316**	**660**	**1.656**	**67**	**-**	**67**	**-**	**-**	**-**

continued

Item/Income component	Total 31/12/2008			Total 31/12/2007		
	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
Financial assets						
1. Due from banks	-	418	(418)	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	1.550	716	834	88.751	293	88.458
3.1 Debt securities	495	290	205	22	289	(267)
3.2 Share capital securities	8	14	(6)	88.676	4	88.672
3.3 UCITS units	1.047	412	635	53	-	53
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**1.550**	**1.134**	**416**	**88.751**	**293**	**88.458**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	2.383	660	1.723	447	71	376
Total liabilities	**2.383**	**660**	**1.723**	**447**	**71**	**376**

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

Section 7 - Net gains/(losses) on financial assets and liabilities of fair value through profit or loss - Item 110

7.1 Net change in assets/ liabilities at fair value through profit or loss: breakdown

7.1.2 attributable to insurance companies

Transaction/ Income component	Capital gains (A)	Realized profit (B)	Capital losses (C)	Realized losses (D)	Net gains/(losses) (A+B)-(C+D)
1. Financial assets	**3.719**	**959**	**61.952**	**572**	**(57.846)**
1.1 Debt securities	3.701	957	61.717	545	(57.604)
1.2 Share capital securities	18	-	174	7	(163)
1.3 UCITS units	-	2	61	20	(79)
1.4 Loans and advances	-	-	-	-	-
2. Financial liabilities	**4.245**	**-**	**-**	**-**	**4.245**
2.1 Debt securities	2.906	-	-	-	2.906
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	1.339	-	-	-	1.339
3. Financial assets and liabilities in foreign currencies: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity securities and share indices	-	-	-	-	-
- on currencies and gold	X	X	X	X	-
- others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total derivatives	**-**	**-**	**-**	**-**	**-**
Total	**7.964**	**959**	**61.952**	**572**	**(53.601)**

Following changes in the exposure of a number of insurance items, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

Section 8 - Net value adjustments for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

8.1.1 attributable to the banking group

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total	Total
	Specific			Specific		Di portafoglio			
	Write-offs	Others	Portfolio	From interest	Other writebacks	From interest	Other writebacks	31/12/2008 (3)= (1) - (2)	31/12/2007 (3)= (1) - (2)
A. Due from banks	-	-	-	-	-	-	-	-	-
B. Due from customers	(13.402)	(63.729)	(4.694)	9.616	31.575	-	-	(40.634)	(47.103)
C. Total	**(13.402)**	**(63.729)**	**(4.694)**	**9.616**	**31.575**	**-**	**-**	**(40.634)**	**(47.103)**

The item "Specific writedowns – Others" includes, for an amount of 3 million euro, the writedown resulting from the receivable of Sella Bank Luxembourg from Lehman Brothers, which consisted of a margin account used to hedge future derivative transactions on behalf of customers. For more information, see the paragraph on the Luxembourg company in the section "Group Companies".

In financial year 2008 net value adjustments on loans and advances saw an improvement compared with financial year 2007, while there was substantial stability in value adjustments gross of writebacks, thanks also to effective and careful management of the loan portfolio which resulted in a reduction in new entries to default.
The process of revision of the methodology – mentioned both in the Report on Operations, and in Part A – Accounting Policies of the present financial statements – contributed to this improvement; in fact, as stated above, right from the start of the year the work of updating began, focusing on estimates of recoverability of loans in default corresponding to positions classified as non-performing and watchlist loans.
This activity, which is also supported by historical and statistical series, identified the indications and rules described in Part A – Accounting Policies.
For Banca Sella the activity mentioned above had a positive effect on the amounts of the adjusted funds of 9,4 million euro, of which 5,4 million on non-performing loans, and 4 million on watchlist loans; for Banca Sella Sud Arditi Galati the positive effect on the amounts of the adjusted funds was 2,2 million euro, of which 1,8 million on non-performing loans, and 0,4 million on watchlist loans.

8.2. Net value adjustments for impairment of financial assets available for sale: breakdown

8.2.1 attributable to the banking group

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total	Total
	Specific		Specific		31/12/2008	31/12/2007
	Write-offs	Others	From interest	Other writebacks	(3) = (1) - (2)	(3) = (1) - (2)
A. Debt securities	-	-	-	-	-	-
B. Share capital securities	-	(27.965)	X	X	(27.965)	(603)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
Total	**-**	**(27.965)**	**-**	**-**	**(27.965)**	**(603)**

The increase compared with the previous year in the item Net writedown for impairment of financial assets available for sale is attributable to the effect of the impairment of the equity investment held by the Group in London Stock Exchange Group Plc. For more information the reader is referred to the Report on Operations, section on "Results for the year – Income data".

8.4 Net value adjustments for impairment of other financial assets: breakdown

8.4.1 attributable to the banking group

Transaction/Income component	Writedowns			Writebacks				Total	Total
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks	31/12/2008	31/12/2007
A. Guarantees issued	-	-	-	-	-	-	188	188	373
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	(51)	(905)	(307)	152	188	-	-	(923)	(1.838)
Total	**(51)**	**(905)**	**(307)**	**152**	**188**	**-**	**188**	**(735)**	**(1.465)**

8.4.2 attributable to insurance companies

Transaction/Income component	Writedowns			Writebacks				Total	Total
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks	31/12/2008	31/12/2007
A. Guarantees issued	-	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	(2)	-	-	-	-	(2)	(1)
Total	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**	**(2)**	**(1)**

Section 9 - Net premiums - Item 150

9.1 Net premiums: breakdown

Premiums deriving from insurance activity	Direct work	Indirect work	Total 31/12/2008	Total 31/12/2007
A. Life assurance				
A.1 Gross premiums written (+)	127.947	-	127.947	154.489
A.2 Reinsurance premiums ceded (-)	(2.735)	X	(2.735)	(4.555)
A.3 Total	125.212	-	125.212	149.934
B. Non-life insurance				
B.1 Gross premiums written (+)	1.952	-	1.952	2.399
B.2 Reinsurance premiums ceded (-)	(773)	X	(773)	(1.006)
B.3 Change in the gross amount of the premiums reserve (+/-)	221	-	221	(84)
B.4 Change in the reinsurers' share of premiums reserve (+/-)	(109)	-	(109)	34
B.5 Total	1.291	-	1.291	1.343
C. Total net premiums	**126.503**	**-**	**126.503**	**151.277**

Section 10 - Balance of other income/expenses from insurance operations - Item 160

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

Item	Total 31/12/2008	Total 31/12/2007
1. Net change in technical reserves	32.052	(33.785)
2. Incurred losses paid during year	(121.862)	(111.981)
3. Other income/expenses from insurance operations	1.576	2.739
Total	**(88.234)**	**(143.027)**

10.2 Net change in technical reserves: details

Net change in technical reserves	Total 31/12/2008	Total 31/12/2007
1. Life assurance		
A. Actuarial reserves	(26.365)	(16.046)
A.1 Gross annual amount	(26.703)	(17.048)
A.2 (-) Reinsurers' shares	338	1.002
B. Other technical reserves	(1.111)	(1.751)
B.1 Gross annual amount	(931)	(1.642)
B.2 (-) Reinsurers' shares	(180)	(109)
C. Technical reserves where the investment risk is borne by the policyholders	59.513	(16.077)
C.1 Gross annual amount	59.513	(16.077)
C.2 (-) Reinsurers' shares	-	-
Total "life assurance reserves"	**32.037**	**(33.874)**
2. Non-life insurance		
Change in other non-life technical reserves other than loss reserves net of reinsurance assignments	15	89

10.3 Losses incurred in the year: details

Expenses for losses	Total 31/12/2008	Total 31/12/2007
Life assurance: expenses for losses, net of reinsurance assignments		
A. Amounts paid	(120.887)	(116.175)
A.1 Gross annual amount	(121.297)	(116.459)
A.2 (-) Reinsurers' shares	410	284
B. Change in the reserve for outstanding claims	(391)	4.892
B.1 Gross annual amount	(538)	4.871
B.2 (-) Reinsurers' shares	147	21
Total Life assurance losses	**(121.278)**	**(111.283)**
Non-life insurance: expenses for losses, net of recoveries and reinsurance assignments		
C. Amounts paid	(591)	(655)
C.1 Gross annual amount	(832)	(931)
C.2 (-) Reinsurers' shares	241	276
D. Change in recoveries net of reinsurers' shares	-	-
E. Changes in loss reserve	7	(43)
E.1 Gross annual amount	(44)	(55)
E.2 (-) Reinsurers' shares	51	12
Total Non-life insurance losses	**(584)**	**(698)**

10.4 "Other income/expenses from insurance operations": details

	Total 31/12/2008	Total 31/12/2007
LIFE ASSURANCE		
Income	**1.634**	**2.641**
- Other technical income net of reinsurance assignments	195	3
- Income and unrealised capital gains on investments in favour of risk-bearing policyholders	-	-
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	1.439	2.638
Expenses	**(280)**	**(202)**
- Other technical expenses net of reinsurance assignments	(211)	(83)
- Expenses and unrealised capital losses on investments in favour of risk-bearing policyholders	-	-
- Acquisition fees	-	-
- Other acquisition expenses	-	(119)
- Collection fees	(69)	-
Total Life assurance	**1.354**	**2.439**
NON-LIFE INSURANCE		
Income	**341**	**416**
- Other technical income net of reinsurance assignments	4	2
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	337	414
Expenses	**(119)**	**(116)**
- Other technical expenses net of reinsurance assignments	(60)	(34)
- Acquisition fees	(59)	-
- Other acquisition expenses	-	-
- Collection fees	-	(82)
Total Non-life insurance	**222**	**300**

Section 11 - Administrative expenses - Item 180

11.1 Personnel expenses: breakdown

Type of expense/Segments	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1) Employees	**232.122**	**3.369**	**-**	**235.491**	**219.909**
a) Wages and salaries	170.374	2.305	-	172.679	167.567
b) Social security contributions	43.379	622	-	44.001	42.940
c) Severance indemnities	5.484	3	-	5.487	6.136
d) Pension expenses	412	-	-	412	57
e) Provision for severance indemnities	4.056	163	-	4.219	(3.809)
f) Provision for pension funds and similar:	-	-	-	-	-
- defined contribution	-	-	-	-	-
- defined benefit	-	-	-	-	-
g) Payments into external supplementary pension funds:	6.492	142	-	6.634	5.214
- defined contribution	6.492	142	-	6.634	5.214
- defined benefit	-	-	-	-	-
h) Costs deriving from share-based payment agreements	-	-	-	-	-
i) Other employee benefits	1.925	134	-	2.059	1.804
j) Retired personnel expenses	-	-	-	-	-
2) Other personnel	**2.786**	**364**	**-**	**3.150**	**3.368**
3) Directors*	**4.407**	**533**	**-**	**4.940**	**6.609**
Total	**239.315**	**4.266**	**-**	**243.581**	**229.886**

**At 31 December 2007 Item 3) Directors did not include emoluments paid to statutory auditors of Euro 777.000 included among Other administrative expenses.*

11.2 Average number of employees per category: banking group

	Total 31/12/2008	Total 31/12/2007
Employees:		
a) executives	80	73
b) total middle management of 3rd and 4th grade	483	466
c) remaining employees	3.613	3.622
Other personnel	80	15
Total	**4.256**	**4.176**

11.2 Average number of employees per category: insurance companies

	Total 31/12/2008	Total 31/12/2007
Employees:		
a) executives	8	11
b) total middle management of 3rd and 4th grade	4	2
c) remaining employees	21	29
Other personnel	1	1
Total	**34**	**43**

11.5 Other administrative expenses: breakdown

Type of expense/Segments	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
Legal and notarial expenses	7.785	325	-	8.110	6.343
IT assistance and sundry advice	4.968	234	-	5.202	9.693
Other expenses for professional services	107	387	-	494	354
Printing and stationery	2.244	24	-	2.268	2.130
Leasing of electronic machines and software licences	900	-	-	900	5.217
Sundry rentals and expenses for services provided by third parties	22.313	691	-	23.004	22.358
Fees for data transmission	4.580	23	-	4.603	3.946
Purchase of sundry materials for data processing centre	175	-	-	175	153
Postal and telegraphic expenses	8.296	133	-	8.429	8.633
Telephone charges	3.550	68	-	3.618	3.129
Transport expenses	2.706	17	-	2.723	1.798
Cleaning of premises	1.693	18	-	1.711	1.693
Surveillance and escort of valuables	3.706	-	-	3.706	3.045
Electricity and heating	5.131	14	-	5.145	4.909
Rent of premises	19.972	292	-	20.264	17.529
Sundry insurance policies	3.186	98	-	3.284	3.426
Advertizing and promotion	3.917	178	-	4.095	4.342
Entertainment expenses	672	2	-	674	1.091
Donations	210	-	-	210	178
Membership fees	1.377	119	-	1.496	1.493
Subscriptions and books	290	1	-	291	292
Gifts to staff	599	-	-	599	461
Personnel studies	1.913	21	-	1.934	1.628
Information and perusals	4.374	-	-	4.374	2.966
Travelling expenses	4.232	83	-	4.315	4.726
Expenses for interbank network service	150	-	-	150	646
Fees for the Statutory Board of Auditors*	-	-	-	-	777
Expenses for web site	-	-	-	-	2
Pension expenses for financial promoters	651	-	-	651	757
Other fees payable	1.528	25	-	1.553	950
Others	3.046	428	-	3.474	5.440
Maintenance and repair expenses	**13.886**	**161**	**-**	**14.047**	**6.313**
- Properties owned	271	-	-	271	300
- Properties rented	506	4	-	510	552
- Movables	2.634	17	-	2.651	4.300
- Hardware and software	10.475	140	-	10.615	1.161
Indirect taxes and duties	**28.889**	**530**	**-**	**29.419**	**28.286**
- Stamp duty and taxes on stock exchange contracts	25.027	512	-	25.539	23.217
- Substitute tax Pres. Dec. 601/73	691	-	-	691	2.194
- Local property tax	577	-	-	577	554
- Other indirect taxes and duties	2.594	18	-	2.612	2.321
Total	**157.046**	**3.872**	**-**	**160.918**	**154.704**

** During the year 2008 the fees for the Statutory Board of Auditors, for an amount of euro 988.000 were included under personnel expenses.*

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

Section 12 - Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown

	Banking group	Insurance companies	Other companies	Balances 31/12/2008	Balances 31/12/2007
Relating to risks of legal disputes and customer complaints	5.272	-	-	5.272	9.653
Relating to operational risks	(1.446)	-	-	(1.446)	1.293
Relating to staff expenses	3.051	-	-	3.051	393
Relating to other risks	1.455	-	-	1.455	1.336
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(4.727)	-	-	(4.727)	(3.873)
Reattributions to Income Statement relating to operational risks	(343)	-	-	(343)	(606)
Reattributions to Income Statement relating to personnel charges	(16)	-	-	(16)	(23)
Reattributions to Income Statement relating to other expenses	(412)	-	-	(412)	(163)
Total	**2.834**	**-**	**-**	**2.834**	**8.010**

The decline in provisions for risks and charges compared with the previous year was mainly due to discounting to the present the provision set aside for disputes involving the Sella Bank Luxembourg company, the due dates for the liabilities of which were postponed to 3/5 years owing to an objective prolongation of the expected judicial processes, developments in which are described in the section "Group Companies" of the Report on Operations, in the part devoted to Sella Bank Luxembourg.

Section 13 - Net value adjustments of tangible assets - Item 200

13.1 Net value adjustments of tangible assets

13.1.1 Relating to the banking group

Asset/Income component	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Total (a+b-c) 31/12/2008	Total (a+b-c) 31/12/2007
A. Tangible assets					
A.1 Owned	17.996	-	-	17.996	16.339
- for business purposes	17.902	-	-	17.902	15.826
- for investment	94	-	-	94	513
A.2 Acquired in financial leasing	2.749	-	-	2.749	2.656
- for business purposes	2.749	-	-	2.749	2.656
- for investment	-	-	-	-	-
Total	**20.745**	**-**	**-**	**20.745**	**18.995**

13.1.2 attributable to insurance companies

Asset/Income component	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Total (a+b-c) 31/12/2008	Total (a+b-c) 31/12/2007
A. Tangible assets					
A.1 Owned	262	-	-	262	268
- for business purposes	262	-	-	262	268
- for investment	-	-	-	-	-
A.2 Acquired in financial leasing	-	-	-	-	-
- for business purposes	-	-	-	-	-
- for investment	-	-	-	-	-
Total	**262**	**-**	**-**	**262**	**268**

Section 14 - Net value adjustments of intangible assets - Item 210

14.1 Net value adjustments of intangible assets: breakdown

14.1.1 attributable to the banking group

Asset/Income component	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c) 31/12/2008	Net adjustments (a+b-c) 31/12/2007
A. Intangible assets					
A.1 Owned	11.253	6	-	11.259	9.334
- Generated internally by the company	-	-	-	-	-
- Others	11.253	6	-	11.259	9.334
A.2 Acquired in financial leasing	-	-	-	-	-
Total	**11.253**	**6**	**-**	**11.259**	**9.334**

14.1.2 attributable to insurance companies

Asset/Income component	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c) 31/12/2008	Net adjustments (a+b-c) 31/12/2007
A. Intangible assets					
A.1 Owned	70	-	-	70	108
- Generated internally by the company	-	-	-	-	-
- Others	70	-	-	70	108
A.2 Acquired in financial leasing	-	-	-	-	-
Total	**70**	**-**	**-**	**70**	**108**

Section 15 - Other operating expenses and income - Item 220

15.1 Other operating expenses: breakdown

	Banking group	Insurance companies	Other companies	Balances 31/12/2008	Balances 31/12/2007
Amortization of expenses for improvements on third party assets	2.255	-	-	2.255	1.494
Other operating expenses - Losses related to operational risks	3.827	-	-	3.827	6.504
Refunds of interest on collection and payment transactions	2.708	-	-	2.708	3.560
Leasing instalments	-	-	-	-	-
Ordinary maintenance costs of properties held for investment	-	-	-	-	-
Financial leasing management expenses	1.101	-	-	1.101	1.248
Penalties payable for contract defaults - outsourcing fees	33	-	-	33	86
Expenses from derivative contracts	-	-	-	-	-
Expenses for service renderings advanced on behalf of customers	421	-	-	421	255
Insurance premiums advanced on behalf of customers	480	-	-	480	387
Costs advanced on behalf of customers	2.116	-	-	2.116	1.585
Service renderings related to credit recovery	716	-	-	716	559
Expenses for guaranteed minimum on assets managed	-	-	-	-	-
Others	6.403	563	-	6.966	5.295
Total	**20.060**	**563**	**-**	**20.623**	**20.973**

15.2 Other operating income: breakdown

	Banking group	Insurance companies	Other companies	Balances 31/12/2008	Balances 31/12/2007
Rents and instalments receivable	1.336	-	-	1.336	2.061
Charges to third parties and refunds received:	25.795	-	-	25.795	29.462
- taxes recovered	25.308	-	-	25.308	23.609
- insurance premiums and refunds	487	-	-	487	5.853
Expenses recovered and other revenues on current accounts and deposits	12.364	-	-	12.364	10.682
Income from software services	6.508	-	-	6.508	3.378
Income from securitisation operations	718	-	-	718	2.939
Recoveries of interest on collection and payment transactions	2.400	-	-	2.400	2.886
Income on insurance brokerage activities	-	3.000	-	3.000	3.259
Rents and income from financial leasing	2.699	-	-	2.699	2.962
POS fee income	1.750	-	-	1.750	1.753
Administrative services rendered to third parties	582	-	-	582	1.802
Contributions refunded by INPS	-	-	-	-	400
Penalties received for contract defaults - outsourcing fees	121	-	-	121	419
Income from derivative contracts	-	-	-	-	-
Expenses and services rendered in advance on behalf of customers	1.322	-	-	1.322	2.996
Expenses recovered for services rendered in relation to credit recovery	2.201	-	-	2.201	1.482
Management advice for development of insurance sector	-	-	-	-	-
Other income	9.027	928	-	9.955	10.551
Total	**66.823**	**3.928**	**-**	**70.751**	**77.032**

Following changes in the consolidation area, the data at 31 December 2007 were made comparable with the presentation of the current year. For more information see Part A of the Notes to the Financial Statements.

Section 16 - Gains/(losses) on equity investments - Item 240

16.1 Gains/(losses) on equity investments: breakdown

Income components/sectors	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1) Jointly-controlled companies					
A. Income	-	-	-	-	-
1. Revaluations	-	-	-	-	-
2. Gains on sales	-	-	-	-	-
3. Writebacks	-	-	-	-	-
4. Other increases	-	-	-	-	-
B. Expenses	-	-	-	-	-
1. Devaluations	-	-	-	-	-
2. Impairment losses	-	-	-	-	-
3. Losses on sales	-	-	-	-	-
4. Other decreases	-	-	-	-	-
Net gains/(losses)	**-**	**-**	**-**	**-**	**-**
2) Companies subject to significant influence					
A. Income	606	-	-	606	1.885
1. Revaluations	583	-	-	583	600
2. Gains on sales	23	-	-	23	363
3. Writebacks	-	-	-	-	-
4. Other increases	-	-	-	-	922
B. Expenses	355	1.327	-	1.682	1.185
1. Devaluations	116	1.327	-	1.443	721
2. Impairment losses	-	-	-	-	-
3. Losses on sales	85	-	-	85	392
4. Other decreases	154	-	-	154	72
Net gains/(losses)	**251**	**(1.327)**	**-**	**(1.076)**	**700**
Total	**251**	**(1.327)**	**-**	**(1.076)**	**700**

The amount of the item "Expenses – Devaluations", relating to insurance companies refers to the writedown made by C.B.A. Vita of the equity interest in InChiaro Assicurazioni.

Section 18 - Impaiment of goodwill - Item 260

18.1 Impaiment of goodwill: breakdown

The adjustment of 36 thousand euro in financial year 2008 refers to the writedown of goodwill deriving from consolidation of the company Sella Gestioni.

Section 19 - Gains/(losses) on sales of investments - Item 270

19.1 Gains/(losses) on sales of investments: breakdown

Income components/sectors	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
A. Properties	**5.688**	**-**	**-**	**5.688**	**17**
- Gains on sales	5.688	-	-	5.688	17
- Losses on sales	-	-	-	-	-
B. Other assets	**(1.781)**	**2**	**-**	**(1.779)**	**22**
- Gains on sales	438	2	-	440	35
- Losses on sales	2.219	-	-	2.219	13
Net gains/(losses)	**3.907**	**2**	**-**	**3.909**	**39**

The item "Gains on the sale of properties" consists of 4,9 million from the sale of the property owned by Sella Bank Luxembourg, and for the remainder of gains on the sale of a property owned by Banca Sella Sud Arditi Galati.

Section 20 - Income taxes for the period on continuing operations - Item 290

20.1 Income taxes for the period on continuing operations: breakdown

Income components/sectors	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
1. Current taxes (-)	50.738	(577)	-	50.161	66.937
2. Change in current taxes of previous years (+/-)	681	(3)	-	678	1.052
3. Reduction of current taxes for the year (+)	9.001	-	-	9.001	7.162
4. Change in prepaid taxes (+/-)	(2.598)	170	-	(2.428)	3.994
5. Change in deferred taxes (+/-)	(3.121)	1.087	-	(2.034)	(1.382)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	36.699	677	-	37.376	63.439

20.2 Reconciliation between theoretical tax burden and actual tax burden in the financial statements

Description	Taxable income	Rate	Income tax
Profit from continuing operations before taxes	54.460		
Nominal rate*		32,32%	17.601
Portion of dividends exempt from tax	(7.596)	-4,51%	(2.455)
Non-deductible interest expense (the so-called “Robin Hood tax”)	18.446	6,94%	3.780
Non-deductible devaluations of equity securities	27.643	13,96%	7.602
Taxable portion of intragroup dividends	1.859	0,94%	511
Sundry non-deductible costs	4.530	2,29%	1.246
Losses for the year for which no prepaid taxes have been allocated	5.311	3,15%	1.716
Positive effect of net reduction in deferred tax liabilities for tax return EC section redemption		-4,17%	(2.270)
Other differences		0,58%	318
Adjusted rate		**51,50%**	**28.049**
Higher taxable base of IRAP compared with IRES	193.502	17,13%	9.327
Effective rate		**68,63%**	**37.376**

(*): IRES rate + average IRAP rate of parent company

Section 21 - Gains/(losses) on assets held for sale after tax - Item 310

21.1 Gains/(losses) on assets held for sale after tax: breakdown

Income components/sectors	Banking group	Insurance companies	Other companies	Total 31/12/2008	Total 31/12/2007
Asset/liability group					
1. Income	-	-	-	-	-
2. Expenses	-	-	-	-	(77)
3. Result of valuations of asset group and associated liabilities	-	-	-	-	(75)
4. Gains/(losses) on realization	-	-	-	-	-
5. Taxes and duties	-	-	-	-	52
Profit/(loss)	**-**	**-**	**-**	**-**	**(100)**

21.2 Details of taxes on income and on asset/liability groups held for sale

	Balance 31/12/2008	Balance 31/12/2007
1. Current taxes (-)	-	29
2. Change in prepaid taxes (-)	-	20
3. Change in deferred taxes	-	3
4. Income taxes for the period	**-**	**52**

Section 22 - Profit/(loss) for the year pertaining to minority interests - Item 330

22.1 Details of Item 330 "Profit pertaining to minority interests"

	Total 31/12/2008	Total 31/12/2007
Banca Sella Sud Arditi Galati S.p.A	3.924	2.627
Biella Leasing S.p.A.	924	1.255
Banca Patrimoni Sella & C. S.p.A.	(1.227)	4.176
Banca Sella Nordest Bovio Calderari S.p.A.	(1.327)	1.141
Banca di Palermo S.p.A.	-	40
Consel S.p.A.	866	499
CBA Vita S.p.A.	(94)	225
Sella Gestioni SGR S.p.A.	16	3.325
Brosel S.p.A.	157	165
Sella Bank AG	194	331
Other	19	10
Profit for the year pertaining to minority interests	**3.452**	**13.794**

Part D – Sector information

Primary disclosure

In accordance with the operational characteristics and the organisational and management framework of the Group, the primary structure includes the following macro-entities:

NETWORKS DEPARTMENT

The mission of the Networks Department is to develop and manage relations with Group customers, learn about customers' needs and anticipate their expectations in order to achieve the income and growth targets set, coordinating distribution activities and commercial and marketing initiatives.

The Networks Department directs and coordinates the work of granting, managing and monitoring lending and also handles disputes.

In terms of the single business segments the Networks Department, through governing, directing and controlling the Business Segments and the product companies, develops and oversees the following activities and services:

- Commercial Banking
- Online Banking
- Private Banking
- Consumer Credit
- Leasing.

The Networks Department controls the following four Business Segments:

- Domestic Banks and Networks, which comprises the following companies: Banca Sella, Banca Sella Sud Arditi Galati, Banca Sella Nord Est - Bovio Calderari
- Credit Companies, which comprises the following companies: Biella Leasing, Consel and Secursel
- Private Banking, which comprises the companies: Banca Patrimoni Sella & C.
- Online Banking.

The Networks Department also oversees the companies Sella Bank A.G. and Selfid and the Marketing and Portal, Disputes, Credit Policies, Network Organisation, and Network Controls Services.

FINANCE DEPARTMENT

The task of the Finance Department is to direct and coordinate the financial activities of the Group by managing the integrated treasury, defining asset and liability management policies, funding policies, supervising market risk, managing the Group's own securities portfolio.

The Finance Department also oversees own account trading carried out by the trading room of the business segment of the same name.

Sella Corporate Finance is also controlled directly by the Finance Department.

BANKING SERVICES DEPARTMENT

The mission of the Banking Services Department is to provide the Group with an adequate technical and organizational structure characterized by excellence, innovation and the highest quality. It also coordinates the development of a number of specific businesses associated with this operational activity. Its task is also, therefore, to provide information systems and the products and services it performs to the Group banks and companies in outsourcing.

As these activities can also be offered to institutional operators external to the Banca Sella Group (banks, brokers, AMCs, etc…), one of the Department's tasks is to offer its services also outside the Group.

The Banking Services Department controls the following four Business Segments:

- Real Estate/Technical Services and Security, which comprises the following companies: Immobiliare Sella and Immobiliare Lanificio Maurizio Sella
- Payment Systems
- Information Technology, which comprises the companies: Sella Synergy India and Selir
- General Banking Services, which controls the Banking Services Administration, Customer and Group Companies Accounting, and Custodian and Correspondent Bank Services.

The Process Organization, Banking Services Controls and Banking Services Coordination Services also belong to this Department.

The company Easy Nolo is also controlled directly by the Banking Services Department.

GENERAL AFFAIRS DEPARTMENT

The General Affairs Department is responsible for overseeing the general affairs of the Banca Sella Group, in particular as regards legal and tax matters, institutional aspects and relations with certain stakeholders including shareholders (Investor Relations Service), the media (press office, external communication), employees (as regards internal communication), the supervisory authorities and the institutions. This oversight is extended also to matters associated with corporate governance as regards the secretarial activities of the Group itself and the complaints office.

The General Affairs Department is also responsible for the following companies: Sella Holding NV, Finanziaria 2007.

PRODUCT COMPANIES

The Product Companies comprise the entities whose business is mainly focused on the creation of products or the provision of specialist services.

It therefore includes the following three Business Segments:

- Bancassurance, which comprises the companies: CBA Vita, Sella Life and Brosel, whose purpose is to provide a top-quality service to the distribution networks, offering an increasingly wide range of products, ensuring performance quality and complete transparency, and spreading the insurance culture within the Group with increasing competence and professionalism
- Asset Management, which comprises the companies: Sella Gestioni SGR, Selgest and Sella Capital Management (now in liquidation, but which operated until May 2007)
- Trading.

Also part of the Product Companies Department are the Product Companies Coordination and Product Companies Control Services and the company Sella Bank Luxembourg.

CENTRAL STRUCTURE

In addition to the Group's Central Management Department, the central units also include the following staff areas: Human Resources, Risk Management and Controls, Financial Statements and Management Control, Compliance, External Relations, Financial Analysis, Funding, Innovation and Internal Audit

The main component consists therefore of bodies performing duties relating to the governance, support and control of the Group's other business sectors.

CRITERIA OF CALCULATION OF PROFITABILITY OF THE BUSINESS SEGMENTS

The income statement of the Business Segments has been drawn up using the following methods.

- In the case of Business Segments whose operations are carried on at the levels of both the parent company and the subsidiaries, the single areas were assigned the relevant proportion of the items of the parent company on the basis of the following principles:
- net interest income was calculated using appropriate internal transfer rates;
- in addition to actual fees, notional fees were also quantified in relation to services rendered by one business unit to another;
- the direct costs of each Business Segment were calculated, and the costs of the central structures other than those specific to the holding function were attributed to the areas.
- The income statements of the single companies were indicated in the case of sectors whose business is carried on solely by subsidiary companies.

The condensed income statement is reclassified the same way as in the Report on operations.

Where considered significant, for a better understanding of the income statement and balance sheet, the 2007 data have been redetermined to make them comparable with the classification at 31 December 2008.

The following table contains the primary disclosure information:

Primary disclosure table *(amounts in euro millions)*

	Banks and networks domestic	General Affairs	Product company	Banking Services	Finance	Central Structure	Total*
INCOME STATEMENT:							
Net banking and insurance income							
year 2008	439,2	(0,4)	25,3	29,9	20,8	(6,3)	508,4
year 2007	443,2	1,3	38,7	33,3	17,4	(10,9)	523,0
Operating costs							
year 2008	(303,8)	(2,0)	(30,3)	(35,7)	(8,3)	(14,6)	(394,7)
year 2007	(278,1)	(1,1)	(31,9)	(34,0)	(7,7)	(12,4)	(365,2)
Operating profit/(loss)							
year 2008	135,4	(2,3)	(5,0)	(5,8)	12,5	(20,9)	113,7
year 2007	165,1	0,2	6,7	(0,7)	9,7	(23,3)	157,8
Profit/(loss) from continuing operations before taxes							
year 2008	90,6	(2,0)	(3,8)	(6,2)	12,4	(44,6)	46,5
year 2007	128,0	1,0	21,1	(2,0)	9,7	32,4	190,2
Profit/(loss) for the period (including minority interests)							
year 2008	53,5	(1,5)	(3,9)	(3,9)	8,3	(35,6)	17,1
year 2007	73,0	1,5	17,6	(1,0)	7,3	36,3	134,7
OTHER INFORMATION:							
Total assets (before cancellations)							
year 2008	13.821	90	1.445	168	5.534	843	
year 2007	11.534	90	1.788	147	4.744	841	
No. Employees							
year 2008	3.015	45	216	856	54	270	4.456
year 2007	2.931	38	284	821	55	239	4.368

** as in the reclassified Income Statement.*

Secondary disclosure

On the basis of the management's approach and the organisational decisions of the Group, the disclosure according to geographical areas constitutes the secondary disclosure required by IAS 14. It contains a condensed outline of the main operating figures for Italy, where the majority of the Group's business has been concentrated, and the rest of the world.

The following table contains the secondary disclosure information:

Secondary disclosure table *(amounts in euro millions)*

	Italy	Rest of the world	Total*
INCOME STATEMENT:			
Net banking and insurance income			
year 2008	492,2	16,3	508,4
year 2007	498,1	24,8	523,0
Operating costs			
year 2008	(375,2)	(19,5)	(394,7)
year 2007	(343,3)	(21,9)	(365,2)
Operating profit/(loss)			
year 2008	117,0	(3,2)	113,7
year 2007	154,8	3,0	157,8
Profit/(loss) from continuing operations before taxes			
year 2008	53,9	(7,4)	46,5
year 2007	187,1	3,1	190,2
Profit/(loss) for the year			
year 2008	25,0	(7,9)	17,1
year 2007	132,8	1,9	134,7
OTHER INFORMATION:			
TOTAL ASSETS (before cancellations)			
year 2008	21.070	832	
year 2007	18.069	1.074	
No. Employees			
year 2008	3.966	490	4.456
year 2007	3.884	484	4.368

** as in the reclassified Income Statement.*

Part E – Information on risks and associated hedging policies

As required by Bank of Italy Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it.

Section 1 - Banking group risks

1.1 Credit risk

QUALITATIVE INFORMATION

1. General aspects

The Banca Sella Group considers the measurement and management of credit risk to be of crucial importance. The lending policies and processes for the disbursement and monitoring of loans are consequently defined so as to combine business needs with the need to ensure the maintenance of high quality for the lending business. Specifically, credit risk control activities are the responsibility of the Risk Management and Controls (Credit Risk Management Unit) and Credit Quality Control Services of the Parent Company. The former has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating effective and proactive management. The latter is instead engaged in more traditional monitoring mainly oriented to an analysis of single risk positions.

2. Credit risk management policies

According to the generally accepted definition in the literature and in the banking system, "credit risk" means the possibility that an unexpected change in the creditworthiness of a counterparty may cause a corresponding unexpected change in the market value of its exposure in relation to the Banca Sella Group.

It is clear from the above definition that the significant concept for the purpose of a correct identification of credit risk is the so-called "unexpected loss": the fact that the actual losses suffered on a given exposure (or on a loan portfolio) may later turn out to be greater than the expected actual losses (the so-called "expected loss"). In more rigorous terms, the unexpected loss is equivalent to the variability of loss around its average value. The expected loss, which is the loss that can be estimated in advance and which the bank expects to be able to cope with on the basis of its historical experience, is managed in the Banca Sella Group through adequate calibration of provisions on performing loans.

The work of disbursement and management of loans and advances, in their different forms, is an important component of the business and profitability of the Group.

During 2008 the Banca Sella Group pursued Lending Policies with the aim of:

- increasing the share of the lending market of the Group banks and Product Companies;
- reviewing the Consumer Credit business model, reducing risk in the automobile segment and diversifying lending opportunities through the disbursement of personal loans using direct sales channels;
- disseminating more advanced and monitored portfolio management policies aimed at improving the risk/return ratio, focusing in particular on strong diversification and fragmentation;
- encouraging innovation and organizational evolution;
- adopting advanced credit risk management models;
- investing in training and skills and increase of the corporate culture of risk management and internal auditing;
- investing in credit quality control systems aimed at innovating credit portfolio management methods;

- adopting a rigorous policy in the application of pricing aimed at applying the correct risk-related price.

2.1 Organizational Aspects

In general, requests for financing are presented directly to the branches of the respective Group banks.

In the process of credit disbursement, applications must first be assessed by a specific decision-making structure in the branch. In support of the assessment process, for Retail and Small Business customers the bank developed an automatic acceptance scoring instrument. In accordance with the limits of its autonomy, the branch may accept the application, reject it or, sometimes, modify it (for example requesting further guarantees or proposing a reduction in the amount applied for or a different type of loan or advance).

Depending on the amount and type of credit requested, applications for loans or advances are decided by different bodies within the structure of each Group bank, from the branches up to the Board of Directors. With specific reference to mortgage loans, applications are initially assessed by a central office which analyses the documentation and the objective characteristics of the property to be financed, and the creditworthiness of the customer. This process culminates in the formulation of an opinion in support of the decision-making process.

If the procedure provides for the acquisition of guarantees in the form of pledges, sureties or mortgages, the process requires detailed examination of the documents acquired. The conclusion of this examination is necessary for the application process to be completed and for the guarantees themselves to be used for the weighting of capital absorption.

After disbursement, borrowing positions must be reviewed regularly in order to check maintenance of the creditworthiness and to evaluate any new needs of the customer. In support of this activity, at the beginning of each month an automatic procedure refers the dossiers to be reviewed to the relevant branches.

2.2 Systems of management, measurement and control

The Parent Company's Credit Risk Management Service has the task of developing credit risk measurement methods and supporting the creation of specific models for the assessment of risk components on the individual loan portfolios of the Group. The Credit Risk Management Service also carries on supervisory work preparing regular reports at every level and laying down common guidelines. The regular analyses concern, among other things, the distribution of customers by rating class and the development of risk profiles covering the entire loan portfolio or particular sub-portfolios characterized by specific risk conditions.

As regards the assessment of the risk of default, the Group uses different management processes and analysis tools according to a segmentation of customers in keeping with the parameters laid down in the Basel 2 Standardized Approach, as confirmed in Bank of Italy Circular 263/2006. The customer segmentation makes it possible, among other things, to divide enterprises into four size classes, labelled in ascending order: small businesses, small and medium enterprises, corporate enterprises and large corporate enterprises.

Each enterprise is associated with a summary risk judgment attributed according to an internal rating model. The rating assignment process concerns all business customers: the assessments, in fact, cover enterprises operating in the industrial, commercial, tertiary and multi-annual production segments, as well as farms, cooperatives, non-profit organizations and financial companies.

The internal rating used in Italian banks of Banca Sella Group is integrated into the company information system and is made up of the following components:

- **Financial statements rating**: this component assesses the risk of default based only on an analysis of the customer's accounting data. The financial statements rating may be calculated for every customer or potential customer. An indispensible premise for calculation of the financial statements rating is possession of financial statements containing a Balance Sheet and an Income Statement. For enterprises with simplified accounts a function has been developed for the attribution of a continual numerical judgement representing the customer's creditworthiness, called the Income Statement Score. Although an ad-hoc function has not been developed to divide the Income Statement Score into separate risk classes (known as clusterization), this Score is combined, by means of a specific function, with the qualitative assessment, contributing in this way to the calculation of the enterprise rating (see next point) also for companies with simplified accounts. The financial statements score is also the maximum level of detail obtainable for the following categories of customer: financial companies, leasing companies, factoring companies, holdings and property companies.
- **Company rating**: a combination of the financial statements rating and the qualitative component deriving from compilation of a specific questionnaire by the account manager. Like the financial statements rating, the company rating may be calculated for every borrower or potential borrower. In the case of a new customer, it represents the most detailed assessment possible of creditworthiness and is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. In view of the need to contain the volatility of the company rating, the difference between this rating and the financial statement rating is opportunely limited to no more than one class.
- **Overall rating**: a combination of the company rating and a behavioural component (data from the Central Credit Register and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer. Unlike the financial statement rating and the company rating, it can only be calculated on companies which have been customers for at least three months.

The internal rating is expressed in the form of a summary alphabetic classification. Each of the three components mentioned includes nine classes of performing loans: from AAA (least risky customers) to C (most risky customers). No rating is assigned if one of the essential elements for determination of the rating – such as recent statutory financial statements and an up-to-date qualitative questionnaire – is missing.

In 2008 work continued on assigning and updating ratings to business borrowers, further consolidating the already significant levels of coverage achieved in previous years.

During 2008 the new performance scoring model for continuous assessment of the probability of default associated with Private, Small Business and Small and Medium Enterprise Customers was also added to the credit disbursement and monitoring processes (for now only for information purposes) . Like the internal rating, the performance scoring leads to a summary final classification made up of nine classes. The main difference with respect to the internal rating lies in the fact that, as it concerns a precise customer segment, the relative weight of the single components of the model takes into due consideration the different risk characteristics of the counterparties.

The new supervisory regulations, known as Basel 2, were immediately interpreted by the Banca Sella Group as an opportunity to refine the credit risk measurement techniques and to ensure supervision through the use of techniques with a growing degree of sophistication. Although it determines its capital requirement to cover credit risk under the terms of the First Pillar using the Standardized Approach, the Group is deeply committed to taking all the organizational and methodological actions needed to prove that its internal rating system is substantially in line with the requisites provided for in the supervisory regulations (the so-called experience test, preparatory to the dispatch of the request for authorization for use of the internal rating based approach to the Bank of Italy).

The Group is also aware of the importance of all the risk factors associated with credit risk but not measured by the tools provided by the First Pillar of Basel 2, such as concentration risk (in the two forms of single name concentration and industry concentration). Alongside scrupulous observance of the supervisory regulations on the subject of large risks and the quantification of internal capital to cover concentration risk under the terms of the Second Pillar of Basel 2, the Parent Company has defined precise guidelines designed to mitigate concentration risk through fragmentation, both at the level of single entities, and in terms of business sector/geographical area. Exposure to concentration risk is monitored monthly on the basis of objective indicators, such as the Herfindahl index, and precise thresholds have been set to limit the overall exposure in each business sector/geographical area and dimensional class.

The Group Credit Quality Service has the task of intervening to prevent any pathologies that may lead to counterparties defaulting. To this end, the Service monitors constantly the performance and use of the credit lines granted to customers.

In 2008 this work was carried out with the support of auditing software procedures and through direct visits to branches. The computerized monitoring work was carried out with the use of a "Credit Alarms" programme: a process based on early warning signals which analyses any negative elements detected in relations with the customer and reports them to the Branch Network. It is the responsibility of the Network itself to indicate the measures taken following the reports and the deadline by which the negative elements will be dealt with. Depending on the seriousness of the event, or failure to implement the measures resolved, the Group may also decide to revoke the credit and to classify the position immediately as non-performing.

Beginning in the second half of 2008 another instrument was made available with the intention of refining further the credit monitoring process, known internally as ARC (Automatic Risk Classification) and designed to classify all positions in the Credit Portfolio (borrowers or with overdrafts in use) into 4 classes on the basis of the associated credit risk:

- ARC class 1 (green): positions with no anomalies and positions with a low level of anomalies;
- ARC class 2 (yellow): positions with more serious anomalies, not such as to jeopardize continuation of the relationship, but which need to be remedied;
- ARC class 3 (red): positions with significant anomalies which require urgent action to remedy the situation;
- ARC class 4 (black): positions with particularly significant anomalies such as to require immediate action to terminate the relationship.

The ARC calculation is updated every month.

The assignment of a risk class derives from the analysis of corresponding rating/scoring values as a 12-month performance forecast to which are added other rules (so-called policy rules, internal rules defined on the basis of experience) designed to worsen the counterparty's risk profile further if strong signs are detected such as to increase considerably the probability of default in the short term.

At the software level, a specific risk form enables all the indicator values to be displayed in a single page, together with other information needed for management of the position.

Specific professional figures, called Territorial Credit Quality Auditors, manage the Class 4 (black) ARC positions directly for recovery of the credit and reduction of the credit risk.

2.3 Credit risk mitigation techniques

In the light of the significant attention paid by Banca Sella Group to the work of loan disbursement, approval for credit is granted only after a particularly detailed initial selection of possible borrowers. In the first place, the assessment of creditworthiness is founded on the actual ability of borrowers to fulfil the commitments assumed exclusively on the basis of their capacity to generate adequate cash flows. However, in the process of disbursement and monitoring of loans, forms of protection from credit risk given by the technical type and by the presence of guarantees are not neglected, above all with reference to customers associated with a higher probability of default. The guarantees normally acquired from counterparties are those typical of the banking business, primarily: personal guarantees and real guarantees on property and financial instruments.

The Group is well aware that credit risk mitigation techniques are effective only if they are acquired and maintained so as to comply with the requirements of the Basel 2 standard in all its aspects: legal, rapid realization, organizational and specific to each guarantee. Effective compliance with the admissibility requisites is the result of a complex process, which is differentiated on the basis of the type of credit risk attenuation technique, and which involves numerous players: from the Distribution staff who deal with the guarantee acquisition process to the Parent Company's Risk Management and Controls Service which handles the stage of verification of admissibility of these guarantees.

With specific reference to the guarantee acquisition stage, the process is backed by a special software procedure which intervenes between the approval stage and the stage of disbursement of the loan and manages acquisition of the guarantees (pledges, mortgages and sureties), tying disbursement to a positive outcome of the controls envisaged.

As regards specifically the guarantee admissibility verification stage, starting out from the input data from the software procedure supporting the acquisition of new guarantees, the Parent Company's Risk Management and Controls Service works in two ways:

- statistical revaluations (known as surveillance) of the value of properties mortgaged for all contracts for which Bank of Italy Circular 263/2006 permits recourse to this type of valuation. To this end the Group makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;
- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

2.4 Impaired financial assets

The structure that manages the work of recovery of impaired loans and disputes in Banca Sella Holding SpA is made up of a central office divided into two sectors.

- The Impaired Loans Service was set up in 2006 and monitors the performance of the single customers and focuses on the prevention of the risks of default of exposed customers such as unpaid loan instalments up to a maximum of euro 30.000 with no other credit lines granted, with the exclusion of overdrafts, or unpaid instalments from positions allocated to "Paa3" for which the agreements entered into have not been complied with.

  The monitoring is essentially based on three aspects of the management of non-performing positions:
  - prevention of the risk of default, which is expressed in specific irregularities in the performance of the position, resulting from any type of credit risk, attributable to non-compliance with the contractual deadlines;
  - centralized identification and management of anomalies with the aim of remedying them through direct payment demands to customers;
  - verification that the anomaly has been remedied and, if it has not, transfer of the positions to the "terminated loans" category.

- The Disputes Service works on an outsourcing basis for the following companies: Banca Sella S.p.A., Banca Sella Sud Arditi Galati S.p.A., Biella Leasing S.p.A..
  Its operational duties include responsibility for:
  - calling in loans for new positions in default;
  - providing assistance and advice to complete restructuring agreements in support of customers;
  - pursuing timely actions to recover loans in default and acquiring further guarantees to cover exposure;
  - promptly calculating expected losses in an analytical manner at the level of individual customer accounts;
  - periodically checking the adequacy of the recovery forecasts and the terms of recoverability of the credit;
  - optimising the costs/results of the legal measures taken to recover the credit;
  - providing technical and operational advice inside the Group on recovering anomalous credits, acquiring guarantees and managing positions in arrears;
  - making losses recorded at the end of court and out-of-court procedures definitive.

Autonomous powers in relation to the assessment of recoveries and waiver proposals for arrangements with customers are almost completely devolved to single managers within the range of the powers granted to the single CEOs of the various companies managed in outsourcing.

The analytical assessment of credits applies to the following classes of impaired receivables:

- non-performing loans
- revoked watchlist loans
- restructured loans.

In accordance with IAS 39, impaired loans are subject to an analytical assessment process and the amount of adjustment of each loan is the difference between the present value of the expected future flows, calculated by applying the original effective interest rate, and the carrying value at the moment of the assessment.

The forecast of recoverability of the credit takes account of:

- the amount of the recovery value as the sum of the expected cash flows estimated on the basis of the types of guarantees given and/or acquirable, their estimated realization value, the costs to be sustained and the debtor's desire to pay;
- recovery times estimated on the basis of the types of guarantees, the in-court or out-of-court liquidation methods for the guarantees, bankruptcy proceedings and the geographical area to which the loan belongs;
- discounting rates; for all credits measured at the amortized cost the original effective rate of return is used, whereas for revocable credit lines the interest rate considered is that at the moment of default.

The Legal Disputes Service analyses the recoverability of each position without using estimation models for expected cash flows. Instead, a specific repayment schedule is drawn up on the basis of the features of each position, taking into account the guarantees given and/or acquirable and any agreements reached with the customers.

The calculation of net value adjustments is backed up by an audit procedure combined with a dynamic review of the various positions to enable constant updating of the recovery forecasts.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING LOANS: AMOUNTS, VALUE ADJUSTMENTS, TREND, ECONOMIC AND GEOGRAPHICAL DISTRIBUTION

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/quality	BANKING GROUP						OTHER COMPANIES		TOTAL
	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Country Risk	Other assets	Impaired	Others	
1. Financial assets held for trading	-	-	-	-	759	891.549	-	39.763	932.071
2. Financial assets available for sale	-	-	-	-	-	128.089	-	202.792	330.881
3. Financial assets held to maturity	-	-	-	-	-	85.498	-	-	85.498
4. Due from banks	-	-	-	-	9	2.439.631	-	21.873	2.461.513
5. Due from customers	92.148	61.656	10.876	68.354	2.775	7.985.681	-	12	8.221.502
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	669.631	669.631
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	4.457	-	-	4.457
Total 31/12/2008	**92.148**	**61.656**	**10.876**	**68.354**	**3.543**	**11.534.905**	**-**	**934.071**	**12.705.553**
Total 31/12/2007	**66.834**	**38.246**	**16.004**	**26.189**	**8.571**	**10.296.092**	**-**	**1.094.018**	**11.545.954**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/quality	Impaired assets				Other assets				Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	(net exposure)
A. Banking group									
1. Financial assets held for trading	-	-	-	-	892.308	-	-	892.308	892.308
2. Financial assets available for sale	-	-	-	-	128.089	-	-	128.089	128.089
3. Financial assets held to maturity	-	-	-	-	85.498	-	-	85.498	85.498
4. Due from banks	-	-	-	-	2.439.641	-	1	2.439.640	2.439.640
5. Due from customers	518.002	284.968	-	233.034	8.032.264	-	43.808	7.988.456	8.221.490
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	4.457	-	-	4.457	4.457
Total A	**518.002**	**284.968**	**-**	**233.034**	**11.582.257**	**-**	**43.809**	**11.538.448**	**11.771.482**
B. Other companies included in the consolidation									
1. Financial assets held for trading	-	-	-	-	39.763	-	-	39.763	39.763
2. Financial assets available for sale	-	-	-	-	202.792	-	-	202.792	202.792
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	21.873	-	-	21.873	21.873
5. Due from customers	-	-	-	-	12	-	-	12	12
6. Financial assets at fair value through profit or loss	-	-	-	-	669.631	-	-	669.631	669.631
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**934.071**	**-**	**-**	**934.071**	**934.071**
Total 31/12/2008	**518.002**	**284.968**	**-**	**233.034**	**12.516.328**	**-**	**43.809**	**12.472.519**	**12.705.553**
Total 31/12/2007	**404.370**	**254.253**	**2.844**	**147.273**	**11.439.786**	**-**	**41.105**	**11.398.681**	**11.545.954**

A.1.3 Cash and off balance sheet exposure to banks: gross and net amounts

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
A.1 Banking group				
a) Non-performing exposures	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	X	-
e) Country risk	99	X	-	99
f) Other assets	2.567.211	X	1	2.567.210
Total A.1	**2.567.310**	**-**	**1**	**2.567.309**
A.2 Other companies				
a) Impaired	-	-	-	-
b) Others	332.423	X	-	332.423
Total A.2	**332.423**	**-**	**-**	**332.423**
Total A	**2.899.733**	**-**	**1**	**2.899.732**
B. OFF BALANCE SHEET EXPOSURE				
B.1 Banking group				
a) Impaired	-	-	-	-
b) Others	435.353	X	18	435.335
Total B.1	**435.353**	**-**	**18**	**435.335**
B.2 Other companies				
a) Impaired	-	-	-	-
b) Others	502	X	-	502
Total B.2	**502**	**-**	**-**	**502**
Total B	**435.855**	**-**	**18**	**435.837**

A.1.4 Cash exposure to banks: trend in gross impaired exposures and exposures subject to "country risk"

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**-**	**-**	**-**	**-**	**2.876**
- of which: exposures sold but not derecognized	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**58**
B.1 Inflows from performing exposures	-	-	-	-	56
B.2 Transfers from other impaired exposures	-	-	-	-	-
B.3 Other increases	-	-	-	-	2
C. Decreases	**-**	**-**	**-**	**-**	**2.835**
C.1 Outflows to performing exposures	-	-	-	-	2.436
C.2 Write-offs	-	-	-	-	-
C.3 Collections	-	-	-	-	-
C.4 Realizations through sales	-	-	-	-	-
C.5 Transfers to other impaired exposures	-	-	-	-	-
C.6 Other decreases	-	-	-	-	399
D. Final gross exposure	**-**	**-**	**-**	**-**	**99**
- of which: exposures sold but not derecognized	-	-	-	-	-

A.1.6 Cash and off balance sheet exposures to customers: gross and net amounts

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURE				
A.1 Banking group				
a) Non-performing exposures	345.652	253.504	X	92.148
b) Watchlist exposures	91.466	29.810	X	61.656
c) Restructured exposures	11.173	297	-	10.876
d) Past due exposures	69.711	1.357	X	68.354
e) Country risk	3.444	X	-	3.444
f) Other assets	8.969.294	X	43.808	8.925.486
TOTAL A.1	**9.490.740**	**284.968**	**43.808**	**9.161.964**
A.2 Other companies				
a) Impaired	-	-	-	-
b) Others	601.146	X	-	601.146
TOTAL A.2	**601.146**	**-**	**-**	**601.146**
TOTAL A	**10.091.886**	**284.968**	**43.808**	**9.763.110**
B. OFF BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Impaired	1.794	-	-	1.794
b) Others	664.899	X	2.366	662.533
TOTAL B.1	**666.693**	**-**	**2.366**	**664.327**
B.2 Other companies				
a) Impaired	-	-	-	-
b) Others	-	X	-	-
TOTAL B.2	**-**	**-**	**-**	**-**
TOTAL B	**666.693**	**-**	**2.366**	**664.327**

A.1.7 Cash exposures to customers: trend in gross impaired exposures and exposures subject to "country risk"

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Country Risk
A. Initial gross exposure	**285.798**	**72.019**	**17.427**	**29.126**	**5.695**
of which: exposures sold but not derecognized	233	-	-	-	-
B. Increases	**113.505**	**96.432**	**218**	**47.255**	**1.078**
B.1 Inflows from performing exposures	28.068	86.938	205	47.255	1.001
B.2 Transfers from other impaired exposures	64.495	5.400	-	-	-
B.3 Other increases	20.942	4.094	13	-	77
C. Decreases	**53.651**	**76.985**	**6.472**	**6.670**	**3.329**
C.1 Outflows to performing exposures	-	3.691	-	-	969
C.2 Write-offs	26.021	155	-	-	-
C.3 Collections	24.007	7.799	1.184	2.003	-
C.4 Realizations through sales	-	-	-	-	-
C.5 Transfers to other impaired exposures	141	64.495	5.259	-	-
C.6 Other decreases	3.482	845	29	4.667	2.360
D. Final gross exposure	**345.652**	**91.466**	**11.173**	**69.711**	**3.444**
- of which: exposures sold but not derecognized	212	-	-	-	-

A.1.8 Cash exposures to customers: trend in total value adjustments

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Country Risk
A. Initial total adjustments	**218.964**	**33.773**	**1.423**	**2.937**	**-**
- of which exposures sold but not derecognized	36	-	-	-	-
B. Increases	**90.524**	**37.316**	**46**	**775**	**-**
B.1 Writedowns	53.492	34.376	46	775	-
B.2 Transfers from other impaired exposures	35.458	1.081	-	-	-
B.3 Other increases	1.574	1.859	-	-	-
C. Decreases	**55.984**	**41.279**	**1.172**	**2.355**	**-**
C.1 Writebacks on valuation	19.900	3.502	88	-	-
C.2 Writebacks on collection	8.491	1.444	3	230	-
C.3 Write-offs	26.021	155	-	-	-
C.4 Transfers to other impaired exposures	-	35.458	1.081	-	-
C.5 Other decreases	1.572	720	-	2.125	-
D. Final total adjustments	**253.504**	**29.810**	**297**	**1.357**	**-**
- of which: exposures sold but not derecognized	-	-	-	-	-

A.2 CLASSIFICATION OF EXPOSURES BY EXTERNAL AND INTERNAL RATINGS

A.2.1 Distribution of cash and off balance sheet exposures by external rating classes

The table below shows the distribution of exposures by external rating classes assigned by Fitch of the customers of Gruppo Banca Sella SpA. With reference to the exposure to Banks it should be noted that all counterparties with which relations are maintained have a rating higher than investment grade.

A.2.1 Distribution of cash and off balance sheet exposures by external rating classes (book values)

Exposures	External Rating Classes						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
A. Cash exposures	**582.784**	**370.693**	**12.496**	**1.950**	**5.351**	**-**	**11.689.568**	**12.662.842**
B. Derivatives	**-**	**-**	**337**	**-**	**-**	**-**	**42.374**	**42.711**
B.1 Financial derivatives	-	-	337	-	-	-	42.374	42.711
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**351.148**	**351.148**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**567.130**	**567.130**
Total	**582.784**	**370.693**	**12.833**	**1.950**	**5.351**	**-**	**12.650.220**	**13.623.831**

A.2.2 Distribution of cash and off balance sheet exposures by internal rating classes

The table below shows the distribution of exposures by rating classes of the business customer companies of Gruppo Banca Sella SpA. The “Unrated” column includes both exposures to companies with no internal rating and exposures to customers belonging to a different segment from the “companies” segment.

A.2.2 Distribution of cash and off balance sheet exposures by internal rating classes (book values)

Exposures	Internal Rating Classes									Unrated	Total
	AAA	AA	A	BBB	BB	B	CCC	CC	C		
A. Cash exposures	**9.829**	**124.745**	**341.120**	**645.432**	**570.273**	**522.420**	**493.248**	**98.345**	**14.269**	**9.843.161**	**12.662.842**
B. Derivatives	**-**	**-**	**277**	**-**	**-**	**-**	**-**	**-**	**-**	**42.434**	**42.711**
B.1 Financial derivatives	-	-	277	-	-	-	-	-	-	42.434	42.711
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**10.394**	**16.155**	**42.520**	**64.695**	**32.074**	**23.997**	**14.663**	**5.144**	**534**	**140.972**	**351.148**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**567.130**	**567.130**
Total	**20.223**	**140.900**	**383.917**	**710.127**	**602.347**	**546.417**	**507.911**	**103.489**	**14.803**	**10.593.697**	**13.623.831**

A.3 DISTRIBUTION OF GUARANTEED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Guaranteed cash exposures to banks and customer

	Exposure value	Real guarantees (1)			Personal guarantees (2)								Total (1)+(2)
					Credit derivatives				Guaranteed loans				
		Real estate	Securities	Other assets	States	Other public bodies	Banks	Other subjects	States	Other public bodies	Banks	Other subjects	
1. Guaranteed exposures to banks:													
1.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed exposures to customers:													
1.1 Totally guaranteed	3.561.419	1.934.079	57.908	12.973	-	-	-	-	-	995	10.376	1.521.356	3.537.687
1.2 Partially guaranteed	663.700	2.507	41.397	11.011	5.266	-	-	-	-	-	1.633	425.899	487.713

A.3.2 Guaranteed off balance sheet exposures to customers and banks

	Exposure value	Real guarantees (1)			Personal guarantees (2)								Total (1)+(2)
					Credit derivatives				Guaranteed loans				
		Real estate	Securities	Other assets	States	Other public bodies	Banks	Other subjects	States	Other public bodies	Banks	Other subjects	
1. Guaranteed exposures to banks:													
1.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed exposures to customers:													
1.1 Totally guaranteed	107.752	2.249	14.206	3.193	-	-	-	-	-	-	-	88.100	107.748
1.2 Partially guaranteed	42.660	-	3.778	8.516	-	-	-	-	-	-	188	13.306	25.788

A.3.3 Guaranteed impaired cash exposures to banks and customers

	Guaranteed exposures to banks				Guaranteed exposures to customers			
	more than 150%	from 100 to 150%	from 50 to 100%	up to 50%	more than 150%	from 100 to 150%	from 50 to 100%	up to 50%
Exposure value	-	-	-	-	-	89.218	35.391	6.856
Guaranteed amount	-	-	-	-	-	89.218	22.613	2.216
Guarantees (fair value)								
Real guarantees	**-**	**-**	**-**	**-**	**-**	**32.423**	**13.614**	**1.185**
Real estate	-	-	-	-	-	30.363	11.606	-
Securities	-	-	-	-	-	1.802	601	1.039
Other assets	-	-	-	-	-	258	1.407	146
Personal guarantees	**-**	**-**	**-**	**-**	**-**	**52.464**	**19.587**	**2.091**
Credit derivatives	-	-	-	-	-	-	-	-
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public bodies	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other subjects	-	-	-	-	-	-	-	-
Guaranteed loans	-	-	-	-	-	52.464	19.587	2.091
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public bodies	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-	-	8
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other subjects	-	-	-	-	-	52.464	19.587	2.083
Total	**-**	**-**	**-**	**-**	**-**	**84.887**	**33.201**	**3.276**
Excess fair value guarantee	-	-	-	-	-	-	(10.588)	(1.060)

A.3.4 Guaranteed impaired off balance sheet exposures to customers and banks

	Guaranteed exposures to banks				Guaranteed exposures to customers			
	more than 150%	from 100 to 150%	from 50 to 100%	up to 50%	more than 150%	from 100 to 150%	from 50 to 100%	up to 50%
Exposure value	-	-	-	-	-	1.423	54	113
Guaranteed amount	-	-	-	-	-	1.423	52	18
Guarantees (fair value)								
Real guarantees	**-**	**-**	**-**	**-**	**-**	**15**	**10**	**97**
Real estate	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	3	10	97
Other assets	-	-	-	-	-	12	-	-
Personal guarantees	**-**	**-**	**-**	**-**	**-**	**958**	**42**	**-**
Credit derivatives	-	-	-	-	-	-	-	-
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public bodies	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other subjects	-	-	-	-	-	-	-	-
Guaranteed loans	-	-	-	-	-	958	42	-
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public bodies	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other subjects	-	-	-	-	-	958	42	-
Total	**-**	**-**	**-**	**-**	**-**	**973**	**52**	**97**
Excess fair value guarantee	-	-	-	-	-	-	-	(79)

B. CREDIT DISTRIBUTION AND CONCENTRATION

B.1 Distribution by segment of cash and off balance sheet exposures to customers

Exposure/Counterparty	Governments and Central Banks				Other public bodies				Financial companies			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash exposures												
A.1 Non-performing exposures	-	-	-	-	22	22	-	-	5.289	3.954	-	1.335
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	30	25	-	5
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	217	-	-	217
A.5 Other exposures	994.982	X	-	994.982	24.804	X	-	24.804	310.864	X	22	310.842
Total A	**994.982**	**-**	**-**	**994.982**	**24.826**	**22**	**-**	**24.804**	**316.400**	**3.979**	**22**	**312.399**
B. Off balance sheet exposures												
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	3	-	-	3
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	-	1.824	X	-	1.824	190.232	X	-	190.232
Total B	**-**	**-**	**-**	**-**	**1.824**	**-**	**-**	**1.824**	**190.235**	**-**	**-**	**190.235**
Total 31/12/2008	**994.982**	**-**	**-**	**994.982**	**26.650**	**22**	**-**	**26.628**	**506.635**	**3.979**	**22**	**502.634**
Total 31/12/2007	**1.119.353**	**-**	**-**	**1.119.353**	**30.451**	**21**	**7**	**30.423**	**586.419**	**1.983**	**583**	**583.853**

continued

Exposure/Counterparty	Insurance companies				Non-financial companies				Other subjects			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash exposures												
A.1 Non-performing exposures	-	-	-	-	169.050	119.673	-	49.377	171.291	129.855	-	41.436
A.2 Watchlist exposures	-	-	-	-	55.002	15.660	-	39.342	36.434	14.125	-	22.309
A.3 Restructured exposures	-	-	-	-	10.281	14	-	10.267	892	283	-	609
A.4 Past due exposures	21	-	-	21	34.127	590	-	33.537	35.346	767	-	34.579
A.5 Other exposures	765	X	-	765	4.469.926	X	29.174	4.440.752	3.772.543	X	14.612	3.757.931
Total A	**786**	**-**	**-**	**786**	**4.738.386**	**135.937**	**29.174**	**4.573.275**	**4.016.506**	**145.030**	**14.612**	**3.856.864**
B. Off balance sheet exposures												
B.1 Non-performing exposures	-	-	-	-	842	-	-	842	40	-	-	40
B.2 Watchlist exposures	-	-	-	-	673	-	-	673	77	-	-	77
B.3 Other impaired assets	-	-	-	-	129	-	-	129	30	-	-	30
B.4 Other exposures	2.332	X	-	2.332	369.355	X	-	369.355	101.156	X	2.366	98.790
Total B	**2.332**	**-**	**-**	**2.332**	**370.999**	**-**	**-**	**370.999**	**101.303**	**-**	**2.366**	**98.937**
Total 31/12/2008	**3.118**	**-**	**-**	**3.118**	**5.109.385**	**135.937**	**29.174**	**4.944.274**	**4.117.809**	**145.030**	**16.978**	**3.955.801**
Total 31/12/2007	**6.157**	**-**	**-**	**6.157**	**4.252.867**	**133.264**	**25.289**	**4.094.314**	**4.198.603**	**118.985**	**20.630**	**4.058.988**

B.3 Geographical distribution of cash and off balance sheet exposures to customers (book value)

Exposure/Geographical area	ITALY		OTHER EUROPEAN C.		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	338.458	88.833	6.963	3.291	161	12	5	-	65	12
A.2 Watchlist exposures	91.241	61.652	222	4	-	-	-	-	3	-
A.3 Restructured exposures	11.173	10.876	-	-	-	-	-	-	-	-
A.4 Past due exposures	68.890	67.540	794	787	10	10	8	8	9	9
A.5 Other transactions	8.920.175	8.876.602	410.593	410.424	117.463	117.420	324	324	125.329	125.306
Total A	**9.429.937**	**9.105.503**	**418.572**	**414.506**	**117.634**	**117.442**	**337**	**332**	**125.406**	**125.327**
B. Off balance sheet exposures										
B.1 Non-performing exposures	885	885	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	750	750	-	-	-	-	-	-	-	-
B.3 Other impaired assets	159	159	-	-	-	-	-	-	-	-
B.4 Other exposures	623.630	621.264	39.144	39.144	1.746	1.746	-	-	379	379
Total B	**625.424**	**623.058**	**39.144**	**39.144**	**1.746**	**1.746**	**-**	**-**	**379**	**379**
Total (A+B) 31/12/2008	**10.055.361**	**9.728.561**	**457.716**	**453.650**	**119.380**	**119.188**	**337**	**332**	**125.785**	**125.706**
Total (A+B) 31/12/2007	**9.710.448**	**9.411.162**	**334.687**	**333.451**	**136.171**	**136.016**	**37**	**37**	**12.507**	**12.422**

B.4 Geographical distribution of cash and off balance sheet exposures to banks

Exposure/Geographical	ITALY		OTHER EUROPEAN C.		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	2.599.752	2.599.751	247.503	247.503	49.442	49.442	2.760	2.760	276	276
Total A	**2.599.752**	**2.599.751**	**247.503**	**247.503**	**49.442**	**49.442**	**2.760**	**2.760**	**276**	**276**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	342.998	342.998	92.536	92.518	321	321	-	-	-	-
Total B	**342.998**	**342.998**	**92.536**	**92.518**	**321**	**321**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2008	**2.942.750**	**2.942.749**	**340.039**	**340.021**	**49.763**	**49.763**	**2.760**	**2.760**	**276**	**276**
Total (A+B) 31/12/2007	**2.075.705**	**2.075.705**	**782.511**	**782.387**	**77.676**	**77.675**	**2.608**	**2.608**	**1.215**	**1.215**

C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securitization transactions

QUALITATIVE INFORMATION

Beginning in financial year 2000 the Group carried out four securitization transactions of a traditional kind.

Two of these, concluded before 1st January 2006, were carried out by Banca Sella S.p.A., now Banca Sella Holding S.p.A., and involved performing mortgage loans. The assets associated with these transactions were conferred, on 1st January 2006, by Banca Sella Holding S.p.A. on the "new" Banca Sella S.p.A.

Another securitization transaction, launched on 21 December 2001 involved the sale of receivables arising from performing leasing agreements of Biella Leasing S.p.A. This transaction was completed on 29 February 2008 with the repurchase by Biella Leasing S.p.A. of the residual amount of the receivables, after repaying all the bond subscribers.

On 4 April 2008 Banca Sella S.p.A. completed a further securitization transaction, again of performing mortgage loans.

The transactions were conducted in order to diversify the types of funding in order to improve the correlation of maturities between funding and lending and the prudential supervisory ratios.

The role of servicer in the three securitization transactions was always played by the originators (Banca Sella S.p.A. and Biella Leasing S.p.A.).

The originators of the transactions subscribed the entire amount of the junior notes issued in relation to the various securitizations. As regards Banca Sella S.p.A, the securities are still held by the bank.

Moreover, as regards the 2008 securitization, Banca Sella S.p.A., in view of the particular markets conditions, subscribed the entire amount of the securities issued. These securities are being used for repurchase agreements with the ECB.

The risk of the assets sold is still borne by Banca Sella S.p.A., which, consequently, monitor performance constantly, preparing also regular reports.

For the two transactions completed before 31 December 2003 the effects of the sale made in previous periods were preserved, while for the operations concluded in 2005 and 2008, the assets sold continue to be accounted for in the consolidated financial statements, because the sale did not substantially transfer the risk to third parties.

A brief account of the securitization transactions is provided below.

a) Banca Sella S.p.A. securitization of performing loans – 2000

The operation was completed in two stages: on 28 December 2000 the contract to purchase the loans was completed by the special purpose vehicle Secursel S.r.l. (a company belonging to the Banca Sella Group), while the securities by means of which the acquisition was funded were issued on 26 April 2001.

The portfolio, which was transferred without recourse, consisted of performing mortgage loans granted by Banca Sella S.p.A. to residents of Italy.

The transaction involved the sale without recourse to the special purpose vehicle of mortgage-backed loans for a total of 203,7 million euro, equivalent to their book value at the date of sale. The transaction price was 208 million euro, including the interest accrued at the date of sale.

In exchange Secursel S.r.l. issued senior securities (Class A Notes) amounting to 184,4 million euro, mezzanine securities (Class B Notes) amounting to 17,3 million euro and junior securities (Class C Notes) amounting to 2,052 million euro.

The Class A and B notes are quoted on the Luxembourg stock exchange. The Class A Notes were given an A rating by the Moody's agency while the Class B Notes were given an A2 rating upgraded during 2005 to Aa2; the Class C Notes are not quoted and were all subscribed by Banca Sella S.p.A.: in the year 2008 they earned interest of 0,696 million euro.

The planned repayment of the principal of the Class A Notes continued and at 31 December 2008 18,9 million euro remained to be reimbursed. The repayment of the mezzanine and junior securities had not yet commenced.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,50% annually of the amount of principal managed. During 2008 the servicing fees were 0,254 million euro.

When the securities were issued Secursel S.r.l. signed a series of interest-rate swap contracts with Calyon S A in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

Banca Sella provided Secursel S.r.l. with a cash facility amounting to 5,2 million euro, at 6-month Euribor + 0,25 bp. This can be used by the special purpose vehicle if the twice-yearly revenues available at each date of payment of the interest on the securities are insufficient to cover the costs as set forth in the Payment Priority Order. This facility was never used and during 2008 it was revoked as the special purpose vehicle had set aside provisions of the same amount.

b) Biella Leasing S.p.A.: securitization of receivables from leasing contracts – 2001

The operation was completed in two stages: on 21 December 2001 the contract to purchase the receivables was completed by the special purpose vehicle Secursel S.r.l. (a Banca Sella Group company), while the securities funding the acquisition were issued on 13 February 2002.

The portfolio, which was transferred without recourse, consisted of performing leasing agreements of Banca Sella S.p.A. entered into with residents of Italy.

The transaction involved further "revolving" regular transfers every three months from 28 May 2002 to 28 November 2003, on the same terms as the initial sale.

The transaction involved the sale without recourse to the special purpose vehicle of receivables for a total of 202,1 million euro, equivalent to their book value at the date of sale. The selling price was 202,8 million euro, taking into account the interest accrued up to the date of sale, of 0,7 million euro.

In exchange for this transaction Secursel S.r.l. issued senior securities (Class A Notes) amounting to 187 million euro, mezzanine securities (Class B Notes) amounting to 12,5 million euro and junior securities (Class C Notes) amounting to 2,7 million euro.

The Class A and B Notes were quoted on the Luxembourg stock exchange and were given a rating by Moody's agency; the Class C Notes were not quoted and were all subscribed by Biella Leasing S.p.A.

In February 2008 the securitization was completed, with redemption of the Class A and B Notes, collection of the junior note held, and repurchase of the outstanding receivables (a nominal 23,5 million euro).

The gain on the transaction was 0,239 million euro.

Biella Leasing S.p.A. also collected 6.482 euro in the two months January-February 2008 for its role in collecting the instalments sold and providing the cash desk and payment services under the terms of a servicing agreement which as consideration provided for a servicing fee, to be paid quarterly, equivalent to 0,20% annually of the amount of principal managed.

When the securities were issued Secursel S.r.l. had entered into a series of interest-rate swap contracts with Calyon S A in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

Banca Sella Holding S.p.A. had provided Secursel S.r.l. with a cash facility usable by the special purpose vehicle if the quarterly revenues available at each date of payment of the interest on the securities were insufficient to cover the costs as set forth in the Payment Priority Order. The amount of the credit facility was 4,2 million di euro, subject, in the case of use, to interest at the 3-month Euribor rate + 0,25 bp. This facility was revoked in view of the conclusion of the transaction.

c) Banca Sella S.p.A. securitization of performing loans – 2005

The operation was completed in two stages: the agreement to purchase the loans was entered into by the special purpose vehicle Mars 2600 S.r.l. on 4 October 2005, while the securities financing the acquisition were issued on 20 October 2005.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 263,3 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 248,9 million euro, Class B notes amounting to 11 million euro, Class C notes amounting to 3,5 million euro and Class D notes amounting to 3,5 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's agency gave an Aaa rating to the Class A notes; A1 to the Class B notes; and Baa2 to the Class C notes. The Class D are not quoted and earned interest in 2008 of 2,45 million euro. All the notes were subscribed by Banca Sella S.p.A.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. During 2008 the servicing fees collected by Banca Sella S.p.A. were 0,202 million euro.

When the securities were issued Mars 2600 S.r.l. entered into an interest-rate swap contract with B.N.P. Paribas, in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

No guarantees or credit facilities are envisaged for this operation.

d) Banca Sella S.p.A. securitization of performing loans – 2008

The operation was completed in two stages: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 4 April 2008, while the securities were issued on 22 April 2008.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S.p.A. to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 217,4 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 207,3 million euro, Class B notes amounting to 8,1 million euro, Class C notes amounting to 2,8 million euro and Class D notes amounting to 6,5 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's agency gave an Aaa rating to the Class A notes; A2 to the Class B notes; and Baa2 to the Class C notes. The Class D notes are not quoted.

The total amount of the notes was subscribed by Banca Sella S.p.A.

At 31 December 2008 the Class A-B-C notes have earned interest of 9,483 million euro. The Class D notes earned interest in 2008 of 0,882 million euro. Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2008 the servicing fees collected by Banca Sella S.p.A. were 0,139 million euro.

When the securities were issued Mars 2600 S.r.l. entered into an interest-rate swap contract with B.N.P. Paribas, in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

No guarantees or credit facilities are envisaged for this operation.

QUANTITATIVE INFORMATION

C.1.1 Exposures deriving from securitisation operations divided by quality of the underlying assets

Quality of underlying assets/exposures	Cash exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	209.503	209.503	11.019	11.019	21.261	21.261	-	-	-	-	-	-	-	-	-	-	-	-
B. With third party underlying assets:																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.2 Exposures deriving from main "own" securitization operations divided by type of securitized assets and type of exposures

Type of securitized assets/Exposures	Cash exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
A. Subject to total derecognition																		
Secursel S.r.l.																		
Performing loans	-	-	-	-	9.861	-	-	-	-	-	-	-	-	-	-	-	-	-
Secursel S.r.l.																		
Leasing instalments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognized																		
Mars 2600 S.r.l.																		
Performing loans	209.503	-	11.019	-	11.400	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Exposures to securitizations divided by portfolio of financial assets and by type

Exposure/Portfolio	Trading	Carried at fair value	Available for sale	Held to maturity	Loans & Receivables	Total 2008	Total 2007
1. Cash exposures							
- " Senior"	-	-	-	-	-	-	-
- " Mezzanine"	-	-	-	-	-	-	-
- " Junior"	-	-	9.861	-	-	9.861	22.431
2. Off balance sheet exposures							
- " Senior"	-	-	-	-	-	-	-
- " Mezzanine"	-	-	-	-	-	-	-
- " Junior"	-	-	-	-	-	-	9.400

C.1.5 Total amount of securitized assets underlying junior securities or other forms of credit support

Asset/Amount	Traditional securitisations	Synthetic securitisations
A. Own underlying assets:		
A.1 Subject to total derecognition		
1. Non performing exposures	878	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	14.832	X
A.2 Subject to partial derecognition		
1. Non performing exposures	-	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.3 Not derecognized		
1. Non performing exposures	143	-
2. Watchlist exposures	-	-
3. Restructured exposures	-	-
4. Past due exposures	-	-
5. Other assets	393.490	-
B. Third party underlying assets:		
B.1 Non-performing exposures	-	-
B.2 Watchlist exposures	-	-
B.3 Restructured exposures	-	-
B.4 Expired exposures	-	-
B.5 Other assets	-	-

C.1.7 Servicer activity - collection of securitised receivables and redemption of securities issued by special purpose vehicles

Servicer	Vehicle company	Securitised assets (end of period data)		Receivables collected during year		Percentage redemptions (end of period data)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Banca Sella S.p.A.	**Secursel Srl**	-	15.710	-	18.856	-	-	-	-	-	-
Banca Sella S.p.A.	**Mars Srl**	-	393.633	-	75.699	-	-	-	-	-	-

C.2 Sale transactions

C.2.1 Financial assets sold but not derecognized

Technical type/ Portfolio	Financial assets held for trading			Financial assets at fair value through profit or loss			Financial assets available for sale			Financial assets held to maturity		
	A	B	C	A	B	C	A	B	C	A	B	C
A. Cash assets												
1. Debt securities	227.458	-	-	-	-	-	24.776	-	-	9.778	-	-
2. Share capital securities	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2008	**227.458**	**-**	**-**	**-**	**-**	**-**	**24.776**	**-**	**-**	**9.778**	**-**	**-**
Total 31/12/2007	**489.984**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53.706**	**-**	**-**

continued

Technical type/ Portfolio	Due from banks			Due from customers			**Total**	
	A	B	C	A	B	C	2008	2007
A. Cash assets								
1. Debt securities	-	-	-	-	-	-	262.012	543.690
2. Share capital securities	-	-	-	-	-	-	-	-
3. UCITS	-	-	-	-	-	-	-	-
4. Loans and advances	-	-	-	393.490	-	-	393.490	195.548
5. Impaired assets	-	-	-	143	-	-	143	196
B. Derivative instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2008	**-**	**-**	**-**	**393.633**	**-**	**-**	**655.645**	
Total 31/12/2007	**-**	**-**	**-**	**195.744**	**-**	**-**		**739.434**

KEY:
A= fully recognized financial assets sold (book value)
B= partially recognized financial assets sold (book value)
C= partially recognized financial assets (full value)

C.2.2. Financial liabilities against financial assets sold but not derecognized

Liability/Asset portfolio	Financial assets held for trading	Financial liabilities at fair value through profit or loss	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	**Total**
1. Due to customers							
a) against fully recognized assets	216.666	-	27.302	9.921	3.621	-	257.510
b) against partially recognized assets	-	-	-	-	-	-	-
2. Outstanding securities							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
3. Due to banks							
a) against fully recognized assets	-	-	-	-	1.005	-	1.005
b) against partially recognized assets	-	-	-	-	-	-	-
Total 31/12/2008	**216.666**	**-**	**27.302**	**9.921**	**4.626**	**-**	**258.515**
Total 31/12/2007	**489.920**	**-**	**-**	**53.742**	**-**	**189.588**	**733.250**

1.2 Market risks

Market risk relates to unexpected variations in market factors such as interest rates, interest rates, exchange rates and share prices that may cause fluctuations in the value of a position held in the trading book and in the values of investments arising from commercial operations and strategic choices (banking book).

The management and control of market risks (interest rate risk, price risk, exchange rate risk, liquidity risk) is provided for by Group Regulations which lay down the rules under which the single Group companies may take on exposures to these types of risk.

The entity on which the market risks of the Banca Sella Group are concentrated is the Parent Company Banca Sella Holding, which carries on the financing activities.

The Parent Company's Risk Management Unit is responsible for the business risk monitoring methods of all Group companies, and also has an advisory and recommendatory role in the definition of methodological guidelines for the creation of Group risk measurement and control models.

For the purposes of measurement of risks and quantification of internal capital, market risk is measured by the Banca Sella Group applying the "standardized approach" defined by Bank of Italy Circular no. 263/2006. It follows that the quantification of internal capital for market risk consists of the sum of the capital requirements to cover the single risks that make up market risk on the basis of the so-called "building-block approach".

For operating purposes, however, the market risk of the trading book is measured and monitored on the basis of the VaR (Value at Risk) analysis carried out mainly through the historical simulation approach with a confidence interval of 99% and a reference period of 3 months for the banks' own portfolios, whilst for trading on its own account the daily VaR is used for intraday positions and the weekly VaR is used for positions not closed in a day.

VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time.

VaR Decomposition - Banca Sella Holding al 31.12.08

Orizzonte Temporale 10 giorni, intervallo di confidenza 99%

Dati al		31-dic-08			31-dic-07		
		VaR Medio	VaR Minimo	VaR Massimo	VaR Medio	VaR Minimo	VaR Massimo
Tipologia di Rischio							
Fixed Income	€	90.079	5.940	754.048	90.698	5.941	620.899
Foreign Exchange	€	2.345	109	157.801	30.582	193	139.871
Equities	€	134.291	362	554.457	147.560	1.290	582.833
Equitiy Derivatives	€	80.296	6.976	788.903	159.025	5.955	495.494
Derivatives OTC	€	1.681	566	3.888	1.118	570	2.157
Treasury	€	145.834	18.609	393.981	44.265	1.997	195.209
Total VaR (b)	€	**454.525**	**32.561**	**2.653.078**	**473.248**	**15.945**	**2.036.463**

(b) Il Value-at-Risk totale è calcolato come la somma dei singoli VaR per tipologia di rischio

Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of gains/losses that results is analyzed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

1.2.1 INTEREST RATE RISK – TRADING BOOK

QUALITATIVE INFORMATION

A. General aspects

This section deals with the risk that a fluctuation in interest rates may have a negative effect on the value of the regulatory trading book arising from the financial positions assumed by the Banca Sella Group within the assigned limits and powers.

The Group's trading books include own-account trading in financial instruments exchanged both on regulated markets (mainly fixed- and variable-income and equity bonds) and over the counter. The interest rate risk deriving from this work is mitigated by means of regulated derivatives.

The goals and strategies underlying the trading activity involving own portfolios aim to limit risks and maximize returns on the portfolios themselves in the restricted and prudential field of action laid down in the Group rules on the subject.

B. Interest rate risk: management processes and measurement methods

The Group ALM Committee plays a recommendatory role in the definition of interest rate risk exposure policies as well as being one of the collegial bodies to which risk limit audits are reported. The Committee is also responsible for proposing any corrective actions needed to bring the Group's risk positions back into balance.

The Risk Management, Strategic Planning and Budgetary Control Units in the Parent Company's Finance Business Area play an active role in auditing interest rate risk.

In order to measure the interest rate risk inherent in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular No. 263/2006.

For operating purposes, in any case, every day the Group Risk Management Unit measures the VaR of the portfolios (horizon 10 days and 3 months and confidence margin 99%), and every week analyzes sensitivity factors namely: portfolio duration, effects of sudden interest rate shocks and finally a weekly check on the operational limits on investment in securities.

1.2.2 INTEREST RATE RISK – BANKING BOOK

QUALITATIVE INFORMATION

A. Interest rate risk: general aspects, management processes and measurement methods

Interest rate risk derives from asymmetries in the maturities, in the interest rate redefinition times (and in the types of indexing) of the assets and liabilities of each entity. The interest rate risk is measured using the "standardized approach" defined by Bank of Italy Circular No. 263/2006.

The audit is carried out taking into consideration all the positions assumed on and off the balance sheet, but limited to interest-bearing assets and liabilities. Monitoring is performed by measurement on a monthly basis which assesses the impact on net interest income in the period and the impact on regulatory capital in the case of a shift in interest rates of 2%.

Shift	Sensitivity totale	Regulatory Capital	Sensitivity %
+200bps	1,6	883,4	552,1

Amounts in euro million

The sensitivity analysis figures at 31 December 2008 show an extremely low risk for the banking book (see the table below for the total impact and percentage on the interest margin).

The main sources of interest rate risk are those relating to interbank deposits (made and received) and to the Group's floating-rate funding and lending operations, as well as to derivative instruments created to mitigate exposure to interest rate risk of the banks and companies.

The Group's policy is to ensure high hedging of fixed-rate exposures.

The internal interest rate risk management and control processes are based on an essential organizational structure, on the basis of which the Group ALM Committee examines regularly the integrated asset and liability management report prepared monthly, and then takes the consequent operational decisions.

B. Fair value hedging activities

Hedging transaction strategies are mainly aimed at mitigating the risk of exposure to interest rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit such as mortgage loans and consumer credit, and regular leasing instalments or bond loans issued by the Banca Sella Group, held in the banking book.

Exposure to interest rate risk inherent in mortgage loans is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the loan portfolio disbursed and the averages maturities of this portfolio.

Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

The Parent Company generally adopts measurement methods and techniques based on the Black-Scholes, Monte Carlo and Net Present Value models using a number of parameters, which vary depending on the financial instrument to be measured.

These parameters, which are approved by the Group Risk Management and Audit Service, are chosen and set up on the calculation software at the moment of a request for measurement of a new derivative instrument. Every time the fair value of the financial instrument is calculated, the above parameters are rechecked and updated both by the area that performs the calculation and by the Group Risk Management and Controls Service.

C. Cash flow hedging activities

No cash flow hedges are put in place for interest rate risk.

1.2.3 PRICE RISK – REGULATORY TRADING BOOK

QUALITATIVE INFORMATION

A. General aspects

The price risk inherent in the trading book is mainly a result of trading on the bank's own behalf in debt and share capital securities and UCITS.

The goals and strategies underlying the trading activity involving the own securities portfolio aim to limit risks and maximize returns on the portfolio itself in the restricted and prudential field of action laid down in the Group rules on the subject.

The Parent Company Banca Sella Holding is also the market broker for third-party trading carried on by customers of the Banca Sella Group.

B. Price risk: management processes and measurement methods

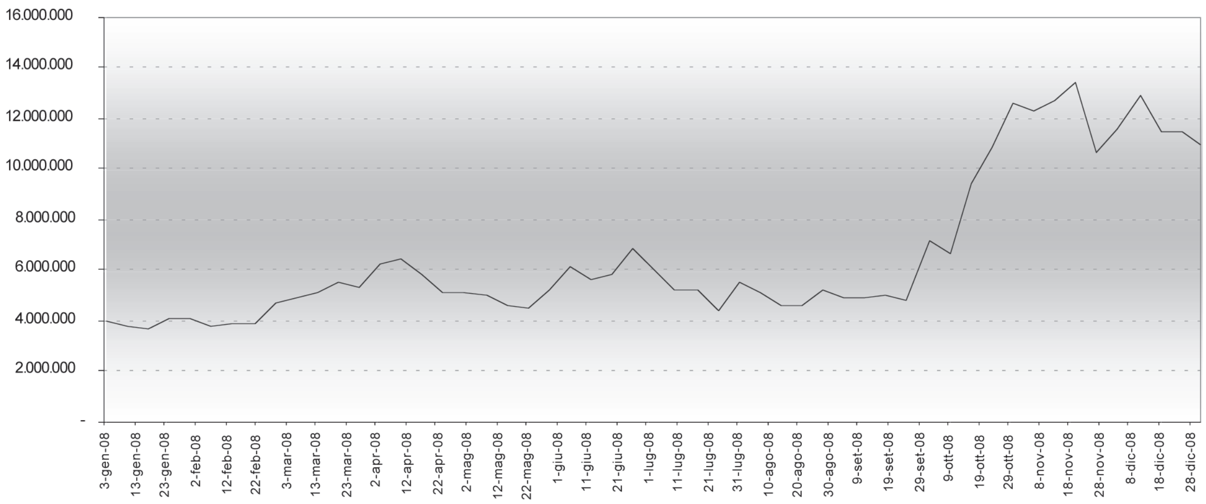
In order to measure the price risk in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular No. 263/2006.

For operating purposes, in any case, the Group Risk Management Unit measures every day the VaR of the portfolio (horizon 10 days and 3 months and confidence margin 99%), and checks every week the operational limits for investment in securities.

As regards the price risk management processes and measurement methods in the work of managing the trading book, see the explanation in the paragraph "Market risks".

The trend in the VaR of the Banca Sella Group (confidence interval 99%, time horizon 3 months, historical method) is shown in the chart below: note the increase recorded in October and November. The historical method, in fact, is based also on the measurement of the credit default swaps of the issuers of the securities. The Bank's trading book contains mostly Italian government securities. In the last quarter of 2008 the values of Italian government credit default swaps reached high levels, thus contributing to an increase in the VaR figures calculated.

Banca Sella Group – Trading Book
Market Risks VaR (time horizon 3 months - confidence interval 99%)



QUANTITATIVE INFORMATION

1. Regulatory trading book: cash exposures in share capital securities and UCITS

Exposure type/Value	Book value	
	Quoted	Unquoted
A. Share capital securities		
A.1 Shares	13.608	17
A.2 Innovative share capital instruments	-	-
A.3 Other share capital securities	-	-
B. UCITS		
B.1 Italian law		
- harmonised open-ended	4.864	81
- non-harmonised open-ended	-	-
- closed-ended	-	1.695
- reserved	-	100
- speculative	-	-
B.2 Of other EU countries		
- harmonised	101.178	14.104
- non-harmonised open-ended	29.661	-
- non-harmonised closed-ended	-	791
B.3 Of non-EU countries		
- open-ended	1.438	676
- closed-ended	6	-
Total	**150.755**	**17.464**

2. Regulatory trading book: distribution of exposures in share capital securities and equity indices by main quotation market countries

Type of transaction/ Quotation index	Quoted						Un- quoted
	Italy	Luxembourg	Germany	USA	Netherlands	Other countries	
A. Share capital securities	**8.233**	**951**	**1.441**	**616**	**697**	**1.670**	**17**
- long positions	8.047	951	1.441	616	697	1.670	17
- short positions	186	-	-	-	-	-	-
B. Purchases of share capital securities not yet settled	**7.654**	**140**	**-**	**476**	**-**	**285**	**-**
- long positions	3.644	67	-	238	-	139	-
- short positions	4.010	73	-	238	-	146	-
C. Other derivatives on share capital instruments	**28**	**-**	**-**	**-**	**-**	**-**	**28**
- long positions	-	-	-	-	-	-	-
- short positions	28	-	-	-	-	-	28
D. Share index derivatives	**144.950**	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	82.846	-	-	-	-	-	-
- short positions	62.104	-	-	-	-	-	-

1.2.4 PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

A. Price risk: general aspects, management procedures and measurement methods

The price risk of the portfolio is attributable mainly to equity interests held by the Parent Company for long-term investment purposes. These are positions assumed directly on the basis of resolutions of the Board of Directors and managed by the Finance Department of the Parent Company itself.

QUANTITATIVE INFORMATION

1. Banking book: cash exposures in share capital securities and UCITS

Item	Book value	
	Quoted	Unquoted
A. Share capital securities		
A.1 Shares	12.702	25.050
A.2 Innovative share capital instruments	-	-
A.3 Other share capital securities	-	1
B. UCITS		
B.1 Italian law		
- harmonised open-ended	-	-
- non-harmonised open-ended	-	-
- closed-ended	-	-
- reserved	-	-
- speculative	-	-
B.2 Of other EU countries		
- harmonised	-	-
- non-harmonised open-ended	-	-
- non-harmonised closed-ended	-	-
B.3 Of non-EU countries		
- open-ended	-	-
- closed-ended	-	-
Total	**12.702**	**25.051**

1.2.5 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. Exchange rate risk: general aspects, management processes and measurement methods

Transactions in foreign currencies are carried on mainly in the Parent Company's Finance Department in which the Treasury Unit manages the lending and funding in foreign currencies of the Group Banks, trading with a view to the short term and to the hedging of positions that might entail an exchange rate risk.

Exchange rate risk is monitored through the application of the "standardized approach" defined by Bank of Italy Circular No. 263/2006, which during the year never showed an absorption greater the 2% of Shareholders' Equity.

The Risk Management Unit of the Banca Sella Group reports the figures for exposure to exchange rate risk to the Group ALM Committee which performs a coordinating role with the Group Treasury to take hedging actions in the case of exposures to exchange rates.

B. Exchange rate risk hedging activities

The Group does not hold predominantly speculative positions in exchange rates, but the transactions executed are associated with the work of hedging the exchange rate risk for the Group banks and companies.

Micro-hedging is instead put in place, with third parties, with the aim of mitigating the risk of simple derivatives such as domestic currency swaps, currency options and forward contracts traded by customers with the Bank.

1. Distribution by currency of denomination of assets, liabilities and derivatives

Item	Currency					
	US DOLLAR	SWISS FRANC	JAPANESE YEN	BRITISH POUND	AUSTRALIAN DOLLAR	OTHER CURRENCIES
A. Financial assets	**56.989**	**38.486**	**31.792**	**14.344**	**4.075**	**10.452**
A.1 Debt securities	8.770	2.907	68	269	11	799
A.2 Share capital securities	4.022	159	-	10.936	-	-
A.3 Loans and advances to banks	23.420	12.690	6.944	1.901	1.500	7.848
A.4 Loans and advances to customers	18.159	22.730	24.764	788	2.536	1.805
A.5 Other financial assets	2.618	-	16	450	28	-
B. Other assets	**10.023**	**31.381**	**1.191**	**882**	**403**	**2.119**
C. Financial liabilities	**243.312**	**14.071**	**7.184**	**20.744**	**5.396**	**9.071**
C.1 Due to banks	35.839	3.153	52	1.491	226	809
C.2 Due to customers	200.660	9.115	7.131	19.232	5.170	5.879
C.3 Debt securities	4	-	-	3	-	-
C.4 Other liabilities	6.809	1.803	1	18	-	2.383
D. Financial derivatives	**180.206**	**(19.530)**	**(25.999)**	**15.216**	**892**	**(696)**
- Options	(616)	-	-	-	-	-
+ Long positions	27.493	-	3.780	565	-	419
+ Short positions	28.109	-	3.780	565	-	419
- Others	180.822	(19.530)	(25.999)	15.216	892	(696)
+ Long positions	363.742	19.546	14.610	31.041	18.261	5.345
+ Short positions	182.920	39.076	40.609	15.825	17.369	6.041
Total assets	**458.247**	**89.413**	**51.373**	**46.832**	**22.739**	**18.335**
Total liabilities	**454.341**	**53.147**	**51.573**	**37.134**	**22.765**	**15.531**
Imbalance (+/-)	**3.906**	**36.266**	**(200)**	**9.698**	**(26)**	**2.804**

1.2.6 DERIVATIVE FINANCIAL INSTRUMENTS

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: notional end-of-period and average values

Type of transactions/ Underlying	Debt securities and interest rates		Share capital securities and equity indices		Exchange rates and gold		Other securities		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	601.098	-	-	-	-	-	-	-	601.098	-	1.059.286
3. Domestic currency swaps	-	-	-	-	-	65.330	-	-	-	65.330	-	61.830
4. Currency interest rate swaps	-	-	-	-	-	248.490	-	-	-	248.490	-	295.413
5. Basis swaps	-	410.744	-	-	-	-	-	-	-	410.744	-	254.538
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real estate index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	859	-	8.210	-	-	-	-	-	9.069	-	48.319	-
9. Cap options	-	291.360	-	443	-	-	-	-	-	291.803	-	310.290
- Purchased	-	29.704	-	443	-	-	-	-	-	30.147	-	268.236
- Issued	-	261.656	-	-	-	-	-	-	-	261.656	-	42.054
10. Floor options	-	452	-	-	-	-	-	-	-	452	-	536
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	452	-	-	-	-	-	-	-	452	-	536
11. Other options	-	-	144.507	30.082	-	91.100	-	-	144.507	121.182	425.114	85.607
- Purchased	-	-	82.846	30.082	-	46.567	-	-	82.846	76.649	212.410	43.280
- Plain Vanilla	-	-	82.846	-	-	40.703	-	-	82.846	40.703	212.410	33.420
- Exotic	-	-	-	30.082	-	5.864	-	-	-	35.946	-	9.860
- Issued	-	-	61.661	-	-	44.533	-	-	61.661	44.533	212.704	42.327
- Plain Vanilla	-	-	61.661	-	-	38.669	-	-	61.661	38.669	212.704	29.362
- Exotic	-	-	-	-	-	5.864	-	-	-	5.864	-	12.965
12. Forward contracts	832.368	187.944	11.083	-	-	351.734	-	-	843.451	539.678	-	1.452.130
- Purchases	406.917	94.139	5.355	-	-	190.875	-	-	412.272	285.014	-	599.061
- Sales	425.451	93.805	5.728	-	-	144.065	-	-	431.179	237.870	-	750.660
- Currencies against currencies	-	-	-	-	-	16.794	-	-	-	16.794	-	102.409
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	15.190
Total	**833.227**	**1.491.598**	**163.800**	**30.525**	**-**	**756.654**	**-**	**-**	**997.027**	**2.278.777**	**473.433**	**3.534.820**
Average amounts	**481.503**	**1.895.900**	**253.727**	**82.736**	**-**	**909.311**	**-**	**18.852**	**735.230**	**2.906.799**	**364.780**	**3.474.916**

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

A.2.1 For hedging

Type of transaction/ Underlying	Debt securities and interest rates		Share capital securities and equity indices		Exchange rates and gold		Other securities		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	1.679.463	-	-	-	-	-	-	-	1.679.463	-	931.260
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	3.000
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real estate index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	5.000	-	1.026	-	-	-	6.026	-	323.755
- Purchased	-	-	-	5.000	-	1.026	-	-	-	6.026	-	323.755
- Plain Vanilla	-	-	-	-	-	1.026	-	-	-	1.026	-	-
- Exotic	-	-	-	5.000	-	-	-	-	-	5.000	-	323.755
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain Vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1.679.463**	**-**	**5.000**	**-**	**1.026**	**-**	**-**	**-**	**1.685.489**	**-**	**1.258.015**
Average amounts	**-**	**1.306.862**	**-**	**164.378**	**-**	**513**	**-**	**-**	**-**	**1.471.572**	**-**	**1.001.655**

A.2.2 Other derivatives

Type of derivative/ Underlying	Debt securities and interest rates		Share capital securities and equity indices		Exchange rates and gold		Other securities		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quotati	Un-quoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real estate index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	163.491	-	-	-	749	-	-	-	164.240	-	235.682
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	163.491	-	-	-	749	-	-	-	164.240	-	235.682
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	3.719	-	277	-	-	-	3.996	-	12.082
- Purchased	-	-	-	3.719	-	-	-	-	-	3.719	-	8.004
- Plain Vanilla	-	-	-	3.719	-	-	-	-	-	3.719	-	8.004
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Emesse	-	-	-	-	-	277	-	-	-	277	-	4.078
- Plain Vanilla	-	-	-	-	-	277	-	-	-	277	-	4.078
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**163.491**	**-**	**3.719**	**-**	**1.026**	**-**	**-**	**-**	**168.236**	**-**	**247.764**
Average amounts	**-**	**199.587**	**-**	**3.823**	**-**	**4.591**	**-**	**-**	**-**	**208.000**	**-**	**128.721**

A.3 Financial derivatives: purchase and sale of underlyings

Type of derivative/ Underlying	Debt securities and interest rates		Share capital securities and equity indices		Exchange rates and gold		Other securities		Total 31/12/2008		Total 31/12/2007	
	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted	Quoted	Un-quoted
A. Regulatory trading book												
1. Transactions with equity swaps	598.652	160.511	11.083	-	-	683.153	-	-	609.735	843.664	129.779	2.034.913
- Purchases	395.945	66.706	5.355	-	-	405.351	-	-	401.300	472.057	7.600	1.013.173
- Sales	202.707	93.805	5.728	-	-	243.423	-	-	208.435	337.228	122.179	905.717
- Currencies against currencies	-	-	-	-	-	34.379	-	-	-	34.379	-	116.023
2. Transactions without equity swaps	-	2.030.386	152.274	30.968	-	64.330	-	-	152.274	2.125.684	343.654	1.878.953
- Purchases	-	102.233	66.906	30.082	-	30.584	-	-	66.906	162.899	118.375	373.922
- Sales	-	1.928.153	85.368	886	-	33.746	-	-	85.368	1.962.785	225.279	1.505.031
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book												
B.1 For hedging												
1. Transactions with equity swaps	-	-	-	5.000	-	1.026	-	-	-	6.026	-	-
- Purchases	-	-	-	5.000	-	-	-	-	-	5.000	-	-
- Sales	-	-	-	-	-	1.026	-	-	-	1.026	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without equity swaps	-	19.309	-	-	-	-	-	-	-	19.309	466.960	463.003
- Purchases	-	19.308	-	-	-	-	-	-	-	19.308	-	72.372
- Sales	-	1	-	-	-	-	-	-	-	1	466.960	390.631
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives												
1. Transactions with equity swaps	-	-	-	-	-	1.371	-	-	-	1.371	-	396.213
- Purchases	-	-	-	-	-	625	-	-	-	625	-	388.317
- Sales	-	-	-	-	-	746	-	-	-	746	-	7.896
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without equity swaps	-	163.491	-	3.179	-	-	-	-	-	166.670	-	222.206
- Purchasesi	-	163.491	-	3.179	-	-	-	-	-	166.670	-	222.206
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currencies against currencies	-	-	-	-	-	-	-	-	-	-	-	-

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

Counterparty/Underlying	Debt securities and interest rates – Gross not offset	Debt securities and interest rates – Gross offset	Debt securities and interest rates – Future exposure	Share capital securities and equity indices – Gross not offset	Share capital securities and equity indices – Gross offset	Share capital securities and equity indices – Future exposure	Exchange rates and gold – Gross not offset	Exchange rates and gold – Gross offset	Exchange rates and gold – Future exposure	Other securities – Gross not offset	Other securities – Gross offset	Other securities – Future exposure	Different underlyings – Gross offset	Different underlyings – Future exposure
A. Regulatory trading book:														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	2.275	-	2.696	28	-	54	3.792	-	1.550	-	-	-	-	-
A.4 Financial companie	1.399	-	750	-	-	-	11.635	-	3.651	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	674	-	169	-	-	-	6.664	-	1.143	-	-	-	-	-
A.7 Other subjects	1.641	-	509	-	-	-	2.285	-	230	-	-	-	-	-
Total A 31/12/2008	**5.989**	**-**	**4.124**	**28**	**-**	**54**	**24.376**	**-**	**6.574**	**-**	-	-	-	-
Total 31/12/2007	**10.354**	**-**	**4.806**	**80**	**-**	**133**	**17.912**	**-**	**4.713**	**-**	**-**	**-**	**-**	**-**
B. Banking book:														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	5.367	-	2.348	50	-	14	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	507	-	176	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other subjects	-	-	-	-	-	-	1	-	3	-	-	-	-	-
Total B 31/12/2008	**5.367**	**-**	**2.348**	**557**	**-**	**190**	**1**	**-**	**3**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2007	**12.683**	**-**	**5.806**	**31.965**	**-**	**27.563**	**6**	**-**	**41**	**-**	**-**	**-**	**-**	**-**

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

Counterparty/Underlying	Debt securities and interest rates			Share capital securities and equity indices			Exchange rates and gold			Other securities			Different underlyings	
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross offset	Future exposure
A. Regulatory trading book:														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	-	-	-	-	-	-	7.584	-	2.617	-	-	-	-	-
A.4 Financial companies	5.497	-	803	-	-	-	21.908	-	3.845	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	129	-	137	-	-	-	4.549	-	487	-	-	-	-	-
A.7 Other subjects	2.344	-	481	28	-	-	1.702	-	143	-	-	-	-	-
Total A 31/12/2008	**7.970**	**-**	**1.421**	**28**	**-**	**-**	**35.743**	**-**	**7.092**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2007	**5.057**	**-**	**3.582**	**19**	**-**	**60**	**20.925**	**-**	**5.582**	**-**	**-**	**-**	**-**	**-**
B. Banking book														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public bodies	6	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	68.976	-	21.272	-	-	-	2	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	68	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other subjects	1.056	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B 31/12/2008	**70.106**	**-**	**21.272**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2007	**20.978**	**-**	**3.947**	**951**	**-**	**239**	**6**	**-**	**82**	**-**	**-**	**-**	**-**	**-**

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

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total
A. Regulatory trading book	**1.711.788**	**789.329**	**913.448**	**3.414.565**
A.1 Financial derivatives on debt securities and interest rates	940.812	759.103	913.448	2.613.363
A.2 Financial derivatives on share capital securities and equity indices	886	30.082	-	30.968
A.3 Financial derivatives on exchange rates and gold	770.090	144	-	770.234
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book	**87.818**	**117.338**	**82.160**	**287.316**
B.1 Financial derivatives on debt securities and interest rates	82.589	117.338	77.160	277.087
B.2 Financial derivatives on share capital securities and equity indices	3.179	-	5.000	8.179
B.3 Financial derivatives on exchange rates and gold	2.050	-	-	2.050
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2008	**1.799.606**	**906.667**	**995.608**	**3.701.881**
Total 31/12/2007	**3.053.406**	**1.020.077**	**1.309.222**	**5.382.705**

B. CREDIT DERIVATIVES

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

Category of transaction	Regulatory trading book		Other operations	
	On a single subject	On several subjects (basket)	On a single subject	On several subjects (basket)
	Notional value	Notional value	Notional value	Notional value
1. Protection purchases				
1.1 With equity swap (with specific indication of the contractual types)	2.500	-	-	-
1.2 Without equity swap (with specific indication of the contractual types)	-	-	-	-
Total 31/12/2008	**2.500**	**-**	**-**	**-**
Total 31/12/2007	**-**	**-**	**-**	**-**
Average amounts	**1.250**	**-**	**-**	**-**
2. Protection sales				
2.1 With equity swap (with specific indication of the contractual types)	-	-	-	-
2.2 Without equity swap (with specific indication of the contractual types)	-	-	-	-
Total 31/12/2008	**-**	**-**	**-**	**-**
Total 31/12/2007	**-**	**-**	**-**	**-**
Average amounts	**-**	**-**	**-**	**-**

B.3 Credit derivatives: negative fair value - financial risk

Type of transaction/Amount	Notional value	Negative fair value
REGULATORY TRADING BOOK		
1. Protection purchases with counterparties		
1.1. Governments and Central Banks	-	-
1.2. Other public bodies	-	-
1.3. Banks	2.500	75
1.4. Financial companies	-	-
1.5. Insurance companies	-	-
1.6. Non-financial companies	-	-
1.7 Other subjects	-	-
Total 31/12/2008	**2.500**	**75**
Total 31/12/2007	**-**	**-**

B.4 Residual life of credit derivative contracts: notional values

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total 31/12/2008
A Regulatory trading book				
A.1 Credit derivatives with "subordinated reference obligations"	-	-	2.500	2.500
A.2 Credit derivatives with "unsubordinated reference obligations"	-	-	-	-
B. Banking book				
B.1 Credit derivatives with "subordinated reference obligations"	-	-	-	-
B.2 Credit derivatives with "unsubordinated reference obligations"	-	-	-	-
Total 31/12/2008	**-**	**-**	**2.500**	**2.500**
Total 31/12/2007	**-**	**-**	**-**	**-**

1.3 Liquidity risk

QUALITATIVE INFORMATION

A. Liquidity risk: general aspects, management procedures and measurement methods

Monitoring of liquidity risk is the responsibility of the ALM Committee and the Risk Management service, while the Treasury manages the items used to calculate the reference parameters and generate the risk itself. The Finance Department of Banca Sella Holding manages the liquidity level of the Group, and with the support of the Risk Management Unit intervenes promptly if the need arises to balance the Group's liquidity level following market events or structural situations in the business.

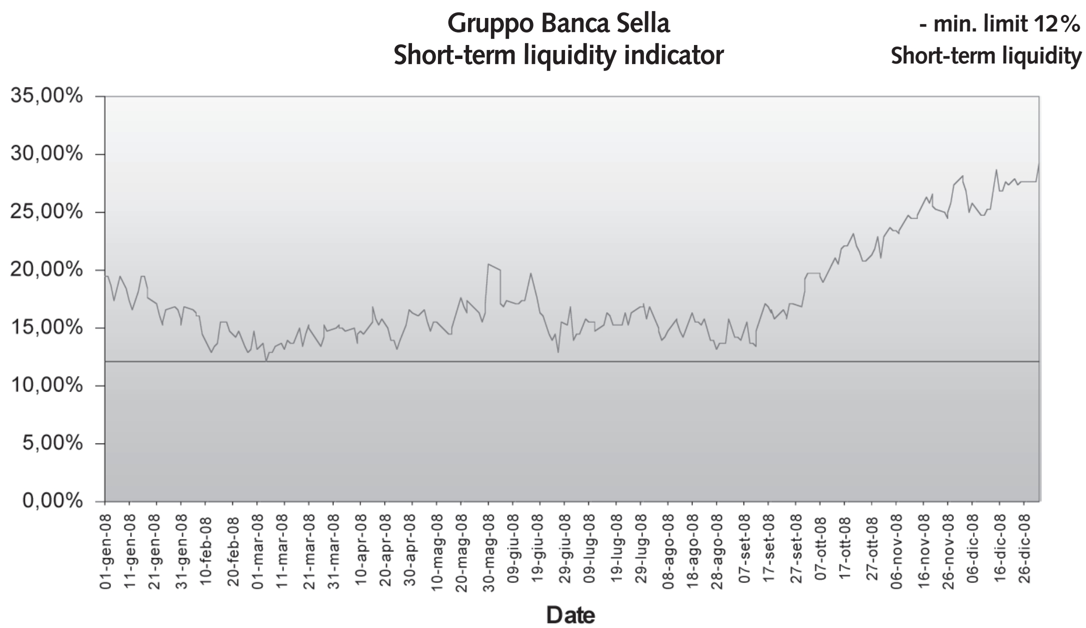
The process of liquidity management and auditing which involves the Group units mentioned above made it possible in the last few months of the year to maintain a more than adequate level of liquidity to cope with the market crisis in progress.

In the second half of 2008 the management of liquidity was profoundly reviewed, with the aim of bringing it into compliance with the standards and with the changed market scenario and of improving it on the basis of the many actions on the subject.

The improvements were introduced in the ordinary management of liquidity, through the formalization of a Group Liquidity Policy, both in the completion of strategies to be followed at critical times with the preparation of an emergency plan, called the Contingency Liquidity Plan.

The management policies implemented by the Group led during 2008 to a substantial increase in the Bank's own liquidity reserves of about 50% from the start of the year.

These reserves are measured with the short-term liquidity indicator established by the Risk Management Unit and the Group Finance Department to assess the ability to cope with possible cash outflows both in relation to ordinary customers and in relation to banks in the case of sudden liquidity stress, by means of assets which are liquid or can be made liquid within 30 days.



The Group Liquidity Policy entailed the adoption of a set of qualitative and quantitative indicators intended to identify a possible condition of systemic/specific liquidity stress. These measures are combined into a key indicator which summarizes the Group's liquidity situation and if necessary triggers the organizational controls, strategies and actions provided for in the Contingency Liquidity Plan.

In particular the Contingency Liquidity Plan provides for three levels of attention to the liquidity status, which envisages, in the case of a possible crisis, the intervention of a Liquidity Crisis Extraordinary Management Committee (an official organism activated in the case of a crisis, given the wide decision-making powers and responsibilities required to implement strategies and policies needed to manage emergencies).

The emergency plan is fundamental for attenuating and monitoring liquidity risk. It is intended to protect the bank's assets in situations of liquidity outflow through the preparation of crisis management strategies and procedures for obtaining funding sources in the case of emergency.

The risk of the Group not being able to fulfil its cash obligations in the times required and at sustainable costs depends on so many factors – maturity structure of assets and liabilities, features of lending and funding, trends in costs and income, evolution of the markets – that make a capital guarantee unsuitable for the purpose.

In support of the emergency plan, the Risk Management Unit and the Finance Department of the Banca Sella Group performed a solid stress analysis on the liquidity stock of the Group itself.

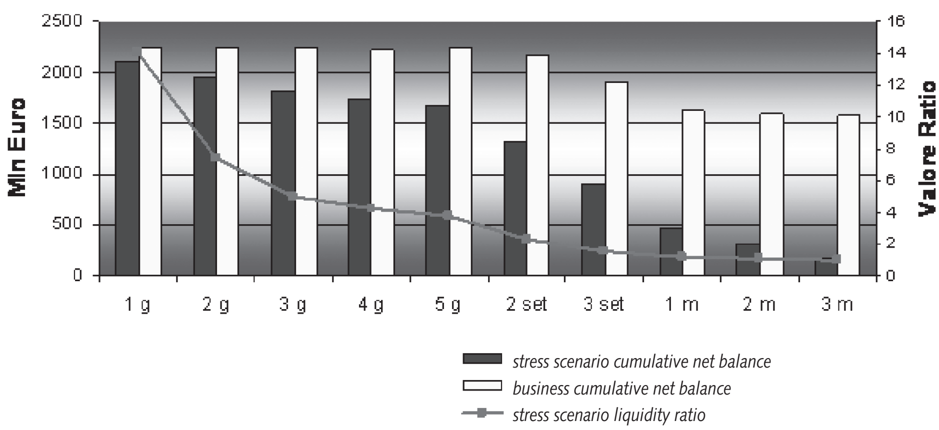
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder , the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated with the assumption that the business structure and capital profile of the Group will not be altered.

The stress tests were carried out in compliance with the principles of the guidelines issued by the Basel Committee and forwarded regularly to the Bank of Italy with the purpose of systemic monitoring the liquidity of Italian banks.

The analysis was conducted measuring the balance of liquidity accumulated, or the sum of cash inflows (net of outflows) and the liquidity reserves: in this way the liquidity ratio, which is the ratio between current, planned or potential liquidity sources and cash outflows, is determined.

The stress test showed the full ability of the liquidity sources of the Banca Sella Group to withstand systemic crises.

Stress Scenario: Projection of cumulative net financial position and liquidity ratio (31/12/2008)



(1) *A Maturity Ladder is the projection of the net financial position over time.*

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: EURO

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**2.554.602**	**460.320**	**313.490**	**518.435**	**927.009**	**679.558**	**735.401**	**3.485.863**	**1.900.596**	**361.573**
A.1 Government securities	54.161	99	3.686	89	38.035	84.647	156.598	341.445	26.233	-
A.2 Quoted debt securities	6.863	-	-	2.525	9.533	11.105	27.965	61.406	15.775	-
A.3 Other debt securities	26.953	224.014	207	1	7	34.189	71.296	578.812	32.446	3.971
A.4 UCITS units	8.367	95.685	-	-	-	-	-	-	-	47.430
A.5 Loans and advances	2.458.258	140.522	309.597	515.820	879.434	549.617	479.542	2.504.200	1.826.142	310.172
- Banks	1.539.143	50.918	145.341	200.252	189.862	76.023	28.890	969	413	155.878
- Customers	919.115	89.604	164.256	315.568	689.572	473.594	450.652	2.503.231	1.825.729	154.294
Cash liabilities	**7.128.905**	**495.846**	**294.056**	**422.582**	**468.627**	**280.150**	**534.964**	**1.388.413**	**297.343**	**-**
B.1 Deposits	6.864.066	23.404	71.004	82.903	123.245	63.616	58.993	220	-	-
- Banks	97.439	5.777	3.583	11.912	23.002	8.444	5.307	-	-	-
- Customers	6.766.627	17.627	67.421	70.991	100.243	55.172	53.686	220	-	-
B.2 Debt securities	1.202	253.906	18.253	47.727	41.708	107.677	420.530	1.318.724	75.403	-
B.3 Other liabilities	263.637	218.536	204.799	291.952	303.674	108.857	55.441	69.469	221.940	-
Off balance sheet transactions	**129.007**	**194.268**	**72.624**	**72.143**	**189.670**	**146.033**	**157.202**	**22.136**	**112.162**	**-**
C.1 Financial derivatives with equity swaps	500	194.268	72.624	71.969	189.614	144.934	154.553	-	500	-
- Long positions	-	77.148	11.498	31.704	55.437	77.951	72.011	-	500	-
- Short positions	500	117.120	61.126	40.265	134.177	66.983	82.542	-	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	128.507	-	-	174	56	1.099	2.649	22.136	111.662	-
- Long positions	33.019	-	-	174	56	1.099	2.649	22.136	111.662	-
- Short positions	95.488	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: US DOLLAR

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**18.282**	**5.855**	**2.318**	**6.207**	**6.297**	**2.984**	**1.790**	**5.900**	**2.172**	**1.162**
A.1 Government securities	-	-	-	-	-	-	-	22	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	38	32	483	-
A.3 Other debt securities	-	-	-	-	-	-	660	5.846	1.689	-
A.4 UCITS units	-	2.618	-	-	-	-	-	-	-	-
A.5 Loans and advances	18.282	3.237	2.318	6.207	6.297	2.984	1.092	-	-	1.162
- Banks	15.772	580	63	819	3.314	1.808	1.061	-	-	-
- Customers	2.510	2.657	2.255	5.388	2.983	1.176	31	-	-	1.162
Cash liabilities	**109.933**	**1.469**	**21.657**	**34.752**	**53.561**	**12.717**	**2.392**	**-**	**-**	**-**
B.1 Deposits	108.634	1.469	21.657	34.752	53.561	12.717	2.388	-	-	-
- Banks	3.045	354	5.208	5.494	13.589	6.746	1.370	-	-	-
- Customers	105.589	1.115	16.449	29.258	39.972	5.971	1.018	-	-	-
B.2 Debt securities	-	-	-	-	-	-	4	-	-	-
B.3 Other liabilities	1.299	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**610**	**117.660**	**62.643**	**71.707**	**124.434**	**106.213**	**106.209**	**-**	**359**	**-**
C.1 Financial derivatives with equity swaps	359	117.462	62.586	71.707	124.430	106.213	106.209	-	359	-
- Long positions	-	77.549	54.000	52.855	81.509	44.843	41.446	-	359	-
- Short positions	359	39.913	8.586	18.852	42.921	61.370	64.763	-	-	-
C.2 Deposits and loans receivable	194	194	-	-	-	-	-	-	-	-
- Long positions	-	194	-	-	-	-	-	-	-	-
- Short positions	194	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	57	4	57	-	4	-	-	-	-	-
- Long positions	57	-	-	-	4	-	-	-	-	-
- Short positions	-	4	57	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: JAPANESE YEN

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**2.811**	**6.681**	**3.749**	**11.729**	**4.594**	**10**	**115**	**68**	**-**	**1.934**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	68	-	-
A.4 UCITS units	-	16	-	-	-	-	-	-	-	-
A.5 Loans and advances	2.811	6.665	3.749	11.729	4.594	10	115	-	-	1.934
- Banks	2.281	61	889	3.321	177	-	115	-	-	-
- Customers	530	6.604	2.860	8.408	4.417	10	-	-	-	1.934
Cash liabilities	**7.183**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	6.608	-	-	-	-	-	-	-	-	-
- Banks	52	-	-	-	-	-	-	-	-	-
- Customers	6.556	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	575	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**6.780**	**12.268**	**1.682**	**15.798**	**396**	**11.279**	**12.761**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	5.370	1.586	15.776	396	11.279	12.761	-	-	-
- Long positions	-	1.373	793	-	316	2.101	2.616	-	-	-
- Short positions	-	3.997	793	15.776	80	9.178	10.145	-	-	-
C.2 Deposits and loans receivable	6.733	6.733	-	-	-	-	-	-	-	-
- Long positions	-	6.733	-	-	-	-	-	-	-	-
- Short positions	6.733	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	47	165	96	22	-	-	-	-	-	-
- Long positions	47	-	96	22	-	-	-	-	-	-
- Short positions	-	165	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: SWISS FRANC

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**2.671**	**9.929**	**6.861**	**10.098**	**5.470**	**109**	**2.357**	**417**	**268**	**148**
A.1 Government securities	-	-	-	-	2.843	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	64	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	2.671	9.929	6.861	10.098	2.627	109	2.357	353	268	148
- Banks	2.401	7.073	466	2.386	366	-	-	-	-	-
- Customers	270	2.856	6.395	7.712	2.261	109	2.357	353	268	148
Cash liabilities	**8.447**	**531**	**1.356**	**394**	**1.022**	**157**	**450**	**38**	**-**	**-**
B.1 Deposits	8.447	531	1.356	394	1.022	157	450	-	-	-
- Banks	933	-	675	270	742	84	450	-	-	-
- Customers	7.514	531	681	124	280	73	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	38	-	-
Off balance sheet transactions	**5.199**	**18.578**	**-**	**16.501**	**3.198**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	13.068	-	16.363	3.098	-	-	-	-	-
- Long positions	-	12.964	-	2.222	1.549	-	-	-	-	-
- Short positions	-	104	-	14.141	1.549	-	-	-	-	-
C.2 Deposits and loans receivable4.868	4.868	-	-	-	-	-	-	-	-	
- Long positions	-	4.868	-	-	-	-	-	-	-	-
- Short positions	4.868	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	331	642	-	138	100	-	-	-	-	-
- Long positions	331	202	-	138	100	-	-	-	-	-
- Short positions	-	440	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: BRITISH POUND

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**943**	**552**	**-**	**374**	**268**	**377**	**-**	**246**	**23**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	246	23	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	450	-	-	-	-	-	-	-	-
A.5 Loans and advances	943	102	-	374	268	377	-	-	-	-
- Banks	756	96	-	48	-	377	-	-	-	-
- Customers	187	6	-	326	268	-	-	-	-	-
Cash liabilities	**15.541**	**-**	**501**	**1.156**	**3.113**	**293**	**124**	**-**	**-**	**-**
B.1 Deposits	15.467	-	501	1.156	3.113	290	124	-	-	-
- Banks	6	-	45	300	982	159	-	-	-	-
- Customers	15.461	-	456	856	2.131	131	124	-	-	-
B.2 Debt securities	-	-	-	-	-	3	-	-	-	-
B.3 Other liabilities	74	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**315**	**44.909**	**-**	**2.093**	**3.759**	**315**	**314**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	44.594	-	2.093	3.759	315	314	-	-	-
- Long position	-	29.662	-	941	1.389	210	157	-	-	-
- Short positions	-	14.932	-	1.152	2.370	105	157	-	-	-
C.2 Deposits and loans receivable	315	315	-	-	-	-	-	-	-	-
- Long position	-	315	-	-	-	-	-	-	-	-
- Short positions	315	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long position	-	-	-	-	-	-	-	-	-	-
- Short positionse	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: AUSTRALIAN DOLLAR

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**2.724**	**32**	**74**	**1.216**	**93**	**-**	**-**	**11**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	11	-	-
A.4 UCITS units	-	28	-	-	-	-	-	-	-	-
A.5 Loans and advances	2.724	4	74	1.216	93	-	-	-	-	-
- Banks	1.497	4	74	-	-	-	-	-	-	-
- Customers	1.227	-	-	1.216	93	-	-	-	-	-
Cash liabilities	**4.837**	**-**	**-**	**88**	**175**	**50**	**246**	**-**	**-**	**-**
B.1 Deposits	4.794	-	-	88	175	50	246	-	-	-
- Banks	1	-	-	-	175	50	-	-	-	-
- Customers	4.793	-	-	88	-	-	246	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	43	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**185**	**16.926**	**-**	**98**	**1.391**	**-**	**4.236**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	16.741	-	98	1.391	-	4.236	-	-	-
- Long position	-	11.246	-	49	1.391	-	3.620	-	-	-
- Short positions	-	5.495	-	49	-	-	616	-	-	-
C.2 Deposits and loans receivable	116	116	-	-	-	-	-	-	-	-
- Long position	-	116	-	-	-	-	-	-	-	-
- Short positions	116	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	69	69	-	-	-	-	-	-	-	-
- Long position	69	-	-	-	-	-	-	-	-	-
- Short positions	-	69	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: OTHER CURRENCIES

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**8.072**	**-**	**53**	**102**	**573**	**642**	**616**	**730**	**69**	**285**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	730	69	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans and advances	8.072	-	53	102	573	642	616	-	-	285
- Banks	7.948	-	53	102	409	27	-	-	-	-
- Customers	124	-	-	-	164	615	616	-	-	285
Cash liabilities	**5.558**	**161**	**92**	**367**	**372**	**118**	**16**	**-**	**-**	**-**
B.1 Deposits	5.421	161	92	367	372	118	16	-	-	-
- Banks	582	161	-	63	-	-	-	-	-	-
- Customers	4.839	-	92	304	372	118	16	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	137	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**24**	**7.412**	**-**	**1.412**	**1.020**	**6.723**	**2.273**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	7.333	-	1.412	965	6.723	2.273	-	-	-
- Long positions	-	4.443	-	706	483	2.060	551	-	-	-
- Short positions	-	2.890	-	706	482	4.663	1.722	-	-	-
C.2 Deposits and loans receivable	24	24	-	-	-	-	-	-	-	-
- Long positions	-	24	-	-	-	-	-	-	-	-
- Short positions	24	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	55	-	-	55	-	-	-	-	-
- Long positions	-	-	-	-	55	-	-	-	-	-
- Short positions	-	55	-	-	-	-	-	-	-	-

2. Sector distribution of financial liabilities

Exposure/Counterparty	Governments and Central Banks	Banks	Other public bodies	Financial companies	Insurance companies	Non-financial companies	Other subjects	Total
1. Due to customers	6.393	-	66.304	1.064.731	36.513	1.477.464	6.026.202	8.677.607
2. Outstanding securities	-	118.027	40	17.886	17.583	119.173	2.013.451	2.286.160
3. Financial liabilities held for trading	-	13.121	6	21.278	-	4.752	5.128	44.285
4. Financial assets at fair value through profit or loss	-	-	-	-	-	-	492.116	492.116
Total 31/12/2008	**6.393**	**131.148**	**66.350**	**1.103.895**	**54.096**	**1.601.389**	**8.536.897**	**11.500.168**
Total 31/12/2007	**8.344**	**-**	**70.632**	**920.714**	**31.519**	**1.778.804**	**7.133.652**	**9.943.665**

3. Geographical distribution of financial liabilities

Exposure/Counterparty	Italy	Other European Countries	America	Asia	Rest of the world	Total
1. Due to customers	8.168.184	264.117	172.614	8.849	63.843	8.677.607
2. Due to banks	201.346	110.728	2.386	-	1	314.461
3. Outstanding securities	2.284.860	1.017	230	-	53	2.286.160
4. Financial liabilities held for trading	-	33.988	10.268	1	28	44.285
5. Financial assets at fair value through profit or loss	489.110	3.006	-	-	-	492.116
Total 31/12/2008	**11.143.500**	**412.856**	**185.498**	**8.850**	**63.925**	**11.814.629**
Total 31/12/2007	**9.665.091**	**713.796**	**145.277**	**12.930**	**56.797**	**10.593.891**

1.4 Operational risks

QUALITATIVE INFORMATION

A. Operational risk: general aspects, management procedures and measurement methods

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes.

A detrimental operational event is defined as an individual occurrence arising from inefficiencies or malfunctions of processes, people, systems or external events that generates one or more operating losses.

Operational Risk therefore relates both to all the shortcomings in the current operations of the Group companies that cannot be directly linked to credit and market risks, and to external factors with a negative impact on the companies themselves.

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

With a view to the identification and mitigation of operational risks, during 2008 the Parent Company's Risk Management and Controls Service, together with the process owners[12], continued the work of mapping and approving new business processes and/or modifying and updating existing processes, identifying the risk factors which have an impact within these processes on the basis of a classification of operational risks based on so-called "event types" defined by Basel 2. Each process is "assigned" a process-inherent operational risk rating (which assesses the risk factors on the process without taking account of the mitigating effect of existing controls) and a process-residual operational risk rating (obtained by assessing the mitigating effect of controls on inherent risks). The risk ratings are measured on a discrete scale with values from 1 (minimum risk) to 5 (maximum risk). Particular attention is paid to correspondence between the operational map and the reality of the underlying process.

In 2008 we also began a Risk Self Assessment analysis, which consists of a detailed study of the mapping of processes through a quantification (in terms of both financial impact and frequency of occurrence) of possible risk events, and therefore losses, identified in the business processes.

This work, which is coordinated by the Parent Company's Risk Management and Controls Service, actively involved all the departments/services of the Holding and the Group Companies, which provided an estimate of the average frequency of occurrence of the average economic impact of potential events associated with the processes for which it is responsible, assessing in particular low-frequency high-impact events.

[12] The process owner is the organizational unit responsible for the process as a whole (organization, instruments, rules and resources). In the Banca Sella Group the process owners are the managers of Parent Company Departments and of Group Companies or of departments within these companies.

The objective of constantly improving the culture and management of operational risks and ensuring adequate information flows, is reflected in the constant and continual use by all the Group Companies of the "Control Cycle". This is a process which involves the detection and treatment of anomalies, supported by a dedicated software instrument. The "Control Cycle" regulates the attribution of anomalies to the direct process owners and the attribution of follow-up responsibilities and also traces and governs their elimination and the elimination of their causes.

For the purposes of calculation of the capital requirement to cover exposure to operational risk, the Banca Sella Group uses the Basic Indicator Approach (BIA). In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net banking income available a regulatory ratio of 15%.

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

- detrimental events and operating losses reported in the Control Cycle process (highlighting the more serious anomalies);
- the outcome of line audits;
- the trend in service levels;
- the "internal operational risk rating[1]" (or I.O.R.R.).

[1] *The "internal operational risk rating " is an instrument which enables an expression of a Group Company's exposure to operational risk via a summary indicator ordered in ascending classes from 1 to 5 (where 1 is the minimum value and 5 the maximum value). It is calculated using a proprietary weighting system, prepared within the Banca Sella Group, on the basis of specific KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).*

Section 2 – Insurance companies risks

The Banca Sella Group has a majority equity interest in two insurance companies located respectively in Ireland and in Italy that specialize in categories of product and customer. The former caters for private customers offering products that will best meet their need for diversified investments, whilst the latter company caters for a wide range of customers through a comprehensive catalogue that therefore includes the risks connected with the term of human life.

Sella Life Ltd

Sella Life's business concerns only life assurance of the third kind, that is to say linked policies. By their nature, such products do not entail a financial risk for the Company as the risk is transferred completely to the Policyholder.

The insurance covers provided by the company for the products it sells amount to at the most 101% of the value of the policy and therefore the risk of mortality is covered by the Company's own assets.

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

C.B.A. Vita operates mainly in the life assurance field and to a small extent in the accident and health insurance fields.

The main risks assumed by the Company in the course of its business, and the processes adopted for the assumption and management of such risks, are described below.

<u>Mortality risk</u>

CBA Vita has a diversified risk assumption policy according to the type of premium. Particular caution is exercised when accepting temporary life-assurance policies for which the procedures in place lay down precise acceptance criteria dependent on the amount of capital to be insured and the age of the policyholder. This type of policy can be accepted without a medical examination after completion of a health, professional and sporting questionnaire; on the basis of the replies given, the policy can be issued directly by the broker or after authorization from the Company, possibly subject to extra health, sporting or professional premiums. For capital or age ranges that are beyond the acceptance limits, for direct issue by the sales network, the risk assessment is carried out by Head Office, which examines the medical documentation together with the reinsurer. The quality of the assumption is given by a comparison between the actual mortality and the theoretical mortality of the portfolio, which in 2008 showed actual mortality lower than theoretical mortality.

CBA Vita provides life-assurance reinsurance cover that is commensurate with the products marketed and conservation levels that are more than adequate for the Company's capital structure (in compliance with the framework directive issued by the Board of Directors in accordance with the provisions of ISVAP memorandum 574/D of 2005).

<u>Longevity Risk</u>

Some life-assurance policies provide an income directly or, when they mature, permit the customer to opt for an annuity instead of cashing in the accrued capital. In the case of such policies the Company is therefore exposed to a longevity risk due to the trend of increasing life expectancy. For some years now this risk - which arises from the possible discrepancy between the actual lifetime of the policyholder and the lifetime as estimated from the mortality tables used at the moment of conversion of the capital into an annuity - has been limited in new policies with an annuity option, by postponing the calculation of the conversion ratio to the moment when the annuity option is taken up.

For contracts already in the portfolio, with guaranteed annuity ratio calculated on the basis of demographic projections that have not been updated, the mathematical reserves have been supplemented by extra provisions of 0,269 million euro. This figure has been deemed to be adequate as it has been calculated on the basis of updated demographic projections and assumes a greater uptake of the annuity option than is currently recorded on the market.

Financial Risk

CBA Vita markets, among other things, products with bonuses based on the profits achieved by their Separate Investments, with a guaranteed minimum. The company is thus exposed to the risk of obtaining profits from the underlying investments that are lower than those guaranteed to the policyholders. The guaranteed minimum bonus rate for newly sold products is normally 1,5%.

The portfolio contains policies taken out in previous years that provided for higher guaranteed minimum bonuses. In particular about 1,53% of the reserves of with-profits products relate to policies that guarantee a 4% bonus and 0,78% to policies that guarantee 3%. The remaining 97,69% are policies with guarantees of 2%, 1,5% or indexed to the Average Bond Rate (ABR).

The risk connected with these policies is periodically monitored and assessed to ensure optimum allocation of financial resources, with a view to ALM (Asset-Liability Management)

In order to cover the risk of a possible disparity between the expected rates of return of the assets hedging the technical reserves connected to the separate investments and the undertakings given, the mathematical reserves of the Company have been increased by 0,977 million in compliance with the provisions of Isvap Regulation 21 of 28 March 2008.

The Liability Adequacy Test is conducted using the modelling that has already been set up for the analysis pursuant to Regulation 21 with an extension of the assessments to the contractual maturity of the portfolio. It has shown that the additional reserves calculated using local principles are adequate.

Lastly, financial risks include a limited number of index-linked policies (5,6%) that were taken out in past years, where the counterparty risk is borne by the Company.

Section 3 – Risks of other companies

This type of company does not exist within the Banca Sella Group.

Part F – Information on consolidated capital

As required by Bank of Italy Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it.

Section 1 - Consolidated capital

A. QUALITATIVE INFORMATION

In the light of its strategic development lines and objectives, the Banca Sella Group has adopted the measures necessary to guarantee adequate capital requirements.

The monitoring activity regarding its Equity and Capital Ratios is centralized in the Parent Company and seeks to ensure that permitted limits are not exceeded.

An initial audit is performed during preparation of the Group's three year strategic plan, comparing the growth trends of activities that affect the magnitude of risks with the expected evolution of the capital structure.

Respect for capital adequacy is obtained via:

- pay out policies;
- issues of subordinated bonds,
- securitization transactions aimed at reducing the amount of credit risks,
- lending policies relating to the rating of counterparts.

As of 31 December 2008, the excess Regulatory Capital with respect to the compulsory levels is of an amount in line with the risk profile adopted by the Group, permitting development in keeping with the expected growth targets.

B. QUANTITATIVE INFORMATION

Shareholders' equity *(euro thousands)*	**Total 2008**	**Total 2007**
Share capital	100.500	80.000
Share premiums	49.414	49.414
Reserves	361.951	237.822
- Legal reserve	28.759	28.759
- Own shares reserve	-	-
- Statutory reserve	60.154	33.869
- Extraordinary reserve	102.305	97.652
- Other reserves	170.733	77.542
Valuation reserves	9.575	34.327
- Revaluation reserves (special laws)	7.433	29.283
- Valuation reserves for assets available for salea	2.142	5.044
Profit for the year	13.632	120.807
Total	**535.072**	**522.370**

Section 2 - Bank regulatory capital and capital ratios

A. QUALITATIVE INFORMATION

2.1 Scope of application of the regulation

The regulatory capital and capital ratios have been calculated on the basis of the figures in the balance sheet and income statement determined by applying the IAS/IFRS international accounting standards, in accordance with Circular no 155/91 of the Bank of Italy, containing "Instructions for preparing reports on regulatory capital and prudential ratios".

Application of the instructions contained in the said circular involves a different method of consolidation for insurance companies included in Consolidated Financial Statements. Hence the said companies, consolidated using the line-by-line method for the financial statements, have been consolidated using the net equity method for the purposes of the capital and prudential ratios.

2.2 Bank regulatory capital

1. Tier 1 capital

This comprises:

- Share capital
- Share premiums
- Capital reserves
- Profit for the period

net of dividends to be distributed, intangible fixed assets and negative valuation reserves on securities available for sale.

2. Tier 2 capital and Tier 3 capital

This comprises:

- Positive valuation reserves of tangible assets
- Hybrid capital instruments
- Subordinated liabilities

The main contractual features of hybrid capital instruments and subordinated liabilities included in the calculation of Tier 2 and Tier 3 capital are summarised in the following table.

Issuer	Interest rate	Interest type	Issue date	Maturity date	Currency	Original amount *(euro thousands)*	Contribution to regulatory capital *(euro thousands)*
Banca Sella Holding S.p.A.	5,50%	variable	16-Sep-02	16-Mar-13	Euro	50.000	48.900
Banca Sella Holding S.p.A.	5,40%	variable	1-Sep-03	1-Sep-14	Euro	24.612	24.198
Banca Sella Holding S.p.A.	5,40%	variable	15-Jul-04	15-Jul-15	Euro	18.560	17.245
Total hybrid instruments (Upper Tier 2)							**90.343**
Banca Sella Holding S.p.A.	5,50%	variable	15-Oct-03	15-Oct-09	Euro	10.000	1.996
Banca Sella Holding S.p.A.	4,70%	variable	14-Nov-05	14-Nov-11	Euro	20.000	11.890
Banca Sella Holding S.p.A.	3,88%	variable	15-Dec-04	15-Dec-14	Euro	50.000	50.000
Banca Sella Holding S.p.A.	4,40%	variable	28-Nov-06	28-Nov-16	Euro	50.000	50.000
Banca Sella Holding S.p.A.	3,56%	variable	21-Jun-07	21-Jun-17	Euro	10.000	9.600
Banca Sella Holding S.p.A.	3,73%	variable	27-Dec-07	27-Dec-17	Euro	30.000	27.000
Banca Sella Holding S.p.A.	4,09%	variable	6-Jun-08	6-Jun-14	Euro	13.900	13.200
Banca Sella S.p.A. (*)	5,96%	variable	4-Jan-06	4-Jan-13	Euro	100.000	0
Banca Sella S.p.A.	3,42%	variable	24-Jun-08	24-Jun-14	Euro	50.000	46.763
Banca Sella S.p.A.	3,40%	variable	30-Sep-08	30-Sep-16	Euro	16.660	16.536
Banca Sella Nordest Bovio Calderari S.p.A.	5,50%	variable	1-Oct-03	1-Oct-09	Euro	10.000	1.988
Banca Sella Nordest Bovio Calderari S.p.A.	4,20%	variable	1-Dec-04	1-Dec-10	Euro	3.000	1.190
Banca Sella Nordest Bovio Calderari S.p.A. (*)	4,63%	variable	23-Nov-06	23-Nov-12	Euro	7.500	0
Banca Sella Nordest Bovio Calderari S.p.A.	3,46%	variable	27-Jun-08	27-Jun-14	Euro	10.000	9.847
Banca Sella Nordest Bovio Calderari S.p.A.	5,38%	variable	27-Oct-08	27-Oct-14	Euro	4.042	4.042
Banca Sella Sud Arditi Galati S.p.A.	5,45%	variable	22-Sep-03	22-Sep-11	Euro	2.200	1.317
Banca Sella Sud Arditi Galati S.p.A.	4,10%	fixed	18-Sep-03	18-Sep-10	Euro	5.000	2.000
Banca Sella Sud Arditi Galati S.p.A.	5,30%	variable	18-Sep-03	18-Sep-10	Euro	2.479	992
Banca Sella Sud Arditi Galati S.p.A.	4,15%	variable	1-Dec-04	1-Dec-10	Euro	2.000	786
Banca Sella Sud Arditi Galati S.p.A.	5,30%	fixed	16-Jul-08	16-Jul-15	Euro	10.000	9.386
Banca Sella Sud Arditi Galati S.p.A.	4,90%	fixed	22-Sep-08	22-Sep-14	Euro	10.000	9.801
Banca Sella Sud Arditi Galati S.p.A.	4,00%	fixed	15-Dec-08	15-Dec-14	Euro	1.124	1.124
Sella Bank Luxembourg S.A. (*)	3,90%	fixed	2-May-05	2-May-15	Euro	5.000	0
Total eligible subordinated (Lower Tier 2)							**269.458**
Banca Sella Holding S.p.A.	5,55%	variable	4-Apr-08	4-Apr-11	Euro	20.000	19.713
Banca Sella Holding S.p.A.	5,37%	variable	3-Jul-06	3-Jul-09	Euro	10.000	9.975
Total 3rd tier subordinated (Upper Tier 3)							**29.688**
Total							**389.489**

(*) Subscribed by other Group companies and hence not ascribable to Group regulatory capital.

Hybrid instruments (Upper Tier 2)

The Upper Tier 2 subordinated loans comply with Bank of Italy requisites to be counted among the components of "Regulatory Capital". In particular:

- they are not subject to advance redemption clauses;
- redemption on maturity is conditional on previously obtaining consent from the Bank of Italy;
- where there are accounting losses which lead to a reduction of paid-in capital and reserves below the minimum level of capital required for authorisation for the banking business, the amounts originating from the above-mentioned liabilities and accrued interest can be used to cover the losses, in order to permit the issuing entity to continue its business;
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off.

Computable subordinates (Lower Tier 2)

The subordinated liabilities as above comply with the requisites set out by the Bank of Italy to be counted among the components of "Regulatory Capital". In particular:

- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off;
- there are no advance redemption clauses save at the initiative of the Bank subject to consent from the Bank of Italy

Lower Tier 3 subordinated liabilities

These bond loans comply with the requisites set out by the Bank of Italy for deductibility of capital requirements to cover market risks. In particular:

- payment of interest and principal is suspended to the extent that the capital requirement of the issuing entity falls below the capital requirement laid down in the "Bank of Italy Supervisory Instructions";
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off;
- the original term is not less than two years.

B. QUANTITATIVE INFORMATION

	31/12/2008	31/12/2007
A. Tier 1 capital before application of prudential filters	**549.690**	**521.063**
B. Tier 1 capital prudential filters:	(405)	(2)
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(405)	(2)
C. Tier 1 capital including ineligible items (A + B)	**549.285**	**521.061**
D. Tier 1 capital ineligible items	5.089	4.266
E. Total Tier 1 capital (C - D)	**544.196**	**516.795**
F. Tier 2 capital before the application of prudential filters	**372.196**	**310.309**
G. Tier 2 capital prudential filters	(1.209)	(3.356)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(1.209)	(3.356)
H. Tier 2 capital including ineligible items (F + G)	**370.987**	**306.953**
I. Tier 2 capital ineligible items	5.089	4.266
L. Total Tier 2 capital (H - I)	**365.898**	**302.687**
M. Total Tier 1 and 2 capital ineligible items	36.575	38.632
N. Regulatory capital (E + L - M)	**873.519**	**780.850**
O. Tier 3 capital	9.842	7.503
P. Regulatory capital including Tier 3 (N + O)	**883.361**	**788.353**

The Tier 3 capital is calculated in accordance with Bank of Italy Circular no. 155/91, which provides for the coverage of market risks requirements net of counterparty risks, up to a maximum amount of 71.4% of the said requirements.

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

In financial year 2008 the “New capital adequacy rules for Banks” (Bank of Italy Circular No. 263 of 27 December 2006), which incorporate the regulations on the subject of international convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the banking Group must represent at least 8% of total weighted assets (total capital ratio) deriving from the typical risks of the banking and financial business (credit, counterparty, market and operational risks), weighted on the basis of regulatory segmentation of the counterparty debtors and taking account of credit risk mitigation techniques.

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the Group exhibits a ratio between Tier 1 capital and risk weighted assets of 6,76% and a ratio between total regulatory capital and risk weighted assets of 10,98%, well above the minimum requirement of 8%.

Periodically, patrimonial adequacy and respect for requested requisites is monitored by the Asset and Liability Management Committee.

B. QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/requirements	
	2008	2007	2008	2007
A. RISK ASSETS				
A.1 Credit and counterparty risk	**18.332.151**	**14.290.543**	**6.938.249**	**6.813.856**
1. Standardized approach	18.332.151	14.290.543	6.938.249	6.813.856
2. Internal rating based approach	-		-	
2.1 Basic				
2.2 Advanced	-		-	
3. Securitizations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	**x**	**x**	**548.439**	**545.108**
B.2 Markets risks			**13.785**	**14.156**
1. Standardized approach	x	x	13.785	14.156
2. Internal models	x	x	-	
B.3 Operational risk			**81.363**	**-**
1. Basic approach	x	x	81.363	-
2. Standardized approach	x	x		
3. Advanced approach	x	x		-
B.4 Other capital requirements	**x**	**x**	**-**	**5.552**
B.5 TOTAL CAPITAL REQUIREMENTS (B1+B2+B3+B4)	**x**	**x**	**643.587**	**564.816**
C. RISK ASSETS AND CAPITAL RATIOS	**x**	**x**		
C.1 Risk weighted assets	x	x	8.044.837	7.060.244
C.2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	x	x	6,76%	7,32%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	x	x	10,98%	11,17%

PART G - Operations regarding companies or business lines

The Group does not have this type of operations, since the operations which took place in the financially year represent corporate aggregation operations to which corporate entities and assets under common control participated.

Part H – Related party transactions

In accordance with IAS 24, the types of related parties significant for the Banca Sella Group, with reference to the specific organisational structure and governance, comprise:

a) subsidiaries over which the parent company directly or indirectly exercises control;
b) associated companies over which the parent company directly or indirectly exercises significant influence;
c) directors and managers with strategic responsibilities;
d) close family members of directors and managers with strategic responsibilities;
e) companies controlled by or associated with one of the subjects described in points c) and d).

1. INFORMATION ON DIRECTORS' AND MANAGERS' REMUNERATION

In the light of the current organisational structure of the Group, the following are included in the definition of "managers with strategic responsibility": Directors and members of the Group Central Management of Banca Sella Holding in relation to the exercise of the functions of management, coordination and control.

Fees paid in 2008 to the above-mentioned key company personnel in the parent company are set out in the following table:

Fees paid to managers with strategic responsibilities (including directors) *(amounts in euro thousands)*	**2008**
a) short-term employee benefits	5.977,5
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	204,8
e) share-based payments	-
Total	**6.182,3**

The following table shows payments received in 2008 by Directors and Statutory Auditors of the Parent Company:

Fees received in financial year 2008 *(amounts in euro thousands)*	
Directors	2.381,8
Statutory Auditors	569,9

2. INFORMATION ON RELATED PARTY TRANSACTIONS

Transactions with related parties were carried out, as a rule, on the basis of terms equivalent to those applied for operations performed with independent third parties.

Intra-group transactions were carried out following assessments of mutual benefit, in line with market terms, with the aim of creating value within the Group.

In preparing the consolidated financial statements, transactions and existing balances with intra-group related parties are eliminated.

The table below sets out assets, liabilities, guarantees and commitments existing as of 31 December 2008 differentiated by the different types of related parties:

RELATED PARTY TRANSACTIONS *(amounts in euro thousands)*

	Subsidiaries	Associated companies	Directors and Managers
Loans & Receivables	-	-	1.910,3
Payables	-	5.781,4	2.268,3
Guarantees given	-	1.482,2	135,0
Guarantees received by the Group	-	700,0	240,2

MAIN INTRAGROUP EQUITY ITEMS *(euro thousands)*

	31 December 2008	
	Amount	Percentage %
Total financial assets	12.078	0,1%
Total other assets	1.081	0,1%
Total financial liabilities	453	-
Total other liabilities	420	-

KEY INFRAGROUP PROFIT/LOSS ITEMS *(euro thousands)*

	31 December 2008	
	Amount	Percentage %
Total fee income	1.255	0,2%
Total operating costs	-17	-

The main terms of reference of transactions with each category of related counterparty are shown below, on the basis of the subjects indicated in IAS 24.

(dati in migliaia di euro)

Transactions with related parties by category	Financial assets available for sale	Due to customers	Other assets	Other liabilities
Subsidiary companies not entirely consolidated	-	-	-	-
Companies subject to joint control	-	-	-	-
Associated companies	12.078	453	1.081	420
Management with strategic responsibilities and corporate	-	-	-	-
Other related parties	-	-	-	-
Total	**12.078**	**453**	**1.081**	**420**

Part I – Payment agreements based on own equity instruments

The Banca Sella Group has not carried out this type of operation.

Independent Auditors' Report

Deloitte

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AUDITORS' REPORT
PURSUANT TO ARTICLE 2409 - ter OF THE CIVIL CODE

To the Shareholders of
BANCA SELLA HOLDING S.p.A.

1. We have audited the consolidated financial statements of Banca Sella Holding S.p.A. and subsidiaries (the "Banca Sella Group"), which comprise the balance sheet as of December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes as required by law, reference should be made to other auditors' report issued on April 11, 2008.

3. In our opinion, the consolidated financial statements present fairly the financial position of Banca Sella Group as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

4. The directors of Banca Sella Holding S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 2409-ter, paragraph 2, letter e), of the Italian Civil Code. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the Report on Operations is consistent with the consolidated financial statements of the Banca Sella Group as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 10, 2009

This report has been translated into the English language solely for the convenience of international readers.