

# BANCA SELLA

BIELLA

Established in 1886



## ANNUAL REPORT

# 2004

118<sup>th</sup> FINANCIAL YEAR

Joint Stock Company  
Share Capital and Reserves: € 317.467.717  
Member of the Deposit Guarantee Scheme  
Registered on the Banks and Banking Groups Roll  
Tax and VAT number 01709430027

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REUTERS Dealing code: SELB  
REUTERS pages: FX = SELB, FWD = SELB, DEPO = SELB  
WEB SITE: [www.sella.it](http://www.sella.it)

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**GRUPPO BANCA SELLA**



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## BOARD OF DIRECTORS

appointed up to the approval of the 2006 financial statements

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

\* Member of the Executive Committee

## BOARD OF STATUTORY AUDITORS

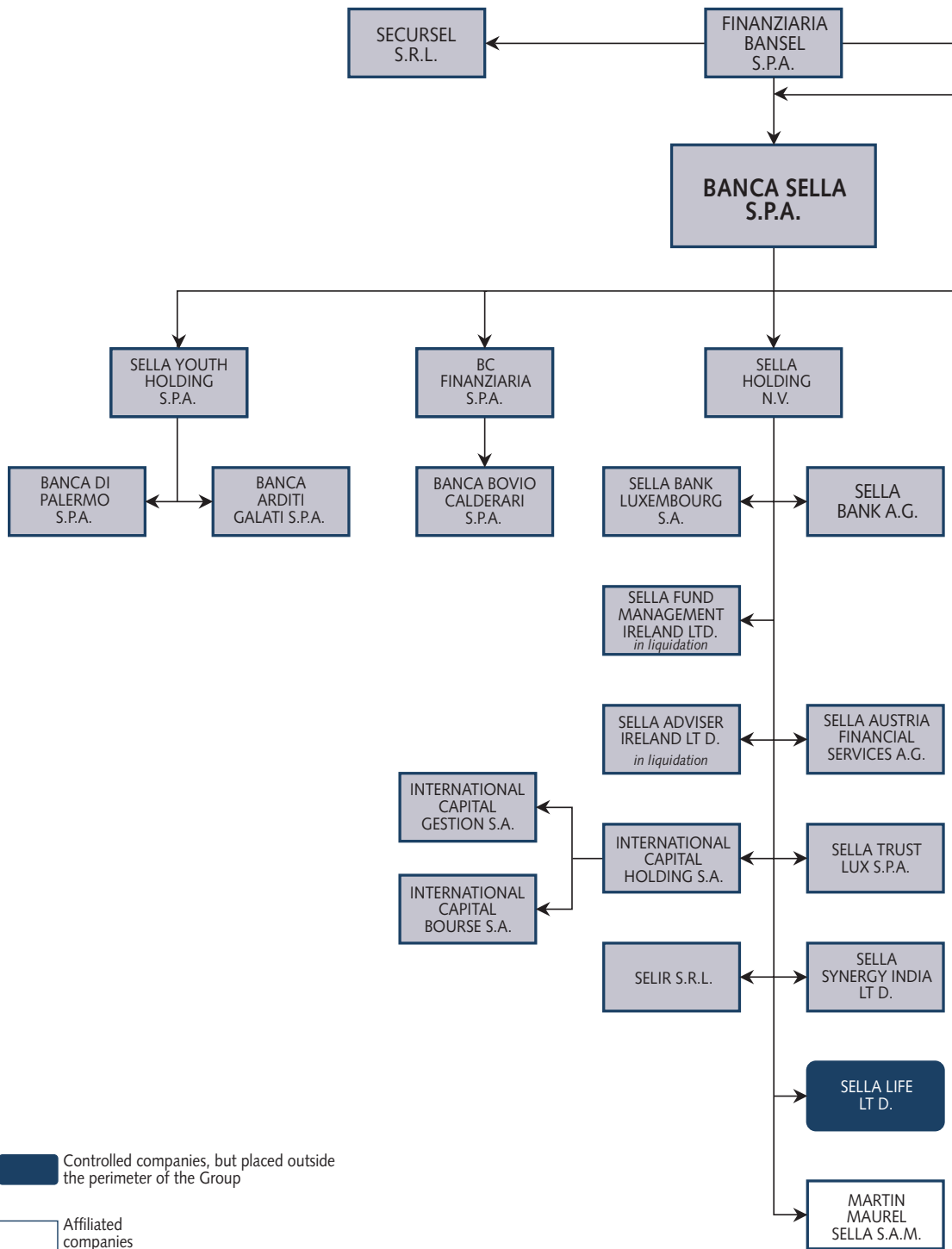
appointed up to the approval of the 2005 financial statements

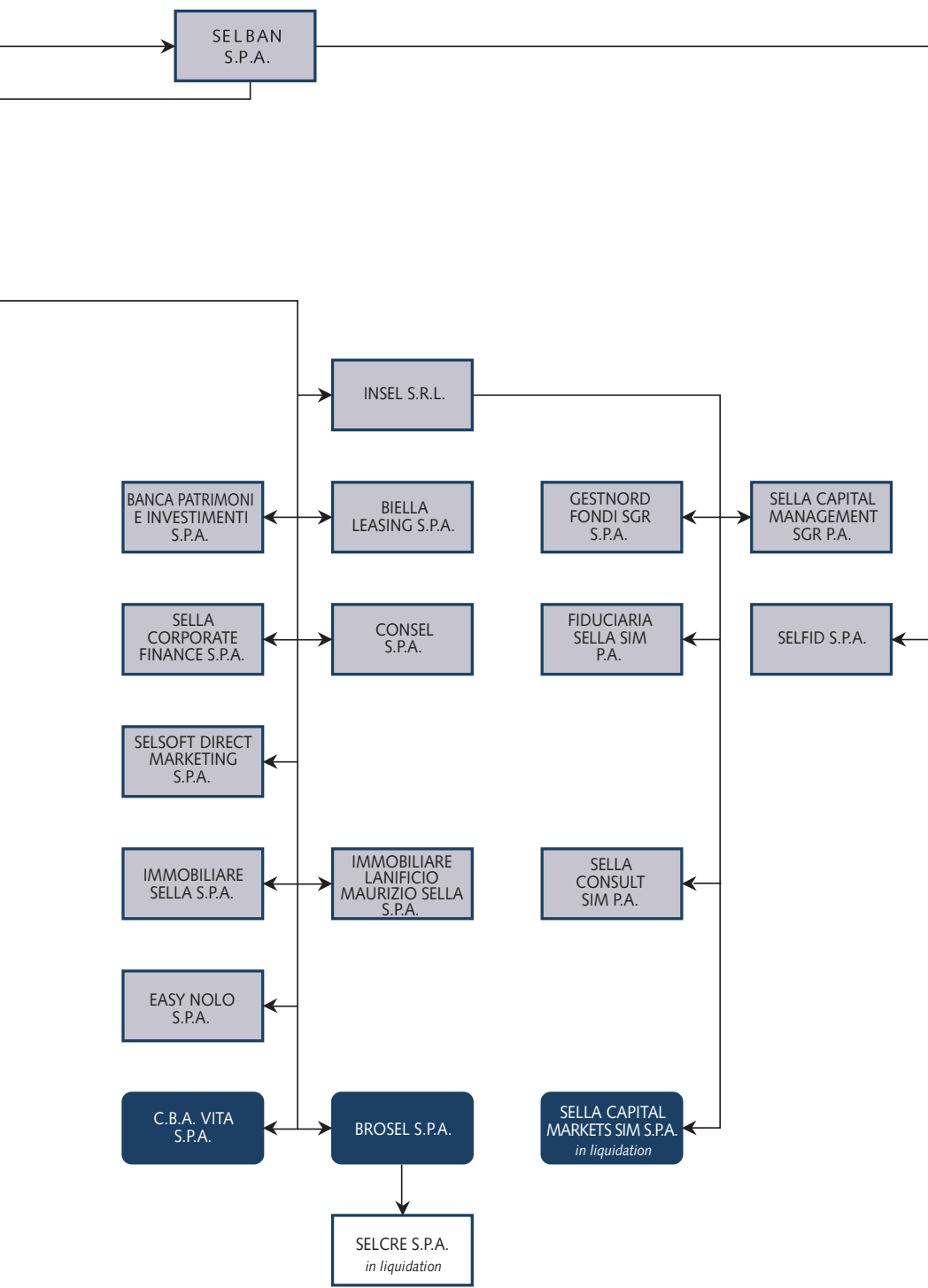
Auditor and Chairman	Alberto Rizzo
Auditor	Vittorio Bernero
“	Alessandro Rayneri
Supplementary Auditor	Roberto Cravero
“ “	Benito Rimini



# CHART OF GRUPPO BANCA SELLA

as at 1 January 2005





## GEOGRAPHICAL NETWORK (as at April 2005) GRUPPO BANCA SELLA

### BANCA SELLA S.p.A.

Head Office  
13900 BIELLA, Via Italia 2  
Tel. 015 35011 - Fax 015 351767  
Swift SELB IT 2B - Telegr. Banca Sella  
Web site: www.sella.it

### DOMESTIC BRANCHES AND PRIVATE BANKING OFFICES

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





FAVRIA (TO)	Via Caporal Cattaneo 52	0124 348885
FOSSANO (CN)	Piazza Duomo angolo Via Garibaldi	0172 633042
GAGLIANICO (BI)	Via Gramsci 75	015 2543541
GATTINARA (VC)	Viale Marconi 60	0163 834464
GIAVENO (TO)	Via Roma 15	011 9364122
GRUGLIASCO (TO)	Via Spanna 3	011 784697
IVREA - Main branch	Corso Nigra 1	0125 45847
IVREA 1	Corso Vercelli 124	0125 616821
IVREA Private Banking	Via Cavour 9	0125 627083
LESSONA (BI)	Piazza Gaudenzio Sella 1	015 981949
MONCALIERI (TO)	P.zza Caduti per la Libertà e l'Indip. 6	011 6406892
MONGRANDO (BI)	Via Roma 24	015 666261
MONTANARO (TO)	Via Matteotti 8	011 9193093
NICHELINO (TO)	Piazza Camandona 25/27	011 6274438
NONE (TO)	Piazza Cavour 12	011 9904045
NOVARA	Corso Torino 35/37	0321 466611
OCCHIEPPO INFERIORE (BI)	Via Martiri della Libertà 18/A	015 2593686
ORBASSANO (TO)	Via Roma 27	011 9031751
OVADA (AL)	Piazza Garibaldi 8	0143 833128
PIANEZZA (TO)	Via Giolitti 7	011 9663741
PINEROLO (TO)	Corso Torino 63/B	0121 321787
POCAPAGLIA (CN)	Strada Macellai 53	0172 423669
POLLONE (BI)	Via Caduti per la Patria 24	015 61591
PONDERANO (BI)	piazza Garibaldi 1	015 2544330
PONT CANAVESE (TO)	Via Roscio 5	0124 860025
PONZONE (BI)	Piazza XXV Aprile	015 777046
RIVAROLO CANAVESE (TO)	Corso Torino 54/56	0124 29919
RIVOLI (TO)	Piazza Martiri Libertà 2	011 9580608
RIVOLI (TO) Private Banking	Piazza Martiri Libertà 2	011 9534694
RIVOLI - CASCINE VICA (TO)	Corso Francia 201/B	011 9574364
ROMANO CANAVESE (TO)	Viale Marconi 34	0125 712341
ROSTA (TO)	Via Rivoli 63	011 9541241
SALUSSOLA (BI)	Via Martiri della Libertà 45	0161 997243
SAN CARLO CANAVESE (TO)	Strada Ciriè 73	011 9214820
SAN FRANCESCO al C. (TO)	Via Torino 190	011 9276848
SAN GERMANO CHISONE (TO)	Via G. Vincons 17	0121 58577
SANDIGLIANO (BI)	Via Maroino 7	015 2493200
SANGANO (TO)	Via Bert 11	011 9085858
SANTHIA' (BI)	Corso Beato Ignazio 2	0161 930445
SAVIGLIANO (CN)	Piazza del Popolo 25	0172 33961
SETTIMO T.SE (TO) - Main branch	Via Italia 18/B	011 8978181
SETTIMO TORINESE 1 (TO)	Via Regio Parco 2	011 8952119
SUSA (TO)	Corso Inghilterra 46	0122 629690
TOLLEGNO (BI)	Via XX Settembre 6/8	015 421523
TORINO - Main branch	Piazza Castello 127	011 5620738
TORINO Private Banking	Via Barbaroux 2	011 5919883
TORINO 1	Corso Francia 185	011 752646
TORINO 2	Corso Alcide De Gasperi 46	011 597533
TORINO 3	Via San Donato 34/36	011 4373471
TORINO 4	Corso Giulio Cesare 56 Bis	011 2487848
TORINO 5	Corso Monte Cucco 59	011 3850305
TORINO 6	Via Bologna 242	011 2424063
TORINO 7	Corso Sommeiller 25	011 593983
TORINO 8	Corso Orbassano 193	011 352108
TORINO 9	Corso Matteotti 47	011 5612608
TORINO 10	Corso Vittorio Emanuele II 12	011 885039
TORINO 11	Corso San Maurizio 47	011 888156
TORINO 12	Piazza Giosuè Carducci 122/C	011 6630930
TORINO 13	Corso Traiano 82/A	011 610128
TORINO 14	Corso Racconigi 16	011 745726
TORINO 15	Corso Stati Uniti 5	011 5612213
TORINO 16	Via Andrea Doria 8	011 5611467
TORINO 17	Via Nicomede Bianchi 42/E	011 7410975
TORINO 18	Piazza Adriano 5/H	011 4330233
TORINO 19	Corso Vercelli 168	011 2051735
TORINO 20	Via Nizza 348	011 6634404
TORRAZZA PIEMONTE (TO)	Via Mazzini 23	011 9180028
TORTONA (AL)	Corso Montebello 19/C	0131 813944
TRINO VERCELLESE (VC)	Corso Cavour 34/38	0161 828031
TROFARELLO (TO)	Via Torino 84	011 6490924

<b>VALDENGO (BI)</b>	Via Quintino Sella 28	015 882165
<b>VALLEMOSSO (BI)</b>	Via Bartolomeo Sella 1	015 702935
<b>VENARIA REALE (TO)</b>	Viale Buridani 6 ang. Corso Marconi	011 4593789
<b>VERCELLI - Main branch</b>	Piazza Risorgimento 23	0161 255600
<b>VERCELLI 1</b>	Via Paggi 29	0161 211585
<b>VERCELLI 2</b>	Via Castelnuovo delle Lanze 2/4	0161 211397
<b>VERCELLI Private Banking</b>	Viale Garibaldi 51	0161 215853
<b>VERGNASCO (BI)</b>	Via Papa Giovanni XXIII 50	015 2583012
<b>VERRONE (BI)</b>	Via Zumaglini 23	015 2558286
<b>VIGLIANO BIELLESE (BI)</b>	Via Milano 163	015 811954
<b>VIVERONE (BI)</b>	Via Provinciale 32	0161 987392
<b>VOLPIANO (TO)</b>	Via Umberto I 11/13	011 9951480

#### Valle d'Aosta

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

#### Lombardia

<b>BRESCIA</b>	Corso Palestro 40	030 280268
<b>MILANO - Main branch</b>	Piazza Ernesto De Angeli 9	02 4815348
<b>MILANO 1</b>	Via Bergognone 27	02 58107132
<b>MILANO 2</b>	Via Vincenzo Monti 33	02 4691540
<b>MILANO 3</b>	Via Gonzaga 3	02 72003420
<b>MILANO Private Banking</b>	Via Gonzaga 5	
<b>MILANO 4</b>	Via Monte Nero 71	02 5517360
<b>MILANO 5</b>	Viale Piave 4	02 76017137
<b>MILANO 6</b>	Viale Corsica 42	02 7388789
<b>RHO (MI)</b>	Via dei Martiri 23	02 9307604
<b>SESTO SAN GIOVANNI (MI)</b>	Via Falck 5	02 2409386
<b>VIGEVANO (PV)</b>	Via Roma 4	0381 70129
<b>VIGEVANO (PV) Private Banking</b>	Via Roma 4	0381 70267

#### Veneto

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

#### Liguria

<b>CHIAVARI</b>	Piazza Mazzini 10	0185 303027
<b>CHIAVARI Private Banking</b>	Piazza Mazzini 10	0185 362746
<b>GENOVA</b>	Salita Santa Caterina 4	010 5957514
<b>GENOVA Private Banking</b>	Salita Santa Caterina 4	010 5955125
<b>IMPERIA</b>	Piazza Rossini 10	0183 767701
<b>SANREMO</b>	Via Gioberti 17	0184 544612

#### Emilia Romagna

<b>BOLOGNA</b>	Via Clavature 9 E/F	051 264705
<b>BOLOGNA Private Banking</b>	Via Clavature 9 E/F	051 264241
<b>BOLOGNA 1</b>	Via Rolli 4/A	051 323965
<b>CASALECCHIO DI RENO</b>	Via Bazzanese 51/3	051 6133359
<b>FERRARA</b>	Via Baluardi 29	0532 760538
<b>FERRARA Private Banking</b>	Via Baluardi 29	0532 760538
<b>MODENA</b>	Via Giardini 436	059 340498
<b>MODENA 1</b>	Via Emilia Est 119	059 238558
<b>SASSUOLO</b>	Viale Regina Pacis 1	0536 800847
<b>VIGNOLA</b>	Via della Resistenza 170	059 760181

#### Toscana

<b>FIRENZE</b>	Via Cavour 74/R	055 291074
<b>FIRENZE Private Banking</b>	Via Cavour 74/R	055 210677

**Lazio**

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

**Campania**

<b>NAPOLI</b>	Via dei Mille 34/36/38	081 410349
<b>NAPOLI Private Banking</b>	Via dei Mille 34/36/38	081 419526
<b>NAPOLI 1 - VOMERO</b>	Via Alvino 63	081 3721374
<b>SORRENTO</b>	Piazza Angelina Lauro 35	081 8773847

**Sardegna**

<b>CAGLIARI</b>	Via Sidney Sonnino 33	070 667931
<b>NUORO</b>	Piazza Sebastiano Satta 1	0784 37781

**FOREIGN BRANCHES****Luxembourg**

<b>LUXEMBOURG</b>	4, boulevard Royal	00352 2242400
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**U.S.A.**

<b>MIAMI, Florida</b>	801 Brickell Avenue Suite 1970	001 (305) 5391000
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**Venezuela**

<b>CARACAS</b>	Representative office Avenida Francisco de Miranda. Centro Lido, Torre Oficina 740 A. El Rosal	0058 (2) 9522345
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**BANKS OF THE GROUP****BANCA ARDITI GALATI S.P.A.**

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SWIFT BRDGIT33 - Telex 860813 BARGAL  
Web site: [www.bag.it](http://www.bag.it)

**Molise**

<b>CAMPOBASSO</b>	Via IV Novembre 135	0874 60655
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**Campania**

<b>AVELLINO</b>	Corso Europa 8/G	0825 784220
<b>CAPACCIO - PAESTUM (SA)</b>	Viale della Repubblica	0828 724877
<b>CAVA DE' TIRRENI (SA)</b>	Corso Mazzini 227	089 468550
<b>GIFFONI VALE PIANA (SA)</b>	Piazza Umberto I 31/33	089 868309
<b>MONTECORVINO PUGL. (SA)</b>	SS. 18 - Bivio Pratole	0828 51031
<b>SALERNO</b>	Via G. Cuomo	089 253590

**Puglia**

<b>BARI</b>	Via Calefati 131	080 5234545
<b>BARI 2</b>	Via Tommaso Fiore 106	080 5722890

<b>BARLETTA</b>	Via De Nittis 43	0883 518000
<b>BRINDISI</b>	Viale A. Moro 8	0831 516227
<b>CASTRI' (LE)</b>	Via C. Battisti 13	0832 826309
<b>CASTRIGNANO (LE)</b>	Via Grassi 7	0833 751008
<b>FASANO (BR)</b>	Piazza Kennedy 3	080 4425778
<b>LECCE</b>	Viale Marconi 45	0832 6981
<b>LECCE 2</b>	Via Lupiae ang Via Fornari	0832 312471
<b>MAGLIE (LE)</b>	Via V. Emanuele 124/B	0836 428008
<b>MANDURIA (TA)</b>	Viale Mancini 21	099 9738744
<b>NOCIGLIA (LE)</b>	Via Oberdan 35	0836 936014
<b>OSTUNI</b>	via Fogazzaro 74	
<b>PRESICCE (LE)</b>	Via Roma 68	0833 726004
<b>PUTIGNANO (BA)</b>	Via N. Bixio 10/12	080 4059120
<b>SALVE (LE)</b>	Via Roma 192	0833 741001
<b>SAN MICHELE SALENTINO (BR)</b>	Via Vittorio Veneto	0831 966962
<b>SPONGANO (LE)</b>	Via Sant'Angelo 7	0836 945026
<b>TRANI (BA)</b>	Via A. Moro 60/62	0883 480531
<b>TRICASE 07 (LE)</b>	Via Leone XIII° 12	0833 545026
<b>TRICASE 12 (LE)</b>	Via Roma 7	0833 545013
<b>TARANTO</b>	Via Solito 32	099 7302463

#### **BANCA BOVIO CALDERARI**

Head office

TRENTO, Via Oss Mazzurana 63 - Palazzo Tabarelli

Tel. 0461 888111 - Fax 0461 237281

Telex 400560 CABANK 1

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

#### **Trentino Alto Adige**

<b>BOLZANO 1</b>	Via Leonardo da Vinci 4	0471 324354
<b>BOLZANO 2</b>	Via Milano 63	0471 204999
<b>BOLZANO - Main branch</b>	Via Duca d'Aosta 49	0471 285544
<b>BORGO VALSUGANA (TN)</b>	Largo Dordi 1	0461 751233
<b>CAMPITELLO</b>	Via Pent de Sera 5	0462 751090
<b>CLES (TN)</b>	Via Trento 22	0463 424388
<b>DIMARO (TN)</b>	Via Campiglio 138	0463 970104
<b>LAVIS (TN)</b>	Via Matteotti 26	0461 242300
<b>MERANO (BZ)</b>	Via Portici 228	0473 239070
<b>PEJO (TN)</b>	Frazione Cogolo Via Roma 18	0463 746061
<b>RAVINA (TN)</b>	Via delle Masere 37	0461 922022
<b>ROVERETO (TN)</b>	C.so Rosmini ang. Via Paoli	0464 430030
<b>TRENTO CORSO</b>	Via Perini 18	0461 931914
<b>TRENTO CENTRO EUROPA</b>	Via Vannetti ang. Via J. Acconcio	0461 982475
<b>TRENTO - Main branch</b>	Via Oss Mazzurana 63	0461 888111
<b>TRENTO TOP CENTER</b>	Via Brennero 306	0461 825800

#### **Veneto**

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

#### **BANCA DI PALERMO**

Head office

PALERMO - Via Villareale, 2

Tel. 091 6018111 - Fax 091 6018280

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

[info@bancadipalermo.it](mailto:info@bancadipalermo.it)

**Regione Sicilia**

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

**BANCA PATRIMONI E INVESTIMENTI**

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

**Piemonte**

<b>ASTI</b>	Via A. Bruno 9 ang. Via Garetti	0141 390411
<b>BIELLA</b>	Galleria Leonardo Da Vinci 2	015 351187
<b>CUNEO</b>	Piazza Galimberti 15	0171 451311
<b>MONCALIERI (TO)</b>	Via Cavour 48	011 643111
<b>TORINO</b>	Piazza Vittorio Emanuele II, 13	011 8153011
<b>TORINO</b>	Piazza C.L.N. 255	011 5607111

**Lombardia**

<b>BRESCIA</b>	Via F.lli Porcellaga 3	030 289045
<b>MILANO</b>	Via Giulini 2	02 806401

**Veneto**

<b>SAN GIOVANNI LUPATOTO (VR)</b>	Via Garofoli 98/A	045 8750633
<b>TREVISO</b>	Via Federici 2	0422 218911
<b>VILLAFRANCA DI VERONA (VR)</b>	C.so Vittorio Emanuele 61	045 6305341

**Liguria**

<b>GENOVA</b>	Piazza De Ferrari 24R	010 254761
<b>SAVONA</b>	Via Dei Vegerio 6/R	019 838591
<b>VENTIMIGLIA (IM)</b>	Via Cavour 35/E	0184 236711

**Emilia Romagna**

<b>BOLOGNA</b>	Via Farini 11, Palazzo Zambecari	051 2917311
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**Toscana**

<b>SCANDICCI (FI)</b>	Via Donizzetti 52	055 7373420
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**Lazio**

<b>ROMA</b>	Piazza Cavour 10	06 6810011
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**Abruzzo**

<b>CHIETI</b>	C.so Marrucino 145	0871 321595
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**Umbria**

<b>PERUGIA</b>	Piazza Piccinino 9	075 5755211
<b>PESARO</b>	Via San Francesco 52	0721 30523

**Campania**

<b>NAPOLI</b>	Via Filangieri 36	081 4107411
<b>NAPOLI</b>	Via Toledo 156	081 5529984

**Puglia**

<b>FOGGIA</b>	Corso Cairoli 68	0881 726919
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## Sicilia

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<b>AGRIGENTO</b>	Via San Vito 19	0922 401770
<b>CALTANISSETTA</b>	Via C. Pulci 9/15	0934 582951
<b>PALERMO</b>	Piazzale Ungheria 51	091 6127128

### **SELLA BANK A.G.**

Head office  
ZURIGO, Talstrasse 70  
Tel. 0041 (0) 43 2103100 - Fax 0041 (0) 43 2103101

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<b>GENEVE</b>	rue de la Croix d'Or 19	0041 (0) 22 3178800
<b>LUGANO</b>	Corso Elvezia 9	0041 (0) 91 9102800
<b>ZÜRICH - Main branch</b>	Talstrasse 70	0041 (0) 43 2103100

### **SELLA BANK LUXEMBOURG S.A.**

Head office  
LUXEMBOURG - 4, boulevard Royal  
Tel. 00352 26200304 Fax 00352 26200131

## OTHER SUBSIDIARIES

### **BIELLA LEASING S.p.A.**

Head office  
BIELLA - Via Montegrappa 18  
Tel. 015 252881 - Fax 015 28826  
Web site: [www.biellaleasing.it](http://www.biellaleasing.it)

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<b>TORINO</b>	C.so Re Umberto 129	011 3040242
<b>VERCELLI</b>	Via Solaroli 9	0161 294094
<b>MILANO</b>	Galleria Unione 1	02 72004556
<b>TRENTO</b>	Via Oss Mazzurana 63	0461 888207
<b>TREVISO</b>	Via Federici 2	0422 292453

### **BROSEL S.p.A.**

Head office  
BIELLA - Via XX Settembre 13  
Tel. 015 2435111 - Fax 015 24351189  
Web site: [www.brosel.it](http://www.brosel.it)

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<b>PALERMO</b>	Via G. Leopardi 78	091 7300039
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### **CBA VITA S.p.A.**

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

### **CONSEL S.p.A.**

Head office  
TORINO - Corso Matteotti 47  
Tel. 011 5061111 - Fax 011 5061113  
Web site: [www.e-consel.it](http://www.e-consel.it)

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<b>TORINO</b>	Corso Matteotti 47	011 5061115
<b>MILANO</b>	Piazzale Susa 4	800 179001
<b>GENOVA</b>	Piazza della Vittoria 15	800 179001
<b>PISA</b>	Via Gello 17	800 179001
<b>ROMA</b>	Via Latina 65	800 179001
<b>ROMA 2</b>	Via Pereira 194	800 179001
<b>MESTRE</b>	Via C.Colombo 28	800 179001

<b>PALERMO</b>	Via Sgiuti 87/E	800 179001
<b>PERUGIA</b>	Via Martiri del Lager 94/B	800 179001
<b>CATANIA</b>	c/o BDP Viale XX Settembre 41/A	800 179001
<b>CAGLIARI</b>	Viale Bonaria 28 int. 5A	800 179001
<b>VERONA</b>	Via Centro 22 A	800 179001
<b>AGENZIA DI MARSALA</b>	Piazza Piemonte e Lombardo 25/D	800 179001

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

Head office  
BIELLA - Via Italia 2

<b>BIELLA</b>	Via Serralunga 7/D	015 2526500
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**FIDUCIARIA SELLA S.I.M.p.A.**

Head office  
BIELLA - Viale Matteotti 2  
Tel. 015 2525511 - Fax 015 2522402  
Web site: [www.fiduciarisella.com](http://www.fiduciarisella.com)

<b>TORINO</b>	C.so Re Umberto 63	011 591169
<b>AOSTA</b>	Via Vevey 5	0165 31678

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

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

**SELFID S.p.A**

Head office  
BIELLA - Viale Matteotti 7 Tel. 015 23295

**SELLA CAPITAL MANAGEMENT S.G.R.p.A.**

Head office  
MILANO - Via G.B. Pirelli 19 Tel. 02 6773531

**SELLA CONSULT SIM p.A.**

Head office  
BIELLA - Via Dei Seminari 5  
Tel. 015 2525311 - Fax 015 20977  
Web site: [www.sellaconsult.it](http://www.sellaconsult.it)

## FINANCIAL SALES POINTS

### Piemonte

<b>ALICE CASTELLO (VC)</b>	P.za G. Crosio 19/21	0161 909806
<b>BIELLA</b>	Via Arnulfo 2	015 23781
<b>BIELLA</b>	Via Bona 8	015 2522609
<b>BIELLA</b>	Via Italia 2 c/o succ. 23	015 2529340
<b>BURONZO (VC)</b>	Via Roma	0161 871073
<b>COSSATO (BI)</b>	Via G. Marconi 76	015 9842123
<b>SAVIGLIANO</b>	Piazza del Popolo 27	0172 726150
<b>TORINO</b>	C.so De Gasperi 46	011 596883
<b>TORINO</b>	C.so Montegrappa 6	011 7715067
<b>TORINO</b>	C.so Sommeiller 25	011 5682168
<b>TORINO</b>	C.so Re Umberto 63	011 5096403
<b>TORINO</b>	Via Arsenale 27	011 5178075

### Valle d'Aosta

<b>AOSTA</b>	P.za Narbonne 16	0165 45988
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### Lombardia

<b>BRESCIA</b>	C.so Palestro 40/40a	030 44852-905
<b>MILANO</b>	Galleria dell'Unione 1	02 72001579

MILANO	Via Parmigianino 13/15	02 36519050
MILANO	Piazza Cavour 2	02 72094547-539
<b>Veneto</b>		
MESTRE	Via C.Colombo 28	041 5342811
<b>Liguria</b>		
GENOVA	Via XX Settembre 1	010 8604047-148
CHIAVARI	Via S. Giovanni 4 int. 2	0185 303083
<b>Emilia Romagna</b>		
BOLOGNA	Via Dé Musei 4	051 5884696
<b>Marche</b>		
MACERATA	Corso Cavour 66	0733 291608
<b>Lazio</b>		
LATINA	Via Carturan 40/42	0773 474215
ROMA	Via Medaglie d'Oro 210/212	06 35404585
ROMA	P.za di Spagna 31	06 6780337
ROMA	Via Bertoloni 9/c	06 8075778
ROMA	Via Calderini 68	06 32111035
<b>Molise</b>		
CAMPOBASSO	Via IV Novembre 135	0874 618253
<b>Campania</b>		
NAPOLI	Via Orazio 80	081 2424346-50
NAPOLI	Via dei Mille 40 interni 10 e 11	081 2512511
NAPOLI	Via Scarlatti 10	081 2292476
<b>Sicilia</b>		
PALERMO	Via Marchese di Villabianca 67/71	091 7309054
<b>SELLA CORPORATE FINANCE S.p.A.</b>		
Registered office BIELLA - Via Italia 2		
BIELLA - Corporate Finance	Via Volpi 2/D	015 3501550
TORINO - Venture Capital	Piazza Castello 139	011 5172202
<b>INTERNATIONAL CAPITAL BOURSE S.A.</b>		
Head office PARIS - 126, rue Réaumur Tel. 0033 (1) 55802300 - Fax 0033 (1) 55802313		
<b>INTERNATIONAL CAPITAL GESTION S.A.</b>		
Head office PARIS - 126, rue Réaumur Tel. 0033 (1) 40137400 - Fax 0033 (1) 45084607 Web site: www.icgestion.com		
<b>SELLA AUSTRIA FINANCIAL SERVICE A.G.</b>		
Head office KLAGENFURT - 5 Schleppeplatz Tel. 0043 (463) 502701 - Fax 0043 (463) 50270150		
<b>SELLA LIFE Ltd</b>		
Head office DUBLIN - 4 Clare Street Tel. 00353 (1) 6788700 - Fax 00353 (1) 8563343		
<b>SELLA TRUST LUX S.A.</b>		
Head office LUXEMBOURG - 4, boulevard Royal Tel. 00352 2242400 - Fax 00352 224486		



## BANCA SELLA FOREIGN CORRESPONDENTS AND CLEARING BANKS (as at 16/05/2005)

Here below is the list of our main Foreign Correspondents with their S.W.I.F.T. address.  
Please note that the banks with a "T" are those in charge of the clearing for Banca Sella.

<b>AUSTRALIA</b>					
Australia and New Zealand Banking Group Ltd	Sydney	ANZB	AU	2S	
(T) National Australia Bank	Melbourne	NATA	AU	33	
<b>AUSTRIA</b>					
Bank Austria AG	Wien	BKAU	AT	WW	
<b>BELGIUM</b>					
Fortis Bank SA NV	Bruxelles	GEBA	BE	BB 36A	
<b>CANADA</b>					
(T) Canadian Imperial Bank of Commerce	Toronto	CIBC	CA	TT	
<b>CZECH REPUBLIC</b>					
(T) Ceskoslovenska Obchodni Banka	Praha	CEKO	CZ	PP	
<b>DENMARK</b>					
(T) Danske Bank A/S	Copenhagen	DABA	DK	KK	
<b>FINLAND</b>					
Nordea Bank Finland Plc	Helsinki	NDEA	FI	HH	
<b>FRANCE</b>					
Banque Martin - Maurel	Marseille	BMMM	FR	2A	
Banque Nationale de Paris	Paris	BNPA	FR	PP	
Société Générale	Paris	SOGE	FR	PP	
<b>GERMANY</b>					
Commerzbank	Frankfurt	COBA	DE	FF	
Deutsche Bank	Frankfurt	DEUT	DE	FF	
American Express	Frankfurt	AEIB	DE	FF	
<b>GREECE</b>					
National Bank of Greece	Athens	ETHN	GR	AA	
<b>HONG KONG</b>					
(T) The Hong Kong and Shanghai Banking Co.	Hong Kong	HSBC	HK	HH	
<b>HUNGARY</b>					
(T) Magyar Kulkereskedelmi Bank RT	Budapest	MKKB	HU	HB	
<b>INDIA</b>					
(T) Standard Chartered Bank Ltd	Bombay	SCBL	IN	BB BOM	
<b>INDONESIA</b>					
(T) The Hong Kong and Shanghai Banking Co.	Jakarta	HSBC	ID	JA	
<b>IRELAND</b>					
Bank of Ireland	Dublin	BOFI	IE	2D	
<b>JAPAN</b>					
(T) The Bank of Tokyo - Mitsubishi Ltd	Tokyo	BOTK	JP	JT TOK	



<b>LUXEMBOURG</b>				
Banque Générale du Luxembourg SA	Luxembourg	BGLL	LU	LL
<b>MALAYSIA</b>				
(T) The Hong Kong and Shanghai Banking Co.	Kuala Lumpur	HBMB	MY	KL
<b>NEW ZEALAND</b>				
(T) ANZ Banking Group N.Z. Ltd	Wellington	ANZB	NZ	22
<b>NORWAY</b>				
(T) DnB NOR Bank	Oslo	DNBA	NO	KK
<b>POLAND</b>				
(T) Bank Handlowy w Warszawie	Warszawa	CITI	PL	PX
<b>PORTUGAL</b>				
Banco Espírito Santo SA	Lisbon	BESC	PT	PL
<b>SINGAPORE</b>				
(T) The Hong Kong and Shanghai Banking Co.	Singapore	HSBC	SG	SG
<b>SLOVAK REPUBLIC</b>				
(T) Hvb Bank Slovakia	Bratislava	BACX	SK	BA
<b>SOUTH AFRICA</b>				
(T) Standard Bank of South Africa Ltd	Johannesburg	SBZA	ZA	JJ
<b>SPAIN</b>				
Banco Bilbao Vizcaya Argentaria SA	Madrid	BBVA	ES	MM
Banco de Sabadell	Sabadell	BSAB	ES	BB
<b>SWEDEN</b>				
(T) Skandinaviska Enskilda Banken	Stockholm	ESSE	SE	SS
<b>SWITZERLAND</b>				
Banca del Gottardo	Lugano	BDGL	CH	22
Crédit Suisse First Boston	Zürich	CRES	CH	ZZ 80A
(T) Sella Bank AG	Zürich	SLBA	CH	ZZ
UBS AG	Zürich	UBSW	CH	ZH 80A
<b>THAILAND</b>				
(T) The Hong Kong and Shanghai Banking Co.	Bangkok	HSBC	TH	BK
<b>THE NETHERLANDS</b>				
ABN AMRO Bank NV	Amsterdam	ABNA	NL	2A
<b>UNITED KINGDOM</b>				
Barclays Bank	London	BARC	GB	22
Lloyds Tsb Bank Plc	London	LOYD	GB	2L
(T) HSBC BANK Plc	London	MIDL	GB	22
National Westminster Bank Plc	London	NWBK	GB	2L
<b>U.S.A.</b>				
American Express Bank Ltd	New York	AEIB	US	33
Citibank N.Y.	New York	CITI	US	33
(T) UBS AG	New York	UBSW	US	33
The Bank of New York	New York	IRVT	US	3N
JP Morgan Chase Bank	New York	CHAS	US	33
Banca Sella Miami	Miami	SELB	US	3M

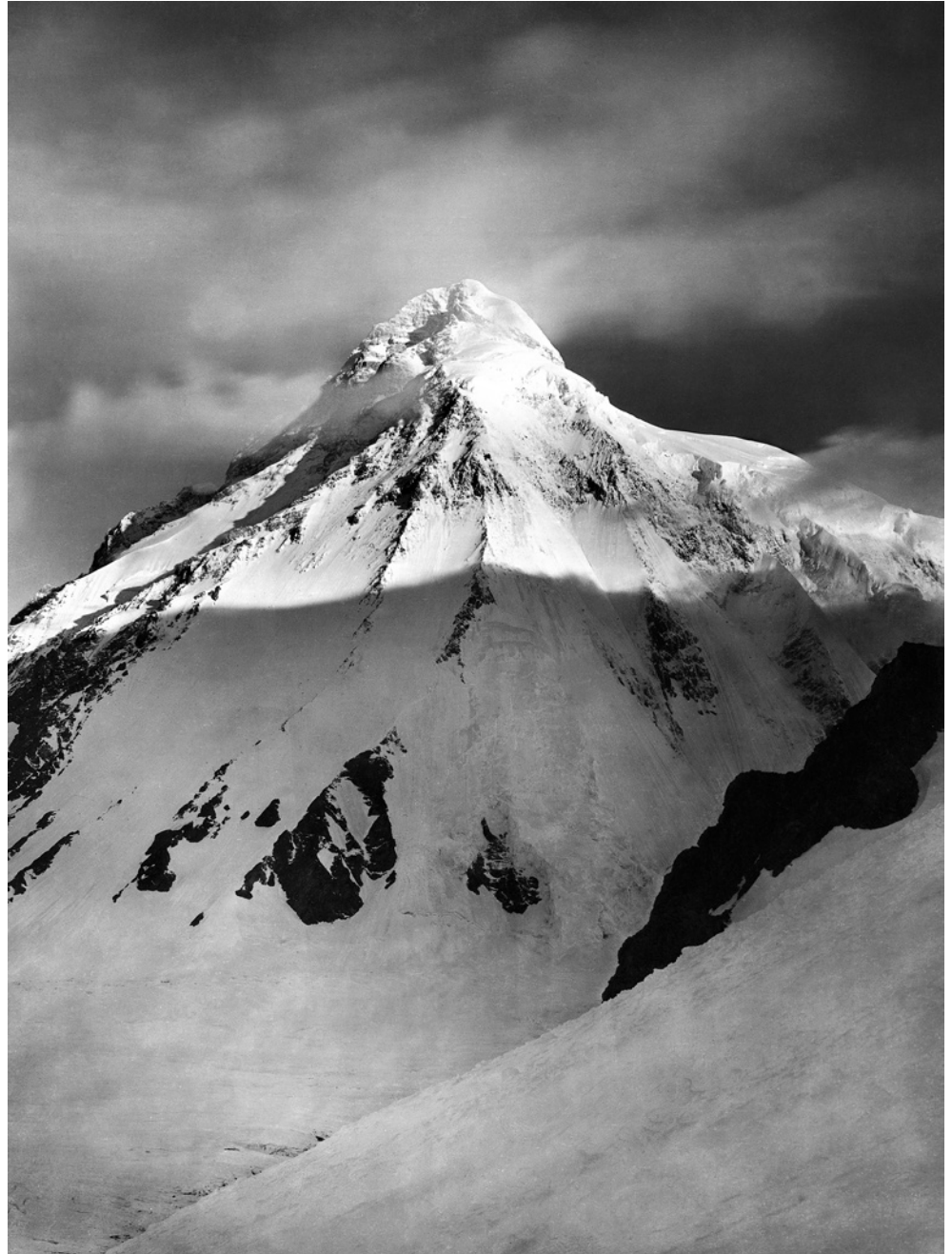


Photo Vittorio Sella, 1909

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K2 at sunrise from the west foot  
of Colle Vittorio Sella



# ■ ORDINARY SHAREHOLDERS' MEETING

## CALLING FOR THE MEETING

Shareholders are called to attend the ordinary meeting at the head office of Banca Sella S.p.A. in Biella, via Italia 2, at 9:30 a.m. of 29 April 2005, as first calling and, if necessary, as second calling, at 9:30 a.m. of 24 May 2005 same place, to discuss and deliberate on the following

### **agenda**

- 1) Resolutions as per art. 2364, par.1) of the Civil Code.
- 2) Resolutions as per art. 2380 bis and art. 2364, par. 2) and 3) of the Civil Code.

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

Biella, 8 April 2005

The Managing Director  
(Pietro Sella)





**BOARD OF DIRECTORS' ANNUAL REPORT**







## CHAIRMAN'S STATEMENT

Shareholders,

the enlargement of the European Union to 25 members, which took place in May last year, is an event that will increase opportunities as well as menaces for enterprises, but will also entail opportunities such as increase of work, growth and development for those who will be quicker and more innovative. It is of interest, indeed, for the future of us all.

The larger the market, the higher the competition; it is necessary to find quick and coherent answers to contents and characteristics of products, to the size of enterprises and their internationalization, both as regards new markets and as regards the ideal locations for the realization of products or parts of products. This topic is of primary importance for bankers too.

The growing activity of banks on the domestic and international scenario does not clash with the importance of maintaining and strengthening their long-standing local franchise. Proximity helps the development of economies and enterprises.

Banks as enterprises shall further develop their ability to assume and manage both traditional and new risks.

The growth of an enterprise is also achieved through the improvement of its knowledge. In latest years new methods for the management and control of risks were born: the layout deriving from the application of the new Basel II Capital Accord shall allow for a more efficient allocation of resources, with expected returns more consistent with assumed risks and shall offer great opportunities both for banks and enterprises. The former, by the adoption of internal rating systems, shall have the opportunity of refining their methods for the analysis of risks and for the application of an appropriate pricing. The latter shall be helped to improve self-analysis of their own data in order to identify their strengths and weaknesses, therefore allowing for the amendment of any imbalances. The system, on the whole, shall favour not only those having more possibilities for develop-

ment, but also those that, despite suffering temporary difficulties, have the ideas and strength necessary to overcome them.

The gradual application of the new international accounting standards (IAS) can improve the representation of real facts underlying balance sheets and income statements and this should make relationship between banks and enterprises more efficient, thanks to a better reciprocal transparency.

As regards Basel II, our Group will apply the IRB Foundation system and we expect that the characteristics of our loans will require a lower capital absorption if compared to today. Gruppo Banca Sella decided for the drawing up of the 2005 consolidated financial statements according to the new IAS accountancy principles, which will, in turn, be applied to individual financial statements of subsidiaries starting from 2006.

In June 2004 the Bank received from Banca d'Italia the results of its periodical supervisory inspection, completed on 12 March 2004, outlining a positive portrait of the situation of Banca Sella, even though it might be improved as far as controls are concerned, at the same time giving interesting suggestions for the management of the Group. These suggestions were included in the three-year Strategic Plan aimed at the strengthening of the Parent company, the rationalization of the Group, also by way of a reduction in the number of companies, and the further strengthening of corporate governance.

In an environment in which business grows in size but also in complexity, a strong and up-to-date internal controls structure becomes essential to give continuity and efficiency to verifications on all Group structures, identifying all over again proxies and responsibilities. Controls are not the aim of a company, but the necessary aid to reach its goals in a robust and balanced way.

Therefore it was decided to create a structure which is both new and innovative for us, a Group Audit Com-

mittee, consisting of three independent Directors, was created, which started its activity at the end of March 2005.

These interventions comply with the need to make corporate governance levels even more incisive and updated, being an issue to which external analysts pay more and more attention: the fact that the rating assigned by Moody's was unvaried also for 2004, confirms that the road taken is the right one.

As far as our Group is concerned, let me point out that the entrepreneurial spirit has been in the Sella family for centuries and, in particular, it was well clear in

the founders' mind 119 years ago, when the Bank was established. This spirit is also part of the new generations' lifestyle.

The entrepreneurial approach is based on the will to set up enterprises, on professionalism and on the ability to spread enthusiasm and trust in the future, besides being the essential condition to make growth and development easier.

I wish to thank all Group staff, who, by their commitment, creativity, enthusiasm and willingness contributed to reach the good results of this year, seizing the opportunities that the market always offers.

***Maurizio Sella***  
***Chairman***

## RATING

Since January 2001 the Bank has a rating assigned by Moody's. The rating, on Moody's opinion, reflects the innovative management, the forward-looking strategy for developing new areas of business with relatively higher

returns (among which payment systems, private banking and internet banking), a multi-channel distribution choice and a satisfactory financial profile.

The ratings assigned by Moody's are the following:

### RATING BANCA SELLA

<b>Long term</b>	<b>A3</b>
<b>Short term</b>	<b>P-1</b>
<b>Financial strength</b>	<b>C</b>
<b>Outlook</b>	<b>Stable</b>



#### CHAIRMANSHIP AND CENTRAL MANAGEMENT OF BANCA SELLA AND FINANZIARIA BANSEL

*In the front row, from left: Franco Sella, Guido Bigiordi, Lodovico Sella, Maurizio Sella (Chairman), Pietro Sella (Managing Director), Federico Sella, Attilio Viola, Claudio Piglia.*

*In the second row, from left: Enzo Panico, Paolo Panico, Carlo Prina Della Tallia, Antonio Fortuna, Donato Valz Gen, Claudio Musiari.*

## FINANCIAL HIGHLIGHTS

	(figures in euro million)		% variation over 2003
	31/12/2004	31/12/2003	
<b>BALANCE SHEET</b>			
Total assets	6.891,2	6.289,5	9,6%
Cash loans	3.957,3	3.457,3	14,5%
Guarantees given	308,9	349,0	-11,5%
Securities on hand	912,9	951,7	-4,1%
Equity investments	310,0	303,2	2,2%
Tangible and intangible fixed assets	73,5	80,0	-8,1%
Customer savings, current accounts and securities issued	5.055,3	4.507,1	12,2%
Customer savings, current accounts and securities issued net of repurchase agreements	4.514,6	4.100,1	10,1%
Assets under management and third party securities held in deposit <sup>(1) (2)</sup>	16.130,6	14.798,6	9,0%
Total deposits <sup>(2)</sup>	21.185,9	19.305,7	9,7%
Capital for supervisory purposes	564,6	498,7	13,2%

<b>INCOME STATEMENT</b>			
Net interest income net of dividends	126,9	119,5	6,2%
Net other banking income	153,8	148,5	3,6%
<i>of which: Net fees</i>	115,6	110,6	4,5%
<i>Dealing profits (losses)</i>	18,0	19,8	-9,1%
<i>Other operating income</i>	20,2	18,1	11,6%
Net interest and other banking income net of dividends <sup>(3)</sup>	280,7	268,0	4,7%
Administrative expenses <sup>(4)</sup>	178,5	167,4	6,6%
Write-downs to loans and to fixed assets net of write-ups	56,1	61,4	-8,6%
Provisions for risks and charges and for possible loan losses	6,3	3,9	61,5%
Income taxes <sup>(5)</sup>	16,5	17,4	-5,2%
Net profit for the year	26,9	26,8	0,4%

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

<sup>(2)</sup> The volume of the securities in administration component was influenced by the temporary transit of securities pertaining to the subsidiary Gestnord Intermediazione (amounting to about € 1,2 billion) due to the merge of the same company with Sella Investimenti Banca completed at end of 2004.

<sup>(3)</sup> Including dealing profits (losses) and other operating income (excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries).

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

<sup>(5)</sup> Excluding the Regional Tax on Industrial Activities (IRAP) relevant to staff and attached staff net expenses.

<b>STAFF AND BRANCHES</b> (figures as at end of financial years)						
	2004	2003	2002	2001	2000	1999
Staff	2.264	2.174	2.191	2.193	2.062	1.670
Total branches (in Italy and abroad)	195	190	182	177	165	137

## FINANCIAL RATIOS

	2004	2003	2002	2001	2000	1999
<b>PROFITABILITY RATIOS (%)</b>						
R.O.E. (return on equity) <sup>(1)</sup>	7,9	8,4	8,1	10,4	12,1	14,7
R.O.A.A. (return on average assets) <sup>(2)</sup>	0,41	0,43	0,40	0,49	0,57	0,70
Net interest income net of dividends/ Net interest and other banking income	44,5	42,7	40,2	39,5	40,2	44,1
Dividends/Net interest and other banking income	1,6	4,2	7,8	7,2	4,3	4,5
Net other banking income <sup>(3)</sup> /Net interest and other banking income	53,9	53,1	52,0	53,2	55,6	51,4
Administrative expenses <sup>(4)</sup> /Net other banking income <sup>(3)</sup>	116,1	112,8	115,7	111,5	111,9	111,7
Administrative expenses <sup>(4)</sup> /Net interest and other banking income	62,6	59,9	60,2	59,4	62,2	57,4
Cost to income ratio <sup>(5)</sup>	67,9	66,3	68,0	66,7	70,0	63,0
Staff expenses <sup>(6)</sup> /Net interest and other banking income	37,0	35,4	35,1	34,6	34,4	34,1
<b>PRODUCTIVITY RATIOS (euro/thousand)</b>						
Net interest and other banking income/Average No. of employees	126,0	128,7	128,1	128,5	130,6	132,6
Gross operating income/Average No. of employees	38,3	39,5	34,8	36,9	36,6	47,4
Cash loans <sup>(7)</sup> /No. of employees at year end	1.747,9	1.590,3	1.347,1	1.195,9	1.134,4	1.233,7
Customer savings, current accounts and securities issued <sup>(8)</sup> /No. of employees at year end	2.232,9	2.073,1	2.080,6	1.971,9	1.970,8	1.925,5
Total deposits/No. of employees at year end	9.357,7	8.880,2	8.245,0	8.340,1	8.566,7	9.895,1
<b>BALANCE SHEET RATIOS (%)</b>						
Cash loans <sup>(7)</sup> /Customer savings, current accounts and securities issued <sup>(9)</sup>	87,7	84,3	74,9	75,7	73,8	80,4
Cash loans <sup>(7)</sup> /Total assets	57,4	55,0	48,6	44,4	41,0	44,1
Capital for supervisory purposes/Total assets	8,2	7,9	7,5	7,0	6,7	6,4
Customer savings, current accounts and securities issued <sup>(8)</sup> /Total assets	73,4	71,7	75,0	73,2	71,2	68,8
<b>CREDIT RISK RATIOS (%)</b>						
Net non-performing loans/Cash loans <sup>(7)</sup>	0,9	1,2	1,2	1,5	1,4	1,6
Net non-performing loans/Capital for supervisory purposes	6,3	8,1	7,7	9,3	8,3	11,1
Net write-downs to loans/Cash loans <sup>(7)</sup>	0,9	0,7	0,6	0,7	0,7	0,7
<b>CAPITAL ADEQUACY RATIOS (%)</b>						
Tier 1 capital ratio	7,8	7,9	7,9	7,6	7,8	8,4
Total capital ratio	12,9	12,5	12,5	11,8	12,1	11,0

<sup>(1)</sup> Net profit (before provision to the reserve for general banking risks) over stockholders' equity (including reserve for general banking risks before provisions and excluding revaluation reserves as per Law 342/2000).

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

<sup>(3)</sup> Including dealing profits (losses), including other operating income (excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries).

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

<sup>(5)</sup> Structural expenses (administrative expenses, write-downs to tangible and intangible fixed assets, other operating charges, excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries) over net interest and other banking income (including other operating income, excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries), as calculated for the ratios for the Deposit Guarantee Scheme.

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

<sup>(7)</sup> The figure as at 31/12/2001 does not include repurchase agreements with institutional counterparts amounting to € 256,2 million.

<sup>(8)</sup> Including repurchase agreements.

<sup>(9)</sup> Excluding repurchase agreements.

## ■ ECONOMIC BACKGROUND

At the beginning of 2004 the decline in the growth of Asian economies, in particular of China, raised some worries on the international scenario for 2004. However, the adoption of specific measures of economic policy by the Chinese government contributed to restore a balance in growth, therefore removing the worries of a worldwide slowdown.

The USA, despite persistent structural imbalances and a slowdown in the second half of the year, succeeded in ending 2004 with a remarkable growth on GDP, led by an increase in consumption and by a recovery of companies' fixed investments. In spite of the start of a restrictive monetary policy, the US dollar continued to depreciate in real terms, due to a worsening of the current account deficit against euro, yen and Canadian dollar, while it has not involved the currencies of those Asian countries towards which the USA have the higher trade deficit.

In 2004 economic growth in Japan was, on the contrary, disappointing.

The Eurozone also was in economic stagnation, mainly due to a lack of internal demand and to an incapacity to exploit at best the opportunities offered by the remarkable development of international trade. Such a weakness is to be traced back to the inelasticity of some economic sectors and to the delays which piled up during the process of update and renewal of industry. Important steps forward were however taken, especially in Germany and France. Italy, on the other hand, continued to highlight a not very satisfactory dynamics of production. In this macro-economic scenario, the ECB kept its unvaried trend as to monetary policy, without intervening on rates.

Consistently with the adoption of prudent monetary policies both in the USA and in Europe, with the lack of inflationary tensions and with the trade cycle, long-term interest rates decreased.

In 2004 stock markets capitalization grew by about

10% (MSCI World) and Italy was on top among developed countries' stock markets.

Deposits of credit institutions resident in Italy, consisting of a 62% of deposits (which increased by 5,1% over 2003) and of a 38% of bonds (which increased by 11% over 2003), recorded a total increase of 7,3%. Foreign borrowings, which make up 1/5 of total deposits, slowed down.

Cash loans showed a 5,1% increase if compared to December 2003. Assets in euro grew by 6,2%, while assets in other currencies decreased by 3,1%. Dissection by maturity of credit flows showed an increase in medium-long term loans (+13,6%) and a decrease of short-term ones (-3,7%). The latest available data (November 2004) on non-performing loans, net of write-downs, shows a tendential growth of 3,7%, with a ratio over cash loans of 2% and a ratio over capital for supervisory purposes of 11% (11,3% in November 2003).

Banks' securities in custody recorded a slight increase in November 2004 if compared to 2003 (+1,4%), while the total of assets under management recorded a growth in net assets of 7%.

As regards banks' profitability, the first closing forecasts for 2004 show a growth of net interest and other banking income of about 1%, influenced by the squeeze of net interest income and by the slight but positive contribution deriving from the services of securities dealing and custody, assets management, bancassurance and payment services. The average unit yield on loans should reach 5,2%, compared to an average cost of deposits of 1,9%, therefore producing an average spread of 3,3%. The global trend of operating expenses should record a slowdown of its growth rates, from 4,9% to 2%, nevertheless leading to a cost to income ratio of 61,6% (60,9% in 2003). Net profit should benefit from lesser extraordinary write-downs with respect to 2003, increasing by 9% during the year and therefore producing an improvement of ROE, from 7,3% in 2003 to 7,5% in 2004.

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

At the beginning of 2004 the new three-year Strategic Plan for 2004-2006 was approved, confirming the strategic guidelines followed by the Bank in the past as regards geographical and business diversification, capital stability, focus on customer, product innovation and offer of high quality services.

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

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

1. to continue growing, according, as always, to a long-standing tradition of prudence and common sense;
2. to develop controls and rules architecture: the growing complexity and diversification of the activities of the Bank and the constant evolution of risks related to banking activity, led to invest for the update and development of techniques and organization of controls, in line with the changed size and with the more up-to-date Group layout, consequently involving also the Bank;
3. to make the organizational architecture easier and more functional, in order to improve efficiency and productivity standards, also taking into account the continued reduction of unit margins leading to the need of reducing costs related to products and services. Actions were taken to review and refine procedures and work processes (in order to streamline, automate and standardize them as much as possible), as well as actions to review the organization of head office services, in order to be able to transfer staff to the distribution network in direct contact with customers;
4. to increase revenues at a higher rate than that of operating expenses;
5. to continue improving levels of service to customers. Customer satisfaction still is the driver of all strategies of the Bank and is pursued through the supply of a wide range of quality products, offered to customers according to their specific needs, and by

paying careful attention to ethical values, first of all transparency.

The above mentioned strategic objectives led to the following moves:

1. the opening of 6 new branches in regions in which the Bank already had a small presence. Growth was also carried out by increasing market shares in almost all activities, thanks to the increase of the number of new customers, of the range of products and of their sale. Development was based on the four main values guiding relationships with customers (personal approach, trust, innovation and quality) as well as on the improvement of professional skills of staff, thanks also to specific training programmes;
2. the system of line controls of the Bank, as well as for all other companies of the Group, was further automated, allowing for a centralized check by the Parent company of the execution of line controls provided for the verification of a correct execution of activities. Credit risk control instruments were refined, in order to improve their efficiency and to get to know, promptly and in advance, any situation involving an increase of risk. During the year, the Bank strengthened its resources and processes within control services, and also joined in outsourcing Group risk management services;
3. starting from 1 January 2005 the Parent company was equipped with the main services needed to carry out management and control functions. Besides the above mentioned Risk Management, this services were the following: Fundamental Analysis, Technical Analysis, Advice On Investments, Budgetary Control and Strategic Planning, Communications Marketing and Training, Accountancy, Payments Systems Risk Management, Human Resources, Insurance Savings, Properties Safety and Technical Department, Municipal Treasuries. These joined the services which had already been carried out since 2002 by the Parent company (Fiscal Department, Human Resources Administration, Legal Department, Internal Auditing, Credit Quality). Many back office activities related to

Payment Systems (as for example cheque processing) were centralized at Banca Sella from the Italian banks of the Group and a Service Centre in Trento was created on this purpose. The migration of IT procedures to the new "open" technology went on and contributed to improve automation of many activities. It is also to be recalled that Banca Sella offers its IT system to all the banks of the Group, among which the newly established (on 1 January 2005) Banca Patrimoni e Investimenti (resulting from the merge of Gestnord Intermediazione and Sella Investimenti Banca). During the year, Banca Sella successfully put in place the Integrated Group Treasury project, which involves the centralization of the handling of cash and payments for the Italian banks of the Group (Banca Ardit Galati, Banca Bovio Calderari and Banca di Palermo) and for significant subsidiaries (Biella Leasing and Consel): this contributed to a better and more efficient handling of cash, to a better control and management of risks related to interest rates and exchange rates at a consolidated level, to a more careful activity of asset and liability management at a Group level and to the in-house processing of some important flows, therefore improving profitability. Moreover, in order to obtain a structural reduction of costs, the Trading On Line service rationalized its IT structure (unique router) to send orders to the Italian Telematic Stock Market (MTA), to the Italian Stock Derivatives Market (IDEM) and to brokerage houses and it also centralized access to those markets by using one only trading identification code;

4. cost to income ratio (administrative expenses, in-

cluding write-downs to tangible and intangible fixed assets, over net interest and other banking income) passed from 66,3% in 2003 to 67,9% in 2004, influenced by an increase of costs due to reorganization and to costs related to compliance (as for example those related to the application of the Basel II Accord and IAS), which were not balanced by a proportional increase of income. Net of dividends, however, the cost to income ratio has slightly improved, passing from 69,2% of 2003 to 69,0% of 2004;

5. among the commercial policies of the Bank, the pursuit of high levels of service and a more and more transparent relationship with customers are the main paths to be followed, and are in constant evolution. Between 2003 and 2004 many processes were monitored and reviewed, providing useful corrective interventions, thanks to which, in turn, the quality ratios of services improved. As regards levels of service, the following actions which were already started in 2003 and were improved in 2004 are to be recalled: the "Carta dei Servizi" (a "Service Charter" which fixes maximum time limits for the granting and carrying out of services, lacking the respect of which a specific reimbursement is provided for) and the ABI (Italian Banking Association) initiative called "Patti Chiari" (initiative for transparency towards customers). As to the latter, the Bank is proud to having obtained certification by an external company (in September 2004), assessing its transparency and clarity of operating processes and procedures as provided for by the above mentioned "Patti Chiari" project.



## OVERVIEW OF PERFORMANCE

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

	2004	2003	% variation over 2003
10. Interest receivable and similar income	213,7	215,9	-1,0%
20. Interest payable and similar charges	(86,8)	(96,4)	-10,0%
<b>NET INTEREST INCOME net of dividends</b>	<b>126,9</b>	<b>119,5</b>	<b>6,2%</b>
30. Dividends and other income	4,5	11,7	-61,5%
<b>NET INTEREST INCOME</b>	<b>131,4</b>	<b>131,2</b>	<b>0,2%</b>
40. Fees and commissions receivable	176,1	162,7	8,2%
50. Fees and commissions payable	(60,5)	(52,1)	16,1%
60. Dealing profits (losses)	18,0	19,8	-9,1%
70. Other operating income (excluding recovery of stamp duty and other taxes and recovery of expenses for staff attached to subsidiaries)	20,2	18,1	11,6%
<b>NET INTEREST AND OTHER BANKING INCOME net of dividends</b>	<b>280,7</b>	<b>268,0</b>	<b>4,7%</b>
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>285,2</b>	<b>279,7</b>	<b>2,0%</b>
80. Administrative expenses:			
a) staff expenses	(106,8)	(99,5)	7,3%
IRAP relevant to staff and attached staff net expenses	(4,1)	(3,6)	13,9%
Recovery of expenses for staff attached to subsidiaries	5,3	4,3	23,3%
b) other administrative expenses	(86,0)	(81,3)	5,8%
Recovery of stamp duty and other taxes	13,1	12,7	3,1%
90. Write-downs to tangible and intangible fixed assets	(18,8)	(23,3)	-19,3%
110. Other operating expenses	(2,8)	(2,8)	0,0%
<b>GROSS OPERATING INCOME net of dividends</b>	<b>80,6</b>	<b>74,5</b>	<b>8,2%</b>
<b>GROSS OPERATING INCOME</b>	<b>85,1</b>	<b>86,2</b>	<b>-1,3%</b>
100. Provisions for risks and charges	(4,6)	(2,4)	91,7%
120. Write-downs to loans and to provisions for guarantees and commitments	(40,6)	(29,9)	35,8%
130. Write-ups to loans and to provisions for guarantees and commitments	5,0	5,9	-15,3%
140. Provisions to the reserves for possible loan losses	(1,7)	(1,5)	13,3%
150. Write-downs to financial fixed assets	(2,6)	(14,2)	-81,7%
160. Write-ups to financial fixed assets	0,7	-	-
<b>INCOME BEFORE EXTRAORDINARY ITEMS net of dividends</b>	<b>36,8</b>	<b>32,4</b>	<b>13,6%</b>
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>41,3</b>	<b>44,1</b>	<b>-6,3%</b>
180. Extraordinary income	6,0	5,2	15,4%
190. Extraordinary expenses	(3,9)	(5,1)	-23,5%
<b>INCOME BEFORE TAXES</b>	<b>43,4</b>	<b>44,2</b>	<b>-1,8%</b>
220. Income taxes for the year (excluding IRAP relevant to staff and attached staff net expenses)	(16,5)	(17,4)	-5,2%
<b>INCOME BEFORE PROVISIONS TO GENERAL BANKING RISKS RESERVE</b>	<b>26,9</b>	<b>26,8</b>	<b>0,4%</b>
210. Variation of general banking risks reserve	-	-	-
<b>NET PROFIT FOR THE YEAR</b>	<b>26,9</b>	<b>26,8</b>	<b>0,4%</b>

## FINANCIAL RESULTS

The net profit for year 2004, standing at € 26,9 million (+0,4% with respect to the previous financial year), allowed R.O.E. to reach 7,9%, with respect to 8,4% of 2003.

In general, year 2004 was marked by a satisfactory increase of income, net of dividends, even if costs on the whole grew at an only slightly lower pace.

It is to be pointed out that dividends weighed on the Income Statement in a significantly different way with respect to 2003, due to the fact that:

- in 2003 extraordinary dividends for a high amount were accounted for;
- tax credit was abolished starting from 2004.

In the following comments, for a more homogeneous comparison with the previous financial year, it was therefore deemed more suitable to analyze the various intermediate results of the reclassified Income Statement cleansing them from dividends.

### NET INTEREST INCOME (NET OF DIVIDENDS)

Net interest income recorded an increase of 6,2% on an annual basis and represented 44,5% of net interest and other banking income including dividends (42,7% in 2003).

The trend of this item was influenced by:

- a growth in volumes, in particular of loans and of customer savings, current accounts and securities issued;
- a stable interest spread, which, excluding assets generated by the centralization of the Group Treasury, was basically stable on the levels recorded in the second half of 2003. No particular impact of differentials between mark-up and mark-down is to be recorded.

### NET INTEREST AND OTHER BANKING INCOME (NET OF DIVIDENDS)

The margin on the management of money, net of dividends, together with that on the administration of services, leads to a global result of € 280,7 million, growing by 4,7% with respect to a year earlier.

### Net other banking income

The total of net other banking income (commissions receivable, operating income, dealing profits or losses excluding commissions payable, recovery of indirect taxes and recovery of expenses for staff attached to subsidiaries) recorded a moderately positive trend (+3,6%).

The weight of other banking income on net interest and other banking income stood at 53,9%, with a slight increase on 53,1% recorded in 2003.

Other banking income is mainly composed by:

- net income from Payment Services: the business line which recorded the best trend, showing a growth of 8,2% on annual basis, thanks to an increased demand of customers for electronic payments and to the increase in the number of customers;
- net commissions from dealing on behalf of third parties and orders collection: this component recorded a decrease with respect to 2003, mainly due to the trend of derivatives, which, influenced by the high competition on prices, had their unit margins reduced and recorded a decreased activity of customers on some instruments, mainly FIB30 and MINIFIB;
- income from asset management (asset management and administration of funds fees): increased by 7,4% with respect to the previous financial year, thanks to a positive trend of the mutual funds component, which more than balanced the less favourable trend of individual asset management.

### ADMINISTRATIVE EXPENSES

**Staff expenses (including the Regional Tax on Industrial Activity relevant to the same and excluding recovery of expenses for staff attached to subsidiaries)**

Staff expenses, taking into account the growth of average staff (+1,7%) and the rise in wages provided for by the recent renewal of the national contract and by promotions (according to merits or the length of ser-

vice), stood at € 105,6 million, showing an increase if compared to 2003 (+6,9%).

#### **Other administrative expenses**

Other administrative expenses (net of recovery of stamp duty and other taxes), amounting to € 72,9 million, increased by 6,3% if compared to 2003, mainly due to costs relevant to increased communication to customers and to the strengthening of control and compliance structures.

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

The item, at € 18,8 million, shows a decrease of 19,3% if compared to the previous financial year, thanks to the fact that amortizations on investments for projects carried out in 2000-2001 (which involved many initiatives bearing high costs) gradually diminished.

During 2004 investments for € 12,5 million were made, mainly in Electronic Payments, Virtual Banking, Traditional Distribution Channels (new branches) and Information Technology.

#### **GROSS OPERATING INCOME (NET OF DIVIDENDS)**

Following the above mentioned trend of items, a gross operating income of € 80,6 million was recorded, with an increase of 8,2% over 2003.

### **WRITE-DOWNS AND PROVISIONS**

#### **Provisions for risks and charges**

Provisions for risks and charges amounted to a total of € 4,6 million, of which € 1,2 million went to cover the risk of refund of benefits deriving from Law by Decree 153/1999 (known as "Ciampi law").

#### **Write-downs to loans net of write-ups**

The item, amounting to € 35,6 million, shows an increase of 48,3% due to the persistent unfavourable

economic situation in those areas of Italy in which the Bank is more present.

The ratio over cash loans, passed from 0,7% as at end 2003 to 0,9% at end 2004.

#### **Provision for possible loan losses**

It is a provision made on the prudence principle, in excess with respect to the evaluation of the non-existence of assets, and it refers to the provision for default interest (for the part likely to be collected). It amounts to € 1,7 million.

#### **Write-downs to financial fixed assets**

The item, amounting to € 2,6 million, is mainly the result of the depreciation of the equity investment on Sella Holding N.V., which was necessary in order to adjust the acquisition price of the holding to the decrease in value recorded by some subsidiaries controlled by the same.

### **INCOME BEFORE EXTRAORDINARY ITEMS (NET OF DIVIDENDS)**

Income before extraordinary items including the Regional Tax on Industrial Activity (IRAP) related to staff expenses (amounting to € 4,1 million) recorded an increase of 13,6%, if compared to the previous financial year and amounted to € 36,8 million.

#### **Extraordinary profits and charges**

The positive balance between extraordinary profits and extraordinary charges amounted to € 2,1 million. It is mainly related to capital gains deriving from the sale of the equity investment in Banca Cesare Ponti.

#### **Income taxes**

In 2004, the percentage weight of taxation as far as income taxes (IRES and IRAP) are concerned, on income before taxation, excluding the Regional Tax on Industrial Activity (IRAP) relevant to labour cost, was abated from 39,4% to 38%. Such a decrease is a direct consequence of the introduction of the IRES tax for companies, which

abated the nominal tax rate from 34% to 33%, and of the new regulations thereof, in particular the so-called "participation exemption", i.e. the exclusion from taxation of capital gains deriving from the sale of equity investments entered in financial fixed assets.

From the 2004 tax period Banca Sella, being a controlled company, joined the national Regulation of Consolidated Tax Returns, having as controlling and consolidating company the Parent company Finanziaria Bansel S.p.A.

It is also to be recalled that, in application of the provision of Banca d'Italia of 3 August 1999, issued also following the international accounting principle (IAS) No. 12 ("Income taxes") and the similar Italian accounting principle No. 25 ("Accountancy of income taxes"), income taxes for the financial year as stated in the Income Statement take into account both assets and liabilities for deferred taxation. A more detailed analysis of the meaning and impact of deferred taxation can be found in the Explanatory Notes to the Financial Statements.

## NET PROFIT FOR THE YEAR

The profit for the year reached € 26,9 million, showing a 0,4% increase if compared to the previous financial year.

## CAPITAL AND OTHER ASSETS

The total capital for supervisory purposes of the Bank, as at 31 December 2004, amounted to € 564,6 million and it included Tier 1 capital (subscribed capital and equity reserves, excluding intangible fixed assets) for an amount of € 344,7 million, Tier 2 capital (revaluation reserves and subordinated liabilities) for an amount of € 220,9 million and prescribed deductions for € 1 million relevant to equity investments in financial entities for more than 10% of the capital of the same.

Risk weighted assets, taking into account market risks, amounted to € 4.428,8 million, including off-balance sheet items.

The total capital adequacy ratio (capital for supervisory purposes over risk weighted assets valued on the basis of their risk level) stood at 12,9%, at end of 2004, against the 7% required by the regulations in force for banking institutions being part of banking groups.

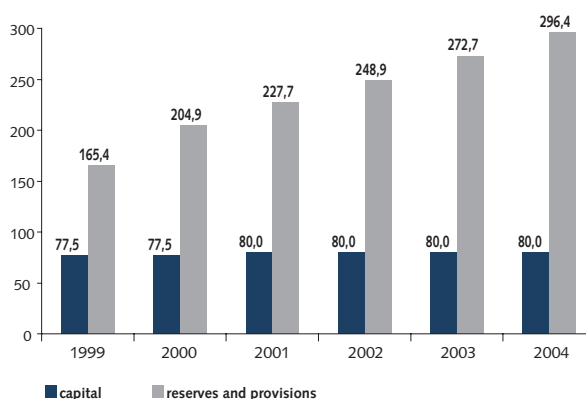
Equity capital surplus amounted to € 260,6 million, a level which may grant a remarkable potential for development, taking into account solvency risks and absorption of equity capital for € 2,1 million due to the securitization operation made by the Bank in the past.

As regards market risks, the third level bond issued on 16 September 2002 for a nominal value of € 15 million wholly covered their absorption of equity capital, which amounted to € 5,9 million.

The position of the Bank as at 31 December 2004 with regard to the ratios provided for by the Deposit Guarantee Scheme stood at a "normal" level, which represents the best level.

## CAPITAL, RESERVES AND PROVISIONS

(figures in euro million)



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

	31/12/2004	31/12/2003	% variation over 2003
<b>ASSETS</b>			
Cash and deposits with central banks and post offices	80,1	71,2	12,5%
Loans:			
- due from customers	3.957,3	3.457,3	14,5%
- due from banks	1.244,3	1.126,1	10,5%
Dealing securities	851,2	890,1	-4,4%
Fixed assets:			
- investment securities	61,7	61,5	0,3%
- equity investments	310,0	303,2	2,2%
- tangible and intangible fixed assets	73,5	80,0	-8,1%
Other assets	313,1	300,1	4,3%
<b>TOTAL ASSETS</b>	<b>6.891,2</b>	<b>6.289,5</b>	<b>9,6%</b>
<b>LIABILITIES</b>			
Payables:			
- due to customers	4.200,7	3.681,5	14,1%
- securities issued	836,9	808,2	3,6%
- due to banks	919,6	860,2	6,9%
- third parties funds in administration	17,7	17,4	1,7%
Provisions with a specific aim	63,2	61,5	2,8%
Other liabilities	244,4	314,9	-22,4%
Reserves for possible loan losses	9,0	9,2	-2,2%
Subordinated liabilities	223,4	183,8	21,5%
Shareholders' equity:			
- capital, share premium account, reserves and reserve for general banking risks	349,4	326,0	7,2%
- net profit	26,9	26,8	0,4%
<b>TOTAL LIABILITIES</b>	<b>6.891,2</b>	<b>6.289,5</b>	<b>9,6%</b>

**SECURITIES PORTFOLIO**

The securities portfolio of the Bank as at 31 December 2004 amounted to € 912,9 million, showing a slight decrease (-4,1%) if compared to € 951,7 million as at end of the previous financial year.

During the year, the average securities portfolio was kept on a constant level; V.A.R. as at 31 December 2004, calculated according to the method of the historical simulation game, taking into account a three-month period and confidence interval of 99%,

was € 11,8 million (€ 4,9 million as at end 2003). The increase was influenced both by a prudent strategy of portfolio diversification and to the change of V.A.R. method, from the parametric to the historical one (a remarkably more prudential method), which took place during the financial year.

Portfolio strategy was oriented by careful prudence and gradual diversification: investments on floating rate Italian Government Securities and on fixed rate short-term securities were therefore favoured.

**SECURITIES PORTFOLIO** (figures in euro million)

	31/12/2004	31/12/2003	% variation over 2003
Dealing securities	851,2	890,1	-4,4%
Investment securities	61,7	61,6	0,2%
<b>TOTAL</b>	<b>912,9</b>	<b>951,7</b>	<b>-4,1%</b>

**DEALING SECURITIES**

As at 31 December 2004, the book value of dealing securities portfolio amounted to € 851,2 million, mainly represented by bonds. During the year a strategy of gradual diversification of investments from Italian government bonds (which however made up for the main part of the portfolio) to securities of other euro-in countries and highly rated banking and corporate bonds was carried out.

Italian government bonds amounted to 74,6% of dealing securities, credit institutions' issues to 14,8% while corporate bonds made up for 8%; the remaining 2,6% included mutual funds, local authority bonds and stocks.

As to interest rate risk, dealing securities portfolio included about 84% of floating rate securities, 14% short-term fixed rate securities and the remaining 2% of medium/long term fixed rate securities in order to cover interest rate risks.

On a strict prudence principle, the Bank decided not to be exposed to country risk, therefore neither securities issued by emerging markets countries nor issued by companies based in those countries were held in the securities portfolio as at 31 December 2004 nor were during the whole year.

Moreover, no foreign currency positions were held.

The book values are stated net of the positive and negative income components which contributed to the economic results of the financial year.

**INVESTMENT SECURITIES**

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

As at 31 December 2004, investment securities amounted to € 61,7 million, mainly including Long-term Treasury Bills (BTP) for € 59,7 million, with maturity between four and five years. The remaining € 2 million were made up of a security issued by Secursel S.r.l. (special purpose vehicle company of Gruppo Banca Sella) as a consequence of a securitization of landed property loans made by Banca Sella at the end of year 2000 and which ended during 2001 with the issue of bonds by the above mentioned company.

During 2004 investment securities did not record any variation; the positive difference with respect to 31 December 2003 is due to issue and dealing discounts matured during the financial year.

The difference between book value and market value, calculated on the basis of the arithmetic mean of prices observed in the second half of 2004, highlighted, at end of period, capital gains for € 3,6 million.

**OTHER ASSETS**

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

## COMMERCIAL AND DISTRIBUTION POLICIES

### COMMERCIAL POLICIES AND IN-HOUSE COMMUNICATION

The commercial activity of the Bank during the year continued to develop its activities having as its guideline the satisfaction of customers' needs.

Therefore, between 2003 and 2004 a survey on customer satisfaction and on the basic aspects of the bank/customer relationship was completed (involving about 20.000 customers all over Italy).

According to the results of this survey and following the commercial guidelines stated below (which in turn were also periodically monitored), actions were taken to improve those aspects which were less satisfactory to customers:

- to improve in a measurable way each service offered;
- to achieve an in-depth knowledge and profile of customers;
- to create and monitor trend indicators (cross-selling,

performing, etc);

- to keep on training distribution network staff and to continue with the information and updating of customers;
- to offer a complete range of products and services.

It has already been said that in 2004 Banca Sella was one of the 27 credit institutions (among the 182 members) to obtain the "Patti Chiari" certification, initiative for transparency towards customers measuring specific quality standards, such as the time needed for the disbursement of a loan, the availability of ATMs, the time needed to pay a cheque on one's account, etc.

The sale of products was further improved so as to match customers' profiles and the range of products was enriched with:

- new instruments for payment (the credit cards Carta Sella Più, Carta Revolving, Carta Platinum);
- a ready-made consumer credit product (Prestidea);
- a new current account for customers mainly using virtual banking instruments (Winconto Web);
- the completion of the offer of insurance products, by the creation of several products (for saving, investment, supplementary allowance and coverage purposes);
- a service for non-EU citizens resident in Italy (Sella World Service).

In 2004 training and entertainment events for customers on specific themes were increased.

Moreover, Banca Sella took part in the "Internet Trading Forum" in Rimini, the first trading online services fair to take place in Emilia Romagna.

As regards external communication, contacts with the press and media were further developed, increasing sectorial communication (interviews with analysts and asset managers) and communication on products, creating direct contacts with local journalists in areas in which Banca Sella is present with its branches and organizing press conferences on specific subjects, while, on the other hand, no remarkable investments were made in advertising. This activity led to a global increase of 44% of presences on national and local newspapers if compared to 2003.



## TRANSPARENCY OF BANKING OPERATIONS AND SERVICES

As regards transparency of banking operations and services according to the CICR (Interministerial Committee for Credit and Savings) Deliberation of 4 March 2003 and related Banca d'Italia instructions, the actions taken during 2004 concerned:

- the review and update of contract documentation, communications to customers and advertising, in order to comply with the regulations in force;
- actions aimed at compliance with the new regulations on the placement of government bonds;
- actions involving IT procedures in order to make communication to customers more complete and clearer;
- the introduction of information on money transfers made or received by customers;
- a new contract structure for current accounts, time deposits and credit/debit cards;
- the review of internal controls to be made by heads of branches according to Transparency rules.

Attention was as usual paid to the training of staff by setting up special courses on Transparency laws involving new members of staff and staff with apprenticeship contracts, so that employees might get to know the main aspects of this regulations and might acquire the specific skills needed to put them into practice. In-depth training courses were also offered to employees with open-ended contracts.

## SAFETY AND PROTECTION OF PRIVACY

To comply with rule No. 26 of Technical Disciplinary Measures (annex B) of the Personal Data Protection Code (Law by Decree No. 196 of 30/06/03), the Bank has adopted the "Programmatic Note on the Safety of Information" for a long time. The note fixes all organizational, physical and logic safety measures in order to comply with Law by Decree 196/03 on the safety and protection of personal data and with the Regulations for

the identification of minimum safety measures on personal data treatment (President of the Republic Decree 318/99). On 31 March 2005 the "Programmatic Note on the Safety of Information" was updated for year 2005.

## SERVICE LEVELS

During 2004 the following activities took place:

- more than 500 processes were monitored;
- careful attention was paid to abnormal events, the follow-up of which led to reach 99,4% of availability of processes (98,7% in 2003);
- the "culture of quality" was promoted among staff, in order to reach a "zero faults" level and reduce to a minimum costs related to non-conformity.

Trading On Line, E-commerce and Administration were the business areas and services which remarkably improved their efficiency thanks to the above mentioned activities.

## DISTRIBUTION POLICIES

During 2004, the multi-channel layout of distribution policies was a decisive factor for the placement of products and services both of the Bank and of the Group, together with the strong commitment showed in strengthening cooperation and synergies among the various distribution channels:

- branches;
- private banking teams;
- customers segmentation;
- financial promoters and financial sales points (of the subsidiaries Sella Consult and Gestnord Intermediazione);
- commercial agreements and partnerships with institutional customers;
- portal and internet banking;
- mobile banking;
- corporate banking;
- phone banking;
- ATMs.



## TRADITIONAL CHANNELS

### BRANCHES

BRANCHES SUBDIVISION BY REGION AND GEOGRAPHICAL AREA				
Regions	2004		2003	
	No. of branches	% weight of region on the total	No. of branches	% weight of region on the total
Piemonte	132	67,7%	131	68,9%
Sardegna	3	1,5%	3	1,6%
Toscana	1	0,5%	1	0,5%
Valle d'Aosta	6	3,1%	6	3,2%
Veneto	8	4,1%	8	4,2%
Campania	3	1,5%	3	1,6%
Emilia Romagna	9	4,6%	6	3,2%
Lazio	15	7,7%	15	7,9%
Liguria	4	2,1%	3	1,6%
Lombardia	12	6,2%	12	6,3%
Lussemburgo	1	0,5%	1	0,5%
Miami	1	0,5%	1	0,5%
<b>TOTAL</b>	<b>195</b>	<b>100,0%</b>	<b>190</b>	<b>100,0%</b>
IN ITALY				
North	171	87,7%	166	87,4%
Centre	16	8,2%	16	8,4%
South and Islands	6	3,1%	6	3,2%
Foreign branches	2	1,0%	2	1,0%
<b>TOTAL</b>	<b>195</b>	<b>100,0%</b>	<b>190</b>	<b>100,0%</b>

The opening of 6 new branches allowed for the strengthening of the Bank's presence in some historically traditional areas such as Collegno and Torino, as well as of the presence in areas having high potential growth rates (such as Liguria, with the new branch of Imperia and Emilia Romagna, with the new branches of Modena 1, Bologna 1 and Casalecchio di Reno were opened). Moreover, the merge of two branches in Ciriè (in the province of Torino) was completed.

As regards retail customers, personal bankers continued their activity of assistance to customers on investments, using new instruments to measure risks and to make in-depth analysis.

Insurance savings counters were created at every

branch to favour communication to customers and to highlight the attention paid to this business.

### PRIVATE BANKING TEAMS

After the rationalization of the network of private banking units carried out in 2003 all over Italy, their total number reached 14, following the opening of a new unit in Bologna. The number of private bankers remained on the whole unvaried, while assets managed and administered per employee remarkably increased. Total deposits passed from € 3.079,7 million of 2003 to € 3.513,6 million of 2004, showing an increase of 14,1%.

Administration resources were reduced, allowing for an improvement of efficiency.

## CUSTOMERS SEGMENTATION

### Corporate customers

During 2004, a new "Corporate service" was created, at a Group level, mainly devoted to small-medium sized companies.

"Corporate private bankers" are coordinated by the territorial areas chiefs and work in close synergy with the branch network as well as with the private banking services of the region.

The new structure aims at carrying out cross-selling for the Group (through an exchange of products and services in synergy with the various companies of the Group), supporting companies in their internationalization, optimizing pricing policy (by the adoption of a rating model compliant with Basel II and a better monitoring of risks), creating new instruments and refining risk indicators.

### Private banking customers

During 2004 Banca Sella planned a subdivision of private banking customers. In 2005 the commercial staff of this area will be included in the distribution network with the aim of carrying out an overall advice activity instead of the usual management of assets.

During 2004, training of commercial staff devoted to specific targets of customers or to specific products was strengthened.

## FINANCIAL PROMOTERS AND FINANCIAL SALES POINTS

The financial promoters employed by the Bank for the distribution of its products and services belong to Sella Consult and Gestnord Intermediazione, Group subsidiaries.

Sella Consult continued to carry out the review and improvement of its domestic network, which was also influenced by the unfavourable trend of financial markets, with:

- a reduction in the number of Financial Sales Points from 42 in 2003 to 33 as at end 2004;

- a reduction of financial promoters reaching the number of 363;
- the drawing up of 16 new financial promoters contracts as against 90 severances.

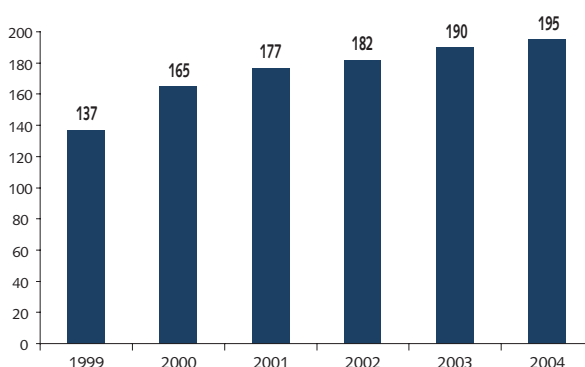
Gestnord Intermediazione on the other hand strengthened its structure, both opening two new Financial Sales Points (therefore reaching the number of 13) and increasing the number of financial promoters from 165 (as at 31 December 2003) to 175 (as at 31 December 2004).

## COMMERCIAL AGREEMENTS AND PARTNERSHIPS WITH INSTITUTIONAL CUSTOMERS

The development of the activity in this business mainly focussed on offering tailor-made current accounts to universities (for the placement of honour loans), voluntary service centres and builders' public credit societies.

Besides strengthening the existing relationships with other credit institutions, the activity was focussed on developing new agreements for the sale of payment systems products, asset management products and mortgage loans.

### BANCA SELLA - BRANCHES



## VIRTUAL BANKING CHANNELS

### PORTAL AND INTERNET BANKING

Also in 2004 the multi-bank portal sella.it:

- represented the Group's image in the Italian and international web world;
- offered its customers the quickest and easier means to operate on their current accounts, benefiting of discounts on costs of products and services with respect to branch costs;
- kept its role as informative channel;
- kept its role as commercial channel, thoroughly integrated with the branch network. During 2004, the commercial activity of the portal for the Group mainly focussed on the sale of current accounts, payment systems, mutual funds, POS and e-commerce.

The informative and commercial section of the portal was wholly reviewed in its layout, communication and navigation, to offer a service as much in compliance with the needs of customers as possible.

The trend of Internet Banking, the home banking service of Gruppo Banca Sella for retail customers, recorded an increase of 21,3% of operations if compared to 2003, thanks also to the launch of new functions, to the creation of Winconto Web (a current account having more favourable commissions for online activity if compared to traditional channels ones, especially thought for e-banking) and to two fidelity programmes.

### MOBILE BANKING

The WAP and PDA trading service recorded an increase of 19% in the number of total executed stocks and derivatives contracts, thanks also to the introduction of short selling and leverage functions.

Thanks to a pricing review of some of the SMS services made during the year, the average income for each SMS increased if compared to the previous period, while the number of sent SMS decreased.

## CORPORATE BANKING

This service enables corporate customers to operate on their current accounts via the internet. During 2004 the introduction of some new functions allowed for a further growth of quality of the service, making it more competitive if compared to rival credit institutions. As a consequence, a constant growth in the number of transactions and of users and an increase of volumes of 29,4% with respect to 2003 took place.

### PHONE BANKING

In 2004 the Phone Banking service focussed on improving specialization of trading by phone, in order to differentiate the service according to the profile of traders, combining the Borsino sella.it service (trading desk service on sella.it portal) to phone banking services, so as to allow for:

- an improvement of efficiency in the cooperation among Borsino sella.it, Phone Banking and the Trading On Line Customer Service in case of abnormal faults on the internet;
- the creation of further synergies in the offer of diversified phone trading services;
- an improvement of income from trading through Borsino sella.it (net of institutional customers' effect).

Call centre phone services also reached the following results:

- improvement of automatization of operative services (percentage of phone calls dealt with by IVR - automatic answer system);
- increase of credit cards phone selling to customers;
- improvement of service levels to customers (answer times);
- increase of monitoring activity on customer satisfaction.

During the year Banca Sella centralized operative services (phone trading at trading desks) as well as customer service services (POS and remote banking), previously carried out by the other banks of the Group.

## MAIN BUSINESS AREAS - OPERATING VOLUMES

### COMMERCIAL BANKING

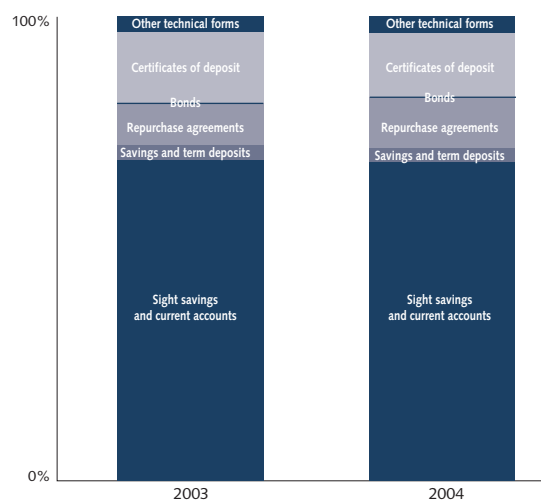
#### CUSTOMER SAVINGS, CURRENT ACCOUNTS, SECURITIES ISSUED AND FUNDING POLICIES

Customer savings, current accounts and securities issued, which amounted to € 5.055,3 million as at 31 December 2004, recorded a 12,2% increase with respect to the previous financial year, even though showing a varied dynamics of aggregates:

- sight deposits showed a growth of 11,4%, thanks to the contribution of the new range of current accounts;
- repurchase agreements increased by 32,8%, thanks to a remarkable demand of customers, who favoured the limited risks related to this instrument;
- bonds issues recorded an increase of 4,5%. During the year bonds dedicated to retail customers were issued mainly with the aim of substituting bonds at maturity. Straight bonds with 5 year maturity were placed on the euromarket within the EMTN Programme for an amount of € 350 million, partly to substitute a matured loan.

#### CUSTOMER SAVINGS, CURRENT ACCOUNTS AND SECURITIES ISSUED: TECHNICAL FORMS

(figures in percentage)



Moreover, a lower tier II 10NC5 subordinated loan amounting to € 50 million with 10 year maturity and early redemption clause (with Banca d'Italia authorization) was issued.

On the other hand the offer of structured bonds was marginal, aimed solely at satisfying specific needs of customers.

#### LOANS

Notwithstanding a difficult economic situation, cash loans to customers, standing at € 3.957,3 million, showed a 14,5% increase. This figure includes loans towards subsidiaries of Gruppo Banca Sella, following the continued financial support to subsidiaries operating in the leasing and consumer credit businesses, with a view to further improve the management of liquidity at a Group level.

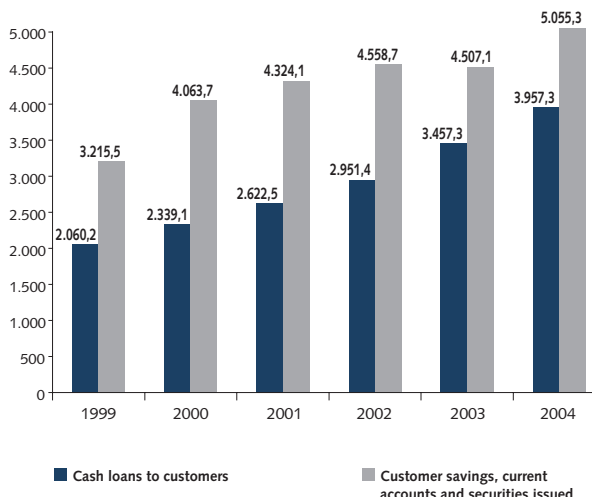
Guarantees reached € 308,9 million, with a decrease of 11,5% with respect to the previous year, due to the maturity of some operations of high amount.

As is the Bank's custom, financial support to customers was focussed on local economies both in zones of traditional presence and new ones.

As regards retail customers, the granting of house mortgage loans to families mainly contributed to the growth of loans, even though showing a decrease if com-

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

(figures in euro million)



pared to the previous year. As at year end, these loans reached a total of € 1.056,1 million, with an increase of more than 35% over 2003. The offer was updated and enriched by new services, taking into account both market requirements and the needs directly voiced by customers. Insurance products were moreover added to mortgage loans to safeguard customers during periods of decline in business activity or job loss and from damages to the property.

Consumer credit activity was carried out by the subsidiary Consel, which recorded a very satisfactory growth, in line with the good results recorded by the Italian consumer credit market.

Corporate demand was mainly focussed on loans directed to support their production activity and on medium-long term loans destined to research and innovation purposes. Corporate customers also applied for medium-long term loans for the rescheduling of short-term debt. Corporate customers investment demands were also supported by leasing through the subsidiary Biella Leasing.

A profitable cooperation for the financial support to small-medium sized companies took place with Guarantee Syndicates operating in the regions where the

Bank is present, with Artigiancassa (the craftsmen association) for its sector of competence and with Mediocredito Centrale for the granting of loans to finance production investments, technological innovation and the management of environmental impact (in application of facilitations as provided for by law).

During the year the Bank was granted by EIB the necessary funds to support small-medium sized companies investments through bank credit and leasing.

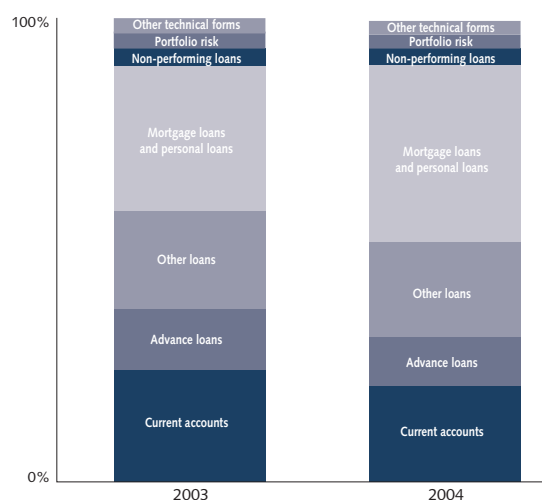
Technological investments were made to improve internal procedures for the granting and review of loans, so as to reach a higher automatization and to increase efficiency levels of the same procedures.

Therefore, the ranking of customers following a set of "classes of risk" according to the directions of the Basel Committee is essential. During the year the statistical model on which the Bank assigns an internal rating to corporate customers was completed and meetings were organised to disclose the contents of the New Basel Capital Accord to entrepreneurs and to explain how the internal rating of the Bank works.

Special attention was also given to branch staff specifically dedicated to loan granting, through the delivery of training courses and side by side assistance.

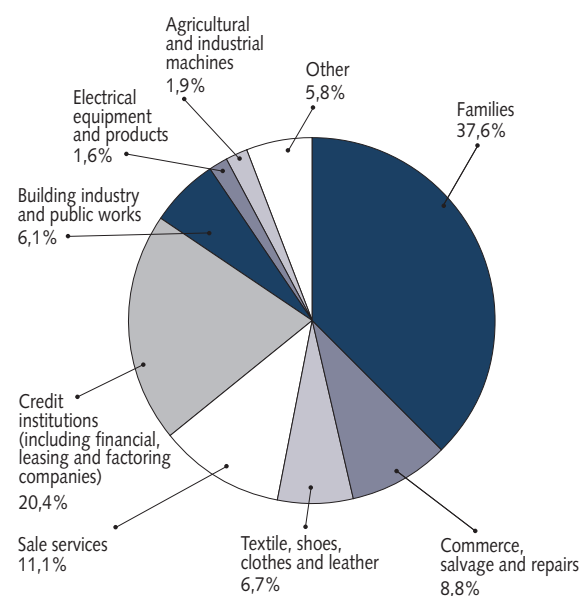
### CASH LOANS: TECHNICAL FORMS

(figures in percentage)



### TOTAL LOANS BY INDUSTRY

(figures in percentage)



## LOANS PORTFOLIO QUALITY

### Non-performing loans

Net non-performing loans (i.e. loans to insolvent subjects not deemed to be recoverable), recorded a remarkable decrease if compared to the previous year (-12,1%), passing from € 40,5 million to € 35,6 million, even if gross non-performing loans increased by about 5%. The ratio of net non-performing loans over cash loans diminished from 1,2% to 0,9%. New inflows to non-performing loans reached the amount of € 39,2 million, showing a

decrease of 13% if compared to 2003. The flow of collections almost reached € 18 million, with an increase of a good 154%, thanks to a strict and methodical work, mainly directed to collections from legal procedures related to real estate and to achieve efficient out of court settlements for the recovery of credits in dispute.

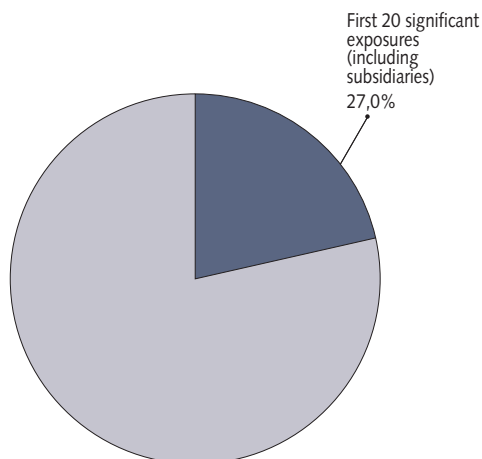
Among the 6.269 non-performing loans files, the positions up to € 50.000 accounted for about 93% of the total number (amounting to 20,3% of total volumes), while positions up to € 5.000 represent 56% of the total number.

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

	31/12/2004	31/12/2003	% variation over 2003
Cash loans	3.957,3	3.457,3	14,5%
Net non-performing loans	35,6	40,5	-12,1%
Net non-performing loans/cash loans	0,9%	1,2%	-0,3%
Net watchlist loans	67,3	79,8	-15,7%
Net watchlist loans/cash loans	1,7%	2,3%	-0,6%
Net restructured loans	3,0	-	-
Non guaranteed loans exposed to country risk	3,3	4,3	-23,5%
Write-downs to loans (item 120 of the income statement)	40,6	29,9	35,8%
Write-ups to loans (item 130 of the income statement)	5,0	5,9	-15,7%
Net write-downs to loans	35,6	24,0	48,5%
New non-performing loans	39,2	45,1	-13,0%
New watchlist loans	53,6	105,1	-49,0%

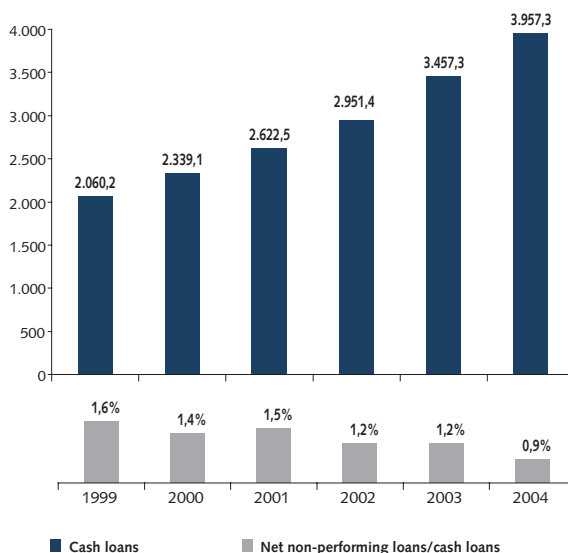
### IMPACT OF THE FIRST 20 SIGNIFICANT EXPOSURES ON TOTAL LOANS

(figures in percentage)



### CASH LOANS AND NON-PERFORMING LOANS

(figures in euro million)



## Watchlist loans

Net watchlist loans (i.e. loans to subjects whose temporary difficulty is deemed to be recovered in a suitable period of time), including the settlement of interest, also recorded a remarkable decrease, about 15,7%, passing from € 79,8 million to € 67,3 million.

The high sensitiveness and prompt identification of the very first signs of anomaly, both in the trend and in the structure of credits, generated a volume of inflows to watchlist loans amounting to € 53,6 million as against € 105,1 million of the previous financial year. Control policies on loans quality, deliberately more incisive and stricter, pushed to enter among watchlist loans a number of credits at risk, also using the internal rating system for the analysis of loans.

## Restructured loans

Among restructured loans, amounting to € 3 mil-

lion, two positions (belonging to the same Group) are recorded, with which a medium-long term rescheduling of credit was agreed at a banking system level. This plan, together with the financial interventions of their relevant partners, aims at reorganizing and relaunching the businesses.

## ASSETS UNDER MANAGEMENT AND SECURITIES HELD IN DEPOSIT

At the end of the financial year, assets under management and securities held in deposit, which include the various forms of managed assets (excluding cash relevant to assets under management) and customers' securities in administration reached € 16.130,6 million, showing an increase of 8,9% over 2003.

ASSETS UNDER MANAGEMENT AND SECURITIES HELD IN DEPOSIT (figures in euro million)			
	31/12/2004	31/12/2003	% variation over 2003
Centralized assets under management <sup>(1)</sup>	1.552,9	1.669,9	-7,0%
<i>of which: mutual funds and sicavs</i>	1.127,5	483,1	133,4%
Private banking assets under management <sup>(1)</sup>	2.024,2	2.097,0	-3,5%
<i>of which: mutual funds and sicavs</i>	273,7	246,4	11,1%
Mutual funds and sicavs <sup>(2)</sup>	2.317,1	2.302,9	0,6%
<b>TOTAL ASSETS MANAGED</b>	<b>5.894,3</b>	<b>6.069,8</b>	<b>-2,9%</b>
Securities in administration (net of temporary transit at year end of securities of the subsidiary GNI) <sup>(3)(4)</sup>	6.893,0	6.505,9	6,0%
Securities in administration <sup>(3)(4)</sup>	8.135,0	6.505,9	25,0%
Securities in deposit related to custodian bank services	2.241,5	2.411,2	-7,0%
<b>TOTAL ASSETS UNDER MANAGEMENT AND SECURITIES HELD IN DEPOSIT (including cash related to assets under management)</b>	<b>16.270,7</b>	<b>14.986,9</b>	<b>8,6%</b>
<b>TOTAL ASSETS UNDER MANAGEMENT AND SECURITIES HELD IN DEPOSIT<sup>(5)</sup></b>	<b>16.130,6</b>	<b>14.809,6</b>	<b>8,9%</b>
Insurance savings (stock)	555,2	520,2	6,7%
<b>TOTAL ASSETS UNDER MANAGEMENT, SECURITIES HELD IN DEPOSIT AND INSURANCE SAVINGS</b>	<b>16.685,8</b>	<b>15.329,8</b>	<b>8,8%</b>

<sup>(1)</sup> Including cash (current accounts and deposits) and mutual funds and sicavs units.

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

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

<sup>(4)</sup> The volume of securities in administration was influenced by the temporary transit of securities pertaining to the subsidiary Gestnord Intermediazione (amounting to about € 1,2 billion) due to the merge of the same company with Sella Investimenti Banca completed at end of 2004.

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

## **ASSETS UNDER MANAGEMENT**

Total assets under management (centralized assets under management, Private Banking, mutual funds and sicavs) passed from € 6.069,8 million as at end 2003 to € 5.894,3 million at end of 2004, with a decrease of 2,9%. The trend highlights the following:

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

As regards the expectations of customers, after the equity sector crisis of 2000/2002, they continued in their prudent behaviour and their propension towards risk turned more to maintaining their assets in real terms than to seizing growth opportunities as against risk.

The main object for 2004 was above all to improve the quality of performance of managed assets. Therefore, an important reorganization process as well as a reduction of the range of products and of management centres was begun, in order to assign more and more substantial assets to the best asset managers.

### **Centralized assets under management**

As at 31 December 2004 the volumes of centralized assets under management stood at € 1.552,9 million, recording a 7% decrease as a consequence both of the switching of volumes from personalized asset management mandates (CAP) to the relevant private banking units and of disinvestments followed by reallocations on administered deposits.

Due to the reallocation of asset management products, the amount invested in mutual funds and sicavs units included in assets under management more than doubled, reaching € 1.127,5 million.

During the year, new asset management products, easy to understand and aimed at customers having a prudent and considered profile, were launched and met

with the customers' approval. A rationalization of management lines was also set up, in order to simplify their offer and maximize their efficiency.

### **Private Banking assets under management**

Private Banking assets under management witnessed a decrease of 3,5% if compared to 2003, reaching € 2.024,2 million, of which € 273,7 million of mutual funds and sicavs units (+11,1% with respect to 2003).

### **Mutual funds and sicavs**

The value of assets invested in mutual funds and sicavs grew from € 3.032,5 million of 2003 to € 3.718,2 million.

The percentage of net inflows on the growth of the portfolio in 2004 was equal to 3,8% if compared to the -2% of the system.

Inflows were mainly focussed on money market and bond related mutual funds and sicavs, while remarkable was the outflow from stock related and balanced ones: total income therefore decreased.

The review and rationalization of asset management products also influenced this sector and will be completed in the first half of 2005, with the merge of 18 mutual funds and sicavs into 9 already existing products and the liquidation of two sicavs units.

### **Online asset management**

The number of online transactions made by retail customers grew by 29,4% if compared to 2003 and was in particular influenced by the increase of transactions on mutual funds and sicavs (+47,6%).

The interest of customers was mainly directed towards those asset management products that proved to be efficient, towards the "safeguard and protection" range of policies and towards supplementary allowance products.

## **INSURANCE SAVINGS**

During 2004, the strategies which in 2003 led to the creation of the new brand "Sella Sicurezza e Protezione" (Sella Safeguard and Protection) marked by transpar-



ency, quality and personalization, continued to be followed and focussed on the quality of products.

At the end of the financial year the stock of insurance savings reached € 555,2 million (+6,7% if compared to end of 2003), mainly influenced by the sale of index linked products and, to a lesser degree, by traditional policies issued by the subsidiary insurance company C.B.A. Vita.

The placing of products dedicated to social security and to health continued: the former with lower results with respect to 2003 and the latter showing on the other hand a good increase (+19,2%) if compared to the previous year. In this sector, the placement of the new C.B.A. Long Term Care product (health insurance policy covering situations of non self-sufficiency) and protection products (as for example whole life policies, civil liability policies, policies for the safeguard of property related to mortgages or not) are to be pointed out.

During 2004 Sella Life, the Irish insurance company of the Group, continued the placement of its Sella Personal Life policies.

### **THIRD PARTY SECURITIES HELD IN ADMINISTRATION**

The aggregate of third party securities held in administration (excluding assets under management, mutual funds and sicavs, and securities in deposit related to custodian bank services) reached, at end of year 2004, € 8.135 million, increasing by 25% on annual basis. The amount of third parties securities held in administration was influenced by the temporary transit of securities belonging to the subsidiary Gestnord Intermediazione, due to the merge of the same company with Sella Investimenti Banca, for an amount of € 1.242 million; excluding such amount the aggregate stands at € 6.893 million, showing an increase of 6%.

### **ADVICE ON INVESTMENTS**

During the year, the Bank continued to carry out the development of initiatives aimed at improving customers' knowledge on the characteristics and risks related to investment on financial instruments and products.

In particular:

- updating of customers' profiles in order to develop a thorough knowledge of their propension to risk, their knowledge of financial instruments and their experience and objectives as regards investments. Such information was useful to develop relationship with customers, with the aim of improving the quality of portfolios and the correctness of the selling activity;
- internal training of staff on financial instruments, on risks and on rules and regulations provided for by the "Internal regulations on the management of assets";
- alerting of the distribution network (and consequently of customers) on the trend of securities for which, following the economic/financial trend of the related companies, an increase of risk was identified;
- improvement of the so-called "Risk Thermometer", a tool to enable customers to easily and immediately understand the degree of risk related to the various financial products and instruments. The degree of risk related to complex bond instruments was identified too and rules and processes were fixed to achieve a measurement of the degree of risk of insurance products having a high financial content;
- new instruments to improve assistance to customers in their decisions on investments were devised and put at the disposal of the distribution network;
- new services for the information/statement of account were devised, to offer customers high quality and complete information to customers on their securities deposits;
- participation to the work group promoted by ABI (the Italian Banking Association) that gave substance to the "Patti Chiari" (association for transparency towards customers) initiatives for investors, in particular:
  - the list of "Low risk – low yield bond issues": a list of low risk instruments for customers who are not willing to be exposed to capital losses risks;
  - "Clear information on bank subordinated and/or structured bond loans" for an easier and more transparent understanding of this kind of bonds.

On both initiatives, by following correctly and accurately the protocol, the Bank obtained the relevant certification.

## **MUTUAL FUNDS & SICAVS CUSTODY AND CORRESPONDENT BANKING SERVICES**

Income related to mutual funds and sicavs custody and correspondent banking services increased by 3,9% if compared to 2003.

During the year the Bank offered its correspondent banking services to mutual funds and sicavs outside the Group, cooperating with sicavs under Luxembourg law placing their stocks in Italy. The software used to offer these services was developed so as to satisfy both customers' needs and a high standard of control and automation of processes. Taking into account the positive results of 2004, in 2005 the Bank will aim at strengthening the service and at remarkably increasing the number of mutual funds and sicavs served.

During the year, the development of software for the sharing of data bases among Banca Sella, Gestnord Fondi (asset management subsidiary of Gruppo Banca Sella) and the sales entities of mutual funds belonging to the Group continued. Moreover, a rationalization and integration of all processes related to the activity of correspondent banking service for the whole Group was started.

## **FINANCIAL MARKETS**

### **DEALING AND TRADING**

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

MTA	4,15%
(in after hours trading)	(6,09%)
SeDeX	1,10%
IDEM - S&P/MIB Future	5,77%
IDEM - MINIFIB	19,76%
IDEM - S&P/MIB Option	11,47%

(Source of data: Assosim)

These market shares, if compared to 2003, show a decrease on the SeDeX and IDEM (the Italian Stock Derivatives Market) - S&P/MIB Future circuit, a substantial stability on the IDEM – MiniFIB one and a remarkable growth as regards MTA (Italian Telematic Stock Market) and IDEM - S&P/MIB Option circuits.

## **SECURITIES DEALING ON BEHALF OF THIRD PARTIES**

### **Securities traditional dealing**

The trend of volumes recorded an increase of about 7% with respect to a year earlier, accomplished mainly in the last quarter of the year and deriving from a growth of institutional customers' transactions and transactions due to the centralization of dealing activities of Gruppo Banca Sella banks, which began in the second half of 2004.

The main increase of volumes was recorded on stock markets, in particular on foreign ones; on the other hand the bonds sector was stable.

Profitability of the business on the whole was again good, mainly thanks to activities of assistance and support to the distribution network, and also to a careful control of the levels of service.

Actions to attain a better efficiency and productivity and to improve controls on risks relevant to securities dealing continued to be carried out.

### **Trading On Line**

The scenario for 2004 was marked by a quite low volatility of markets and again by a decrease of average commissions receivable: this caused a decrease of gross income even though the average number of operating customers was unvaried.

Options and foreign derivatives were the most brilliant market sectors as regards volumes and market shares; a slight drop was on the other hand recorded on Italian stocks and Fib.

The interest of customers for foreign stocks markets was satisfied with the introduction of dealing, through the Trading On Line platform, on new derivatives on

the German Eurex market (sector indexes and options) and on the American CME market (EUR/USD futures). Moreover, a system for the online management of margins was set up, which repeats the methods used by the German clearing house. Similar functions were set up for the transactions made by customers on the Italian derivatives market, allowing them to put in place complex trading strategies with the minimum cash commitment.

The choice of developing new markets allowed for the achievement of a 0,5% market share on Dax futures.

The professional platform Sella Extreme was further improved and refined by new functions.

During the year, IT architectures and operative platforms were further rationalized, so as to obtain a reduction in costs and higher levels of service. The "unique router" application (allowing the various companies of the Group direct access to electronic markets) was set up for Gruppo Banca Sella and it obtained a certification by Borsa Italiana (the Italian stock exchange) for the direct access to the stock and derivatives markets.

The commercial structure of the Trading On Line business area focussed on the development of new customers and on initiatives to keep a high degree of retention of current ones, organizing events and training courses especially devised for customers.

## **TRADING ON OWN ACCOUNT AND TREASURY ACTIVITY**

During 2004, the Bank strengthened trading activity on own account, giving a stable contribution to Income Statement in terms of profit. The Bank maintained its presence as Primary Dealer on the Italian Telematic Government Bonds Market (MTS), with a 1,19% market share (1,99% in 2003) and with a positive profit even if in decrease if compared to the previous financial year.

Volumes traded on own's account on the Italian Telematic Stock Market (MTA) were again high, confirming excellent profits and allowing for a 2,90% market share, showing a remarkable increase if compared to the latest financial years.

As regards trading activity on own account on stock

markets, the Bank still carried on a moderate activity also on European stock markets.

The dealing of derivatives was mainly centred on instruments listed on the regulated markets IDEM (Italian Derivatives Stock Market), Eurex and, to a lesser degree, Liffe. During 2004, the Bank consolidated its development on debt instrument derivatives and diversified more on stock index instruments, keeping on the whole a low risk profile.

As regards the IDEM market, the Bank kept its role of Primary Market Maker on Stock Exchange Index options (MIB30 and then S&P/MIB) and on Stock Exchange Index MiniFuture. This activity recorded excellent profits and excellent compliance to the parameters fixed by Borsa Italiana S.p.A..

During 2004, 95 series of covered warrants indexed to the Stock Exchange Index (MIB30 and then S&P/MIB) were issued, also carrying out its market maker role.

The Bank continued its activity on the spot and forward markets and confirmed its orientation towards the former, on which it traded about € 74,5 billion.

As regards Money Market activity, while the Bank developed its activity on interbank deposits (trading a total of € 139,7 billion on the e-MID and OTC markets), on the other hand it reduced activity on the repurchase agreements market (together OTC and MTS markets totalled volumes for € 69 billion), due also to the smaller amount of cash available on that market if compared to 2003. The small volatility of short-term rates influenced a reduction of activity on the short-term rates derivatives market (together OTC and e-MIDER circuits totalled volumes for € 1,4 billion). The reorganization which took place in 2003 within the Forex and Money Market desks, aimed at the improvement of the allocation of resources, allowed for the positive results of 2004.

The Integrated Group Treasury project started in the last months of 2004, achieved a better and more effective management of liquidity, a better control and management of exchange rate and of interest rate risks on a consolidated level, as well as a more careful asset & liability management activity for the Group.

The Bank maintained a net credit position on the interbank market, even if on a lesser level with respect to 2003.

## PAYMENT SYSTEMS

### Traditional payment systems

Volumes and profits from Traditional Payment Systems products remarkably increased with respect to the previous financial year, especially those related to Rid (direct debit on current account system) and Riba (electronic cash orders), accomplishing all qualitative objectives concerning levels of service. This was achieved thanks to IT and organizational interventions already put in place in 2003, aimed at optimizing operative procedures and at the improvement of the quality of service, and also thanks to the commercial support of branches.

### Electronic payments system

The activity related to **P.O.S.** (Points of Sales), supported by the enlargement of the network distributing such products all over Italy, recorded an increase in the number of P.O.S. installed and in the related volumes.

The range of products was enriched by adding some services provided by Easy Nolo S.p.A. (a company of Gruppo Banca Sella).

The marketing of **debit and credit cards** went on, recording a good increase in the number of cards

issued and a satisfactory growth of volumes generated by the use of cards. The marketing of co-branded credit cards continued, mostly among users without a current account in the Bank's books, as well as the issue of cards for banks not belonging to Gruppo Banca Sella. Revolving credit cards also continued to be marketed, to satisfy the growing demand of customers. Moreover, 2004 confirmed the growing interest of customers for pre-paid plastic cards, in particular for the rechargeable type.

**ATM** activity showed a remarkable growth in phone recharge operations and withdrawals by the use of credit cards.

### Telematic payment systems

As concerns **e-commerce**, in 2004 both volumes and the number of users showed an increase, thanks to the development of functions of the platform for the management of online payments (GestPay) and to its high quality.

The Server to Server platform for corporate customers confirmed to be a commercial success, as it allows for the integration between IT systems of corporate customers and the payments platform.

As regards security of online payments, besides the Verified by Visa security protocol launched in the past, the Bankpass Web system was adopted, an electronic purse which enables to accept payments using cards of the Pagobancomat circuit.

## OPERATIONAL STRUCTURE

### RISK MANAGEMENT AND INTERNAL CONTROLS

In 2004, as it has been since 2002, the Parent company Finanziaria Bonsel continued to coordinate all activities necessary to manage and control risk exposure of Group companies. For details relevant to the organization of controls please refer to the chapter on internal controls in the consolidated annual report for Gruppo Banca Sella.

According to Law by Decree 231/2001 on "regulation of administrative responsibility of juridical persons, of companies and of associations even if lacking legal status", on 26 February 2004 a body was created with the task of supervising on the functioning and compliance to organizational and management models as provided for by the decree in object, as well as the task of taking care of their update.

The Supervising and Control Committee has the specific task of supervising the functioning of and compliance to organizational, management and control models intervening if necessary to provide for the suitable integrations and/or modifications, as well as the task of taking care of their update.

The Committee exercises its power of initiative and control in order to carry out its task, freely and independently, without having to ask for any kind of authorization and refers on its choices and decisions only to the Chairman of the Board of Directors.

The Committee has autonomous powers to request and acquire information to and from each level and sector of the Bank and it is free to create the most suitable system for the reporting of illicit behaviour that any subject cooperating by any title with the Bank might notice during the execution of his/her job, keeping the name of the reporting subject confidential.

The Committee has also the task to assess any illicit behaviour of subjects cooperating by any title with the bank, as well as deciding the sanctions for those who did not comply with the instructions of the models.

The Committee has authorization to decide on the expenses deemed absolutely necessary in order to accomplish its tasks and appointments.

### INFORMATION TECHNOLOGY AND ORGANIZATION

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

Among other activities we recall the following:

- migration of the new bank Banca Patrimoni e Investimenti (resulting from the merge of Gestnord Intermediazione with Sella Investimenti Banca) to the IT system of Banca Sella;
- completion of the procedure for the management of cash at the counter;
- enlargement of the necessary instruments for the improvement of information to customers and for a better control of portfolios administration;
- carrying on of the business continuity project: accomplishment of the disaster recovery IT structure and starting of a synchronous copy of data bases of the new informative system;
- installation of a Bull host acting as back-up of the production host;
- review of procedures and processes aimed at achieving certification on all initiatives included in the Patti Chiari project (initiative aimed at transparency towards customers);
- carrying on of the migration process of the IT system software to the new "open" technology, structured on a three levels architecture;
- increase of cooperation between the Bank and the companies of the Group for the centralization of IT systems (CBA Vita) or review of the same (Miami agency, Sella Bank Luxembourg) in cooperation with the subsidiary Sella Synergy India.

### RESEARCH AND DEVELOPMENT

The Bank does not carry out a proper research and development activity, while it has focussed its innova-

tion activity on new products and new channels, as well as on technological update. Nevertheless, during the year, the Bank joined work and research groups organized by the Italian Banking Association (ABI), among which the ABILAB Committee (aimed at "technological research in a pre-competitive environment within the banking world", within the work group on informative security and business continuity).

The introduction of an open source software (in operative, but also production, environments) continued, both as regards the management of software development instruments and instruments for the monitoring of systems.

The Bank was also involved in other work groups within ABI on various subjects: legal topics regarding operative activity, juridical topics related to the banking system, topics on credit, financial instruments and markets, the payment systems, studies and researches on the Italian and international economic and financial activity, on technological innovations, on security and items regarding labour contracts and corporate social responsibility.

## EFFICIENCY AND PRODUCTIVITY

The Organization and Efficiency area aims at recovering productivity and efficiency of processes, by reducing and/or removing the manual character of activities.

In line with the objectives fixed at the beginning of the year and included in the strategic plan 2004-2006, interventions focussed on the following:

- improvement of processes, in particular of branches, in order to diminish the time dedicated to administrative tasks and favour business activity and contact with customers; interventions carried out from the beginning of the year allowed for the decrease of administrative tasks by about 90.000 working hours;
- carrying out of projects to review procedures and/or redefine the logic of inefficient processes, especially those related to:
  - forms for transactions operated at the counter;

- automation of the management of order confirmations on purchases and of receipts related to their payment;
- centralization of administrative activities at special service centres at the head office of the Bank, together with the transfer of administrative tasks from branches to the head office to increase efficiency of the distribution network, focussing its activity on customers assistance and care;
- analysis and layout of special service centres at the head offices of each bank of the Group, Banca Sella included, with the aim of employing staff released thanks to the automation and centralization of processes, who are not bent for commercial or specialistic activities.

## HUMAN RESOURCES

### MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

At year end, the employees of the Bank were 2.264, showing a net increase of 90 people with respect to the previous financial year. Actual staff, excluding staff attached to other companies of the Group and including staff from other subsidiaries attached to the Bank, amounted to 2.227 (2.151 effectively working and 76 on leave of absence or maternity leave).

Variation in the number of staff were influenced by:

- the centralization of a number of services at the Parent company, which consequently needed to strengthen its staff. Employments mainly involved specialized resources;
- the careful attention paid to the increase of profitability and efficiency, involving a continued search for automation possibilities and for reorganization of standard procedures;
- the employment of new professionally qualified and expert staff in commercial and distribution structures, above all in those geographical areas bearing greater opportunities of development.

During the year 218 people were newly employed

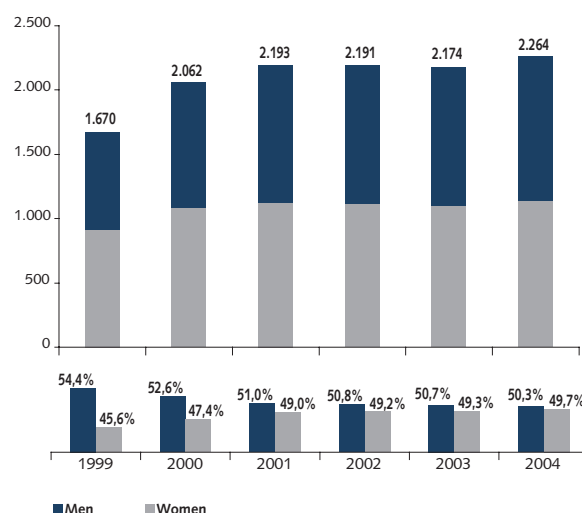
(of which 17 with apprenticeship contracts, 48 with introduction contracts – a new kind of apprenticeship contract, 101 with temporary contracts and 52 with open-ended contracts), while 128 contracts expired (including 7 for retirement and 9 for transfers to other companies of the Group).

At the end of the year, the staff's average age reached 34 years and 4 months, while average seniority was 8 years, both showing a slight increase with respect to the previous year.

The total of staff expenses amounted to € 106,8 million (+7,3% with respect to 2003).

Also in 2004, the Bank linked wages to meritocratic and objectively measurable parameters such as income, volumes and service levels.

## STAFF



## SUBDIVISION OF STAFF BY CATEGORY

Staff	2004		2003		2002	
	No.	%	No.	%	No.	%
Executive cadres	23	1,0%	23	1,1%	24	1,1%
Cadres	398	17,6%	384	17,7%	378	17,3%
Other employees	1.808	79,9%	1.730	79,6%	1.758	80,2%
Bank messengers	11	0,5%	11	0,5%	11	0,5%
Foreign branches staff	24	1,1%	26	1,2%	20	0,9%
<b>Total staff</b>	<b>2.264</b>	<b>100,0%</b>	<b>2.174</b>	<b>100,0%</b>	<b>2.191</b>	<b>100,0%</b>

## 2005 OUTLOOK

### ECONOMIC BACKGROUND

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

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

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

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

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

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



trance of foreign competitors in our market, side by side with the entrance of Italian players in foreign markets;

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

## **STRATEGY, VOLUMES AND PROFITABILITY OF THE BANK- EXPECTATIONS ON THE TREND OF THE 2004/2006 STRATEGIC PLAN**

In connection with the above mentioned macroeconomic background, the Bank in 2005 will still focus its activity on a growth in size as stated in the guidelines according to the Strategic Plan, and also on the recovery of efficiency and productivity, by way of a reduction of costs, accomplishing the actions started during 2004 to put in place the expected advantages. In particular:

- increase of the global number of customers, improving customer retention and strengthening cross-selling by way of:
  - opening of new branches and development of new customers;
  - caring of customers, to increase reciprocal trust, which is one of the key values for success of the Bank, achieved by improving the use of information on customers and constantly awakening staff to pay careful attention to customers needs;
  - following high quality standards in the relationship
- with customers, in the products/services offered, in the yield of asset management products (as regards this sector, a further rationalization of products will take place, as well as of management structures and management policies) and in levels of service;
- improvement of cost to income ratio, by a decrease of two percentage points with respect to 2004, to be achieved through a reduction of administrative costs, a careful control of staff expenses and an increase of productivity to be accomplished by:
  - optimisation, simplification and rescheduling of processes;
  - continued improvement of efficiency at the counter, with a reduction of administrative tasks for the branch, in order to serve current customers more efficiently and accurately and allow for the development of potential customers;
  - pushing customers to increase their use of telematic instruments, above all as far as low value added services are concerned;
  - carrying on with centralization and rationalization processes involving activities common to various companies/areas, in order to obtain further scale economies and to regulate and complete the transformation of the Bank in a branch banking network;
- attention towards human resources as main driver for the improvement of productivity and quality, and, therefore, pursuit of an increase of expertise, professionalism and motivation by way of training, so as to achieve the identification of staff with the Bank's values and goals;
- further reduction of credit risk through an increased subdivision of the same in terms of size of each loan and of concentration in economic sectors; completion of the system for assignment of the internal rating to customers, from which benefits relevant to the absorption of capital are expected.

## REMARKABLE FACTS AFTER CLOSING OF THE FINANCIAL YEAR

- In order to achieve a gradual diversification of administrative bodies of the Parent company Finanziaria Bansel and of Banca Sella and following the eventual transformation of the latter into a branch banking network, on 1 February 2005, Lodovico Sella, Vittorio Sella, Enzo Panico and Mario Cattaneo resigned from the Board of Directors, keeping their role of Directors for the Parent company Finanziaria Bansel; their place was taken by the new Directors Guido Bigiordi and Attilio Viola;
- on 1 January 2005 the new chart of the Bank was put into force;
- in the first days of April 2005 a branch in Monza will be opened.

## OWN SHARES AND CONTROLLING COMPANY SHARES

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

controlling company Finanziaria Bansel.

## EQUITY INVESTMENTS AND RELATIONSHIPS WITH GROUP COMPANIES

The architecture of Gruppo Banca Sella as at 31 December 2004, together with the identification of the main participation relationships, is shown in the chart at the beginning of this Annual Report.

At year end, the value of equity investments of the Bank amounted to € 310 million (increased by € 6,8 million with respect to 2003), of which € 276,8 million in companies belonging to the Group.

The most significant movements in the Bank's equity investment portfolio up to 31 December 2004 were the following:

- sale to third parties of the whole of the participation in ANIMA SGR;
- sale to third parties of the whole of the participation in Banca Cesare Ponti;
- purchase from third parties of 803.535 ordinary shares of Bancapulia, amounting to 4,73% of the capital of the same bank;
- purchase from third parties of 60.000 shares of Borsa Italiana, so that the participation in the company increased from 5,79% to 6,16%;
- purchase of 3.000.000 shares of C.B.A. Vita from Sella Capital Markets SIM in liquidation, so that the participation in the company increased from 44,27% to 48,27%;
- underwriting of the increase of capital from €100.000 to € 900.000 of Easy Nolo by exertion of pre-emption rights on unoptioned shares; this operation together with the purchase of a further 1.000 shares from third parties, led to an increase of the participation in the company from 79,00% to 84,44%;
- purchase from third parties of 140.000 shares of Gestnord Fondi SGR, so that the participation in the company increased from 80,05% to 81,05%;
- exertion of pre-emption rights on the shares on sale of Private Wealth Management SGR, so that the participation in the company increased from 13,63% to 14,74%;
- sale of the whole of the participation in Seldata –

Sellonet so that it might be taken over by Immobiliare Lanificio Maurizio Sella;

- purchase of 456.506 shares of S.I.A. – Società Interbancaria per l'Automazione, amounting to 1,31% of the capital of the same company.

For a more detailed description of all changes in the equity investments of the Bank, please refer to the Explanatory Notes to the Financial Statements, Part B, Section 3 "Equity Investments".

### Relationships with Group companies

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

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

- payment to the Parent company of a total amount of € 5,8 million for the following services:
  - strategy and management advisory services;
  - legal services;
  - auditing control, control on brokerage companies and credit quality control;
  - management services of legal disputes concerning impaired loans;
  - staff administration (wages and advisory services);
  - budgetary control services;
- recovery of charges, mainly related to staff attached to Finanziaria Bonsel amounted to a total of € 2,4 million.

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

- fees receivable by the Bank for a total amount of € 21,8 million to supply the following services:
  - marketing of financial instruments (mutual funds, sicavs, policies, etc.) at its branches and related activities, mainly on behalf of Gestnord Fondi (€ 15,1 million), Sella Capital Management (€ 1,8

million), Fiduciaria Sella (€ 0,6 million), CBA Vita (€ 2,6 million) and Sella Life (€ 0,4 million);

- payments and collections mainly on behalf of Consel (€ 0,4 million) and Biella Leasing (€ 0,2 million);
- fees payable by the Bank for a total amount of € 11,8 million mainly for the supply of the following services:
  - management, brokerage, advisorship and dealing of securities, mainly carried out by Fiduciaria Sella (€ 0,5 million) and Gestnord Intermediazione (€ 0,3 million);
  - securities products and services placement/offer mainly carried out by Sella Consult (€ 8,8 million);
  - payments and collections (acquiring and issuing) mainly carried out by Banca Bovio Calderari (€ 0,7 million), Banca Ardit Galati (€ 0,5 million) and Banca di Palermo (€ 0,4 million);
  - dealing profits and losses (€ 1 million) for transactions on financial derivatives, which were carried out by Group companies for hedging purposes, mainly by Biella Leasing (€ 0,8 million), Consel (€ 0,5 million), Banca Bovio Calderari (€ -0,1 million) and Banca di Palermo (€ -0,2 million).
  - other operating income for € 7,6 million, collected by the Bank for fees and outsourced software services, recovery of charges for staff attached to other companies and rents receivable, mainly on behalf of Banca Ardit Galati (€ 1,4 million), Banca Bovio Calderari (€ 1,2 million), Banca di Palermo (€ 0,8 million), Sella Consult (€ 0,8 million), Easy Nolo (€ 0,6 million), Gestnord Intermediazione (€ 0,6 million), Sella Bank Luxembourg (€ 0,4 million), Sella Corporate Finance (€ 0,4 million), Fiduciaria Sella (€ 0,3 million), Gestnord Fondi (€ 0,3 million), Selfid (€ 0,3 million) and Biella Leasing (€ 0,2 million).

The Bank also bore other administrative expenses for a total amount of € 5,3 million, mainly due for fees relevant to services supplied by Easy Nolo and related maintenance charges (€ 3,1 million) and for rents paid to Immobiliare Lanificio Maurizio Sella (€ 0,9 million).

The Bank, moreover, cashed interest receivable for a total of € 13,2 million mainly relevant to the funding of Biella Leasing (€ 6 million), Consel (€ 4,2 million), Sella Holding N.V. (€ 0,6 million), Sella South Holding (€ 0,5 million) and Insel (€ 0,5 million) or for securities issued, mainly concerning Banca Bovio Calderari (€ 0,6 million).

The Bank paid interest payable on due to banks and companies of the Group and on securities loaned for a total of € 11,8 million and it mainly concerned Sella

Bank Luxembourg (€ 4 million), Sella Investimenti Banca (€ 3,3 million), Banca Arditì Galati (€ 2,2 million), Banca di Palermo (€ 0,8 million), Banca Bovio Calderari (€ 0,6 million) and CBA Vita (€ 0,4 million).

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

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

## PROPOSAL FOR THE ALLOCATION OF THE PROFIT FOR THE YEAR

Shareholders,  
the Balance Sheet and Income Statement as at 31 December 2004, drawn in euro units according to the regulations in force, following the usual prudence prin-

ciples, after all necessary depreciations and provisions, highlight a profit for the year of € 26.864.214,38 that we propose to allocate as follows:

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Net profit for the year	euro	26.864.214,38
- to "Legal Reserve", according to Articles of Association	euro	3.223.705,73
- to "Statutory Reserve"	euro	10.745.685,75
residual	euro	12.894.822,90
to Shareholders:		
- dividend of 2,50 eurocent to each one of the 160.000.000 shares	euro	4.000.000,00
to the "Fund for charity and various disbursements"	euro	140.000,00
and the residual to "Extraordinary Reserve"	euro	8.754.822,90

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If our proposals are approved, dividend shall be paid at the Bank's branches starting from the day after Assembly.

Shareholders,  
we thank you for the trust you have granted us.

Biella, 30 March 2005

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





**BOARD OF STATUTORY AUDITORS' REPORT**  
on the financial statements as at 31 December 2004



# BOARD OF STATUTORY AUDITORS' REPORT

on the financial statements as at 31 December 2004

Shareholders,

during the year, the Board of Statutory Auditors performed its activity of supervision and control on the trend of the Bank's business, also according to art. 2409 ter of the Civil Code, in particular as regards matters related to the correct enforcement of the various rules regulating the complex issues of company law and of correctness in accountancy and in representing operations into book entries.

The annual report and financial statements for 2004, which was submitted to us at the end of the Meeting of the Board of Directors of 30 March 2005, therefore within the terms of law, have been prepared in compliance with the dispositions of Law by Decree No. 87 of 27 January 1992 and with the provision issued by Banca d'Italia No. 100 of 15 July 1992 and following supplements. The financial year closed with a net profit of € 26.864.214.

\* \* \*

We examined the annual report and financial statements and found them drawn up with clearness; they give a truthful and correct representation of the financial position of the Bank and of the economic results for 2004, in compliance with the civil law rules which acknowledge the IV EEC Directive No. 86/635 and with Law by Decree No.6 of 2003 on financial statements.

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

In the Annual Report, the Board of Directors illustrates the Bank's management during the financial year and the outlook for the future, taking into account all known facts and those that may be rationally assumed, as well as all other information according to the law (art. 2428 of the Civil Code).

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

During the financial year closed on 31 December 2004, we have carried out our supervisory activity as provided for by law, taking into account, among others, the principles ruling the behaviour of the Board of Statutory Auditors as recommended by the National Boards of Professional Accountants and of Certified Accountants. In particular:

- we attended the meetings of the Board of Directors which took place in 2004. We also met to perform our verifications and received from the Directors, usually on a monthly basis, information on the Bank's activity and on the major economic, financial and balance sheet operations, making sure that all activities deliberated and carried out were compliant to the law and to the articles of association and were not openly imprudent, hazardous, in potential conflict of interest or contradicting the resolutions of the Shareholders' Meeting;
- as already mentioned, we controlled that infragroup exchanges be adequately supported by the relevant contracts, drawn up respecting the parties to the case and that the compensations agreed upon be adequate to the tasks carried out by the parties;
- we became acquainted with and supervised, for the part of our competence, on the adequacy of the organizational structure of the Bank and on the respect of the principles for a correct administration, by way of direct observation and gathering information from the persons in charge of functions and from meet-



ings with the auditing company and the internal auditing department, in order to achieve a reciprocal exchange of data and of important information;

- we evaluated and supervised the adequacy of the internal controls system and of the administration-accountancy system, as well as the reliability of the latter in correctly representing operations, by way of asking for information and examining the Bank's documents;
- we verified the compliance to the laws in force related to the drawing up and layout of the annual report and financial statements by way of direct verifications;
- we acknowledge that the auditing company, as well as related companies, as far as we know, has not had any engagement for continuative collaboration by the Bank, besides their auditing activity;
- we take note of the report on the interventions adopted at a Group level, with reference to the comments made by Banca d'Italia auditors, to the three-year strategic plan and to the letter of 21 October 2004 sent by the parent company to Banca d'Italia on the organizational and financial situation of the Group and following letter of update on the matter;
- we inform that during the year no complaints pursuant art. 2408 of the Civil Code were received;
- according to the general principles and accounting principles adopted, which are partly different from the previously adopted ones, as specified by the Board of Directors in the Explanatory Notes to the Financial Statements, we acknowledge the compliance to rules as provided for by the Civil Code, integrated by the accounting principles drawn up by the National Board of Professional Accountants and by the International Accounting Standards Committee (IASC);
- we take note that the so-called "general clause" of

truth and clearness is complied with, understood in its juridical meaning, by which we mean adequacy of figures and estimated figures to rules, to principles and to the necessary additional information, as well as to the principles of prudence, of forecasted outlook on operations and of competence;

- it is our opinion that the structure and contents of the Balance Sheet, Income Statement and Explanatory Notes to the Financial Statements are adequate, according to the dispositions of Law by Decree No. 87 of 27 January 1992 and to the instructions given by the Governor of Banca d'Italia by the provisions of 16 January 1995;
- we take note that the capital for supervisory purposes was calculated according to the dispositions issued by Banca d'Italia;
- we gave our approval to enter deferred charges at assets in the Balance Sheet, substantially agreeing with the reasons and amortization schedules illustrated by the Directors in the Explanatory Notes.

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

\* \* \*

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

We therefore express our opinion in favour of approving the annual report and financial statements as at 31 December 2004 according to the text presented to your attention, as well as in favour of approving the Board of Directors' proposal for the allocation of profit.

Biella, 8 April 2005

The Statutory Auditors  
(Alberto RIZZO) (Vittorio BERNERO) (Alessandro RAYNERI)





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



## BALANCE SHEET

<b>ASSETS</b> <i>(in euro units)</i>	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>% variation</b>
10. Cash and deposits with central banks and post offices	80.066.659	71.170.237	12,50%
20. Treasury bills and other bills eligible for refinancing with central banks	171.732.483	314.144.570	-45,33%
30. Due from banks:	1.244.324.736	1.126.096.862	10,50%
a) at sight	96.841.237	91.584.456	5,74%
b) other deposits	1.147.483.499	1.034.512.406	10,92%
40. Due from customers	3.957.261.452	3.457.262.749	14,46%
of which:			
- third parties' funds in administration	17.677.023	17.356.572	1,85%
50. Bonds and other debt securities:	739.283.784	628.400.556	17,65%
a) issued by public bodies	545.067.363	464.821.873	17,26%
b) issued by banks	126.342.655	126.444.068	-0,08%
of which:			
- own securities	9.861.947	32.820.894	-69,95%
c) issued by financial institutions	61.400.895	27.575.678	122,66%
d) issued by other issuers	6.472.871	9.558.937	-32,28%
60. Equity shares, quotas and other share capital securities	1.867.016	9.135.732	-79,56%
70. Equity investments	33.248.626	27.769.462	19,73%
80. Investments in subsidiaries	276.754.860	275.413.333	0,49%
90. Intangible fixed assets	18.644.572	22.662.116	-17,73%
of which:			
- start-up costs	-	-	-
- goodwill	3.128.171	3.775.496	-17,15%
100. Tangible fixed assets	54.928.459	57.327.233	-4,18%
130. Other assets	277.997.861	268.995.224	3,35%
140. Accrued income and prepayments:	35.090.913	31.141.525	12,68%
a) accrued income	30.010.029	27.836.344	7,81%
b) prepayments	5.080.884	3.305.181	53,72%
of which:			
- discounts on bond issues	303.896	42.301	618,41%
<b>Total assets</b>	<b>6.891.201.421</b>	<b>6.289.519.599</b>	<b>9,57%</b>

<b>LIABILITIES</b> <i>(in euro units)</i>	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>% variation</b>
10. Due to banks:	919.639.627	860.243.593	6,90%
a) at sight	324.413.276	296.836.564	9,29%
b) time deposits or with notice period	595.226.351	563.407.029	5,65%
20. Due to customers:	4.200.669.763	3.681.458.864	14,10%
a) at sight	3.466.022.213	3.101.903.871	11,74%
b) time deposits or with notice period	734.647.550	579.554.993	26,76%
30. Securities issued:	836.895.312	808.229.368	3,55%
a) bonds	800.594.855	766.385.466	4,46%
b) certificates of deposit	3.252.170	3.704.109	-12,20%
c) other	33.048.287	38.139.793	-13,35%
40. Third parties' funds in administration	17.680.096	17.356.572	1,86%
50. Other liabilities	227.872.955	298.113.212	-23,56%
60. Accruals and deferred income:	16.529.475	16.752.921	-1,33%
a) accruals	12.286.656	12.443.575	-1,26%
b) deferred income	4.242.819	4.309.346	-1,54%
70. Staff severance provision	26.747.256	24.643.009	8,54%
80. Provisions for risks and charges:	36.414.197	36.906.240	-1,33%
a) pensions and similar commitments	-	-	-
b) taxation	23.097.979	25.766.621	-10,36%
c) other	13.316.218	11.139.619	19,54%
90. Reserve for possible loan losses	8.975.592	9.256.058	-3,03%
100. Reserve for general banking risks	54.744.431	54.744.431	0,00%
110. Subordinated liabilities	223.425.000	183.811.828	21,55%
120. Subscribed capital	80.000.000	80.000.000	0,00%
130. Share premium account	49.413.513	49.413.513	0,00%
140. Reserves:	156.435.366	132.905.371	17,70%
a) legal reserve	22.218.969	19.004.170	16,92%
b) reserve for own shares	-	-	-
c) statutory reserves	74.063.231	63.347.233	16,92%
d) other reserves	60.153.166	50.553.968	18,99%
150. Revaluation reserves	8.894.624	8.894.624	0,00%
170. Profit for the year	26.864.214	26.789.995	0,28%
<b>Total liabilities</b>	<b>6.891.201.421</b>	<b>6.289.519.599</b>	<b>9,57%</b>

<b>GUARANTEES AND COMMITMENTS</b> <i>(in euro units)</i>	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>% variation</b>
10. Guarantees given	308.895.678	348.969.078	-11,48%
of which:			
- acceptances	3.187.589	1.762.340	80,87%
- other guarantees	305.708.089	347.206.738	-11,95%
20. Commitments	330.551.872	342.821.973	-3,58%
of which:			
- for sales with repurchase engagement	-	-	-

## INCOME STATEMENT

<i>(in euro units)</i>	<b>2004</b>	<b>2003</b>	<b>% variation</b>
10. Interest receivable and similar income	213.720.142	215.876.061	-1,00%
of which:			
- from due from customers	162.806.401	156.513.744	4,02%
- from debt securities	24.336.691	26.060.160	-6,61%
20. Interest payable and similar charges	(86.774.746)	(96.362.789)	-9,95%
of which:			
- on due to customers	(40.486.104)	(48.111.213)	-15,85%
- on securities issued	(17.037.566)	(20.418.325)	-16,56%
30. Dividends and other income:	4.494.996	11.703.138	-61,59%
a) from equity shares, quotas and other share capital securities	2.189.916	2.893.213	-24,31%
b) from equity investments	1.268.513	1.782.419	-28,83%
c) from equity investments in subsidiaries	1.036.567	7.027.506	-85,25%
40. Fees and commissions receivable	176.057.213	162.713.699	8,20%
50. Fees and commissions payable	(60.482.865)	(52.078.130)	16,14%
60. Dealing profits (losses)	17.971.624	19.767.617	-9,09%
70. Other operating income	38.601.129	35.080.356	10,04%
80. Administrative expenses:	(192.795.593)	(180.765.964)	6,65%
a) staff expenses	(106.808.158)	(99.473.845)	7,37%
of which:			
- wages and salaries	(79.088.830)	(73.704.403)	7,31%
- social security charges	(20.844.913)	(19.263.438)	8,21%
- staff severance	(3.980.093)	(3.899.230)	2,07%
- pensions and similar commitments	(2.611.339)	(2.425.433)	7,66%
b) other	(85.987.435)	(81.292.119)	5,78%
90. Write-downs to tangible and intangible fixed assets	(18.852.865)	(23.264.950)	-18,96%
100. Provisions for risks and charges	(4.575.114)	(2.360.438)	93,82%
110. Other operating expenses	(2.801.137)	(2.786.762)	0,52%
120. Write-downs to loans and provisions for guarantees and commitments	(40.620.346)	(29.920.499)	35,76%
130. Write-ups to loans and provisions for guarantees and commitments	5.001.305	5.934.347	-15,72%
140. Provisions to the reserves for possible loan losses	(1.666.925)	(1.542.941)	8,04%
150. Write-downs to financial fixed assets	(2.566.660)	(14.194.200)	-81,92%
160. Write-ups to financial fixed assets	647.000	-	100,00%
170. Profit on ordinary activities	45.357.158	47.798.545	-5,11%
180. Extraordinary income	6.033.122	5.175.396	16,57%
190. Extraordinary expenses	(3.894.420)	(5.126.251)	-24,03%
200. Extraordinary profit (loss)	2.138.702	49.145	4.251,82%
210. Variation of general banking risks reserve	-	-	-
220. Income taxes for the year	(20.631.646)	(21.057.695)	-2,02%
<b>230. Profit for the year</b>	<b>26.864.214</b>	<b>26.789.995</b>	<b>0,28%</b>

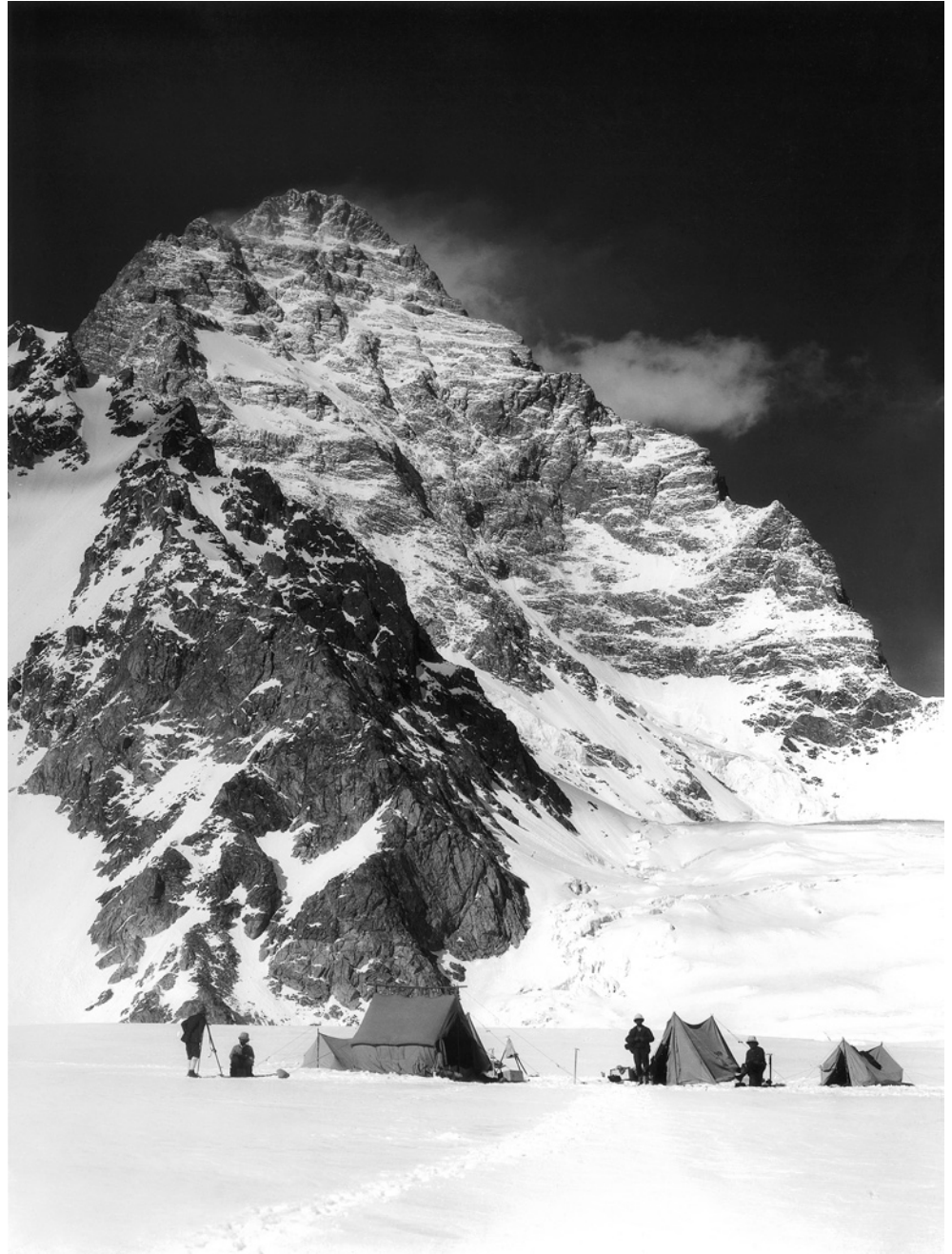


Photo Vittorio Sella, 1909

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Camp V and K2 from the Savoia Glacier







## **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**







**PART A - ACCOUNTING POLICIES**



## FORM AND CONTENTS OF THE FINANCIAL STATEMENTS

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

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

In accordance with specific laws in force it also contains

the table of revaluations (art. 10 Law No.72 of 19/3/1983).

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

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

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

## SECTION 1 - ACCOUNTING POLICIES

The rules adopted to prepare the financial statements are in accordance with Law by Decree No.87 of 27/01/1992, Law by Decree No.213 of 24/06/1998 and to the instructions issued by Banca d'Italia (Provision of 30/07/1992 and following modifications and supplements), and are consistent with those used in the previous financial year.

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

Banca Sella S.p.A. is a company resulting from the concentration, entered into effect on 1/12/1991, as per Law No.218 of 30/07/1990 (Amato Law) and subsequent legislative decrees, of the pre-existing banking companies Banca Sella Società per Azioni and Banca Piemontese S.p.A.

Such transactions show a higher value of the conferred assets the residual value of which, as at 31/12/2004 (relevant to properties and equity investments) of € 34,9 million, is regulated for fiscal purposes by the provisions as by art.7 Law No. 218/90.

In addition, following a subsequent transfer of properties and equity investments from the Bank to other

companies of the Group, a higher value of equity investments received in exchange for the conferred assets equal to € 10,6 million arises, which is regulated, for fiscal purposes, by the provisions as by art.7 Law No. 218/90.

### 1. LOANS, GUARANTEES AND COMMITMENTS

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

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

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

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

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

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

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

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

### **Investment securities**

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

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

### **Dealing securities**

Securities not held as investment securities are valued as follows:

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

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

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

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

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

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

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

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

As far as quoted securities are concerned, on 25 November 2004 the Board of Directors deliberated on the change of evaluation method of dealing securities, passing from a lower between book value and market value basis to a market value only basis; the use of the price at end of period for the evaluation of positions (formerly the average of prices for the last month of the period was used) was also deliberated. According to such a change, the following differences with the method previously used took place:

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

### **Derivative contracts**

Derivative contracts are valued individually using the method pertaining to their relevant type (hedging

contracts and non-hedging derivative contracts).

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

#### Hedging derivative contracts

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

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

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

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

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

They are stated in the Financial Statements as follows:

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

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

#### Non-hedging derivative contracts.

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

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

They are entered in the financial statements as follows:

- *Balance Sheet*: the values relevant to the valuation of non-hedging contracts are entered at items "Other assets" or "Other liabilities";
- *Income Statement*: the economic effects of non-hedging derivative contracts are entered at item "Dealing profit/losses".

### **3. EQUITY INVESTMENTS**

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

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

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

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

Assets, liabilities and off-balance sheet items in cur-

rencies other than EMU ones are converted into euro using the Banca d'Italia spot exchange rate applied on the last working day of the year.

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

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

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

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

## 5. TANGIBLE FIXED ASSETS

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

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

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

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

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

In previous years, further write-downs were made to

those fixed assets which suffered a lasting loss of value following exceptional natural events.

## 6. INTANGIBLE FIXED ASSETS

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

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

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

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

## 7. OTHER ITEMS

### Loans

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

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

The original value of loans is determined as follows:

- bills discounted and advances on bills subject to collection are entered at nominal value; interests to be accrued are entered in "Deferred income";
- current accounts: balances include interests and expenses related to the annual closing of accounts (even

if due in the following year) as well as pending transactions at period end if relevant to the accounts in object;

- mortgage loans, deposits, financings and other grants are entered for their residual value of principal, besides any interest on arrears accrued and not paid.

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

### **Securities**

"Treasury bills and other bills eligible for refinancing with central banks", "Bonds and other debt securities" and "Shares, equity investments and other capital securities" are stated with reference to their settlement date. As regards debt securities, settlement date is conventionally represented by the date of the calculation of interest and as regards capital securities by the contract settlement date.

### **Payables**

Payables are stated at their nominal value.

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

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

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

### **Prepayments and accrued income**

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

### **Staff severance**

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

### **Provisions for risks and charges**

#### Provision for taxes and fees

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

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

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

The Bank is compliant with the measure of Banca d'Italia of 3/08/1999, stating that all subjects issuing a banking-financial statement of accounts, besides "current" taxation, must also calculate deferred taxation, both on assets and on liabilities. The calculation of deferred taxation follows the need of taking into account the differences between tax rules regulating the calculation of income and civil law rules, and therefore the differences between fiscal value and book value which may add up to the calculation of income. Such differences may be lasting (i.e. producing irreversible charges and benefits) or temporary (destined to be reabsorbed): the latter generate deferred taxation. In particular, temporary taxable differences are those leading to an increase of future taxable income against a reduction of the current taxable income (for example, owing to deferred capital gains resulting from the transfer of tangible and intangible fixed assets); temporary deductible differences are those leading to a reduction of future tax-



able income against an increase of the current taxable income (for example, as a consequence of the deferral in ninth of deductibility of loan write-downs in excess of the 0,6% of the same or as a consequence of the deferral to the year of payment of the deductible remunerations to be paid to directors). Temporary taxable differences generate liabilities for deferred taxation entered into the provision for taxes, while temporary deductible differences are stated at item 130 "Other assets" of Balance Sheet assets.

Please note: assets for taxes paid in advance are stated in the Balance Sheet if their reimbursement is deemed to be very likely, and it is verified in relation to the availability of future foreseen taxable income; such evaluation is made both on the basis of the analysis of the Bank's strategic plans for the next financial years and on the trend of past taxable income realized by Banca Sella SpA. Deferred taxation is stated in the Balance Sheet, except if it is deemed not likely to be born in the future. The offsetting between liabilities for deferred taxation and assets for taxes paid in advance is done when these refer to the same tax and fall due in the same period. Deferred taxation related to assets and liabilities in suspension of taxation was not entered in the financial statements, as it is not likely that in the near future these could be used so as to determine their taxation.

#### Other provisions

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

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

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

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

The reserve, created in accordance with art. 11 Law by Decree No.87 of 27/01/1992, is set aside against the general business risks of the Bank's activity.

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

These items show the subscribed capital, fully paid in, the share premium account paid in on contribution in 1991, in accordance with Law No. 218 of 30/07/1990, and the reserves created during the years following the dispositions of the shareholders' meetings and in accordance with the law.

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

#### **Guarantees and commitments**

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

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

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

- deposit and loan contracts: on the basis of the amount to be granted and/or to be received;
- irrevocable lines of credit: on the basis of the residual available amount;
- securities and currencies purchase contracts: on the basis of "ex coupon" settlement price;
- derivative contracts on securities, currencies and other instruments involving the exchange of capital: on the basis of settlement price, with the exception of those contracts dealt with on markets which provide for the exchange of daily margins (futures, options) which are stated at nominal value;

- derivative contracts not involving the exchange of capital (contracts on interest rates and on indexes): on the basis of the relevant notional capital;
- other commitments and risks: on the basis of the contract value of the commitment undertaken by the Bank.

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

The premium represents the value of the option contract.

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

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

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

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

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

#### **Dividends**

Dividends in favour of the Bank are stated in the financial year in which they are deliberated by the relevant shareholders' assemblies and which usually coincides with that of collection.

#### **Equity investment**

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



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

(all figures are shown in euro thousand)



## SECTION 1 LOANS

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

	2004	2003
a) Due from central banks	218.302	409.976
b) Bills eligible for refinancing with central banks	-	-
c) Repurchase agreements	578.282	312.537
d) Securities loaned	-	-

The amount of the compulsory reserve (R.O.B.) with Banca d'Italia, as shown in the table, reflects the Bank's year-end position and amounts to € 210,1 million. For completeness, please note that the average amount related to the "maintenance period" (from 8/12/2004 to 18/01/2005) of the above mentioned reserve amounted to € 64,5 million.

### 1.2 Situation of cash loans to banks

	Gross value	Total write-downs	Net value
<b>A. Doubtful loans</b>	<b>46</b>	-	<b>46</b>
A.1 Non-performing loans	-	-	-
A.2 Watchlist loans	-	-	-
A.3 Loans being restructured	-	-	-
A.4 Restructured loans	-	-	-
A.5 Non guaranteed loans exposed to country risk	46	-	46
<b>B. Performing loans</b>	<b>1.244.279</b>	-	<b>1.244.279</b>
<b>Total</b>	<b>1.244.325</b>	-	<b>1.244.325</b>

### 1.3 Movements in doubtful loans to banks

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

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

	2004	2003
a) Bills eligible for refinancing with central banks	18.070	16.670
b) Repurchase agreements	-	-
c) Securities loaned	7.789	858

## 1.6 Secured loans to customers

	2004	2003
<b>a) Mortgages</b>	<b>1.082.685</b>	<b>786.967</b>
<b>b) Pledged assets:</b>		
1. Cash deposits	17.474	22.785
2. Securities	57.540	67.066
3. Other instruments	28.656	25.796
	<b>103.670</b>	<b>115.647</b>
<b>c) Guarantees given by:</b>		
1. Governments	-	-
2. Other public bodies	374	438
3. Banks	16.935	15.131
4. Other operators	672.266	653.694
	<b>689.575</b>	<b>669.263</b>
<b>Total</b>	<b>1.875.930</b>	<b>1.571.877</b>

## 1.7 Situation of cash loans to customers

	Gross value	Total write-downs	Net value
<b>A. Doubtful loans</b>	<b>195.338</b>	<b>86.212</b>	<b>109.126</b>
A.1 Non-performing loans	104.267	68.714	35.553
A.2 Watchlist loans	83.512	16.168	67.344
A.3 Loans being restructured	-	-	-
A.4 Restructured loans	4.289	1.330	2.959
A.5 Non guaranteed loans exposed to country risk	3.270	-	3.270
<b>B. Performing loans</b>	<b>3.848.135</b>	<b>-</b>	<b>3.848.135</b>
<b>Total</b>	<b>4.043.473</b>	<b>86.212</b>	<b>3.957.261</b>

Non-performing loans to insolvent subjects or subjects in similar situations (gross value before write-downs) reached € 104,3 million (+5,0% if compared to 2003). The possible recovery value deriving from such credits (evaluated on analytical basis) was € 35,6 million, net of estimated losses, for capital and interest for an amount of € 68,7 million. Net non-performing loans over cash loans, net of write-downs, which passed from 1,2% in 2003 to 0,9%, showed a decrease of 0,3%.

## 1.8 Movements in doubtful loans to customers

Description	Non-performing loans	Watchlist loans	Loans being restructured	Restructured loans	Non guaranteed loans exposed to country risk
<b>A. Gross value as at 1/1/2004</b>	<b>99.220</b>	<b>90.982</b>	<b>-</b>	<b>-</b>	<b>4.273</b>
A.1 of which: for default interest	15.170	-	-	-	-
<b>B. Increases</b>	<b>44.833</b>	<b>73.654</b>	<b>4.969</b>	<b>4.916</b>	<b>1.461</b>
B.1 inflows from performing loans	-	53.621	4.969	-	1.371
B.2 default interest	4.547	-	-	-	-
B.3 transfers from other categories of doubtful loans	39.240	-	-	4.916	-
B.4 other increases	1.046	20.033	-	-	90
<b>C. Decreases</b>	<b>39.786</b>	<b>81.124</b>	<b>4.969</b>	<b>627</b>	<b>2.464</b>
C.1 outflows to performing loans	-	9.330	-	-	2.171
C.2 write-offs	23.279	-	-	-	-
C.3 collections	16.456	32.554	53	627	-
C.4 disposals	50	-	-	-	-
C.5 transfers to other categories of doubtful loans	-	39.240	4.916	-	-
C.6 other decreases	1	-	-	-	293
<b>D. Gross value as at 31/12/2004</b>	<b>104.267</b>	<b>83.512</b>	<b>-</b>	<b>4.289</b>	<b>3.270</b>
D.1 of which: for default interest	15.866	-	-	-	-

## 1.9 Movements in total write-downs to customers

Description	Non-performing loans	Watchlist loans	Loans being restructured	Restructured loans	Non guaranteed loans exposed to country risk	Performing loans
<b>A. Total write-downs as at 1/1/2004</b>	<b>58.688</b>	<b>11.143</b>	-	-	-	-
A.1 of which: for default interest	8.088	-	-	-	-	-
<b>B. Increases</b>	<b>35.575</b>	<b>13.545</b>	<b>1.800</b>	<b>1.330</b>	-	-
B.1 write-downs	28.078	13.545	1.800	-	-	-
B.1.1 of which: for default interest	3.146	-	-	-	-	-
B.2 use of reserve for possible loan losses	-	-	-	-	-	-
B.3 transfers from other categories of doubtful loans	7.497	-	-	1.330	-	-
B.4 other increases	-	-	-	-	-	-
<b>C. Decreases</b>	<b>25.549</b>	<b>8.520</b>	<b>1.800</b>	-	-	-
C.1 write-ups from valuations	705	686	470	-	-	-
C.1.1 of which: for default interest	176	-	-	-	-	-
C.2 write-ups from collection	1.564	337	-	-	-	-
C.2.1 of which: for default interest	150	-	-	-	-	-
C.3 write-offs	23.280	-	-	-	-	-
C.4 transfers to other categories of doubtful loans	-	7.497	1.330	-	-	-
C.5 other decreases	-	-	-	-	-	-
<b>D. Total write-downs as at 31/12/2004</b>	<b>68.714</b>	<b>16.168</b>	-	<b>1.330</b>	-	-
D.1 of which: for default interest	9.036	-	-	-	-	-

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

	Euro-in currencies	Other currencies	Total
Cash	76.666	3.308	79.974
Postal orders	-	-	-
Other instruments with cashier	9	-	9
	<b>76.675</b>	<b>3.308</b>	<b>79.983</b>
Deposits with post offices	2	37	39
Deposits with central banks	45	-	45
	<b>47</b>	<b>37</b>	<b>84</b>
<b>Total</b>	<b>76.722</b>	<b>3.345</b>	<b>80.067</b>

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

	Euro-in currencies	Other currencies	Total
<b>At sight:</b>			
Cash balances on current accounts for services rendered	30.392	35.225	65.617
Sight deposits	14.907	1.468	16.375
Other technical forms	14.849	-	14.849
	<b>60.148</b>	<b>36.693</b>	<b>96.841</b>
<b>Other credits:</b>			
With Banca d'Italia and local central banks	215.365	2.937	218.302
Term deposits	144.500	206.400	350.900
Repurchase agreements	564.896	-	564.896
Repurchase agreements on securities loaned	13.386	-	13.386
	<b>938.147</b>	<b>209.337</b>	<b>1.147.484</b>
<b>Total</b>	<b>998.295</b>	<b>246.030</b>	<b>1.244.325</b>
of which: residents	806.753	146.853	953.606
non residents	191.542	99.177	290.719

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

	<b>Euro-in currencies</b>	<b>Other currencies</b>	<b>Total</b>
Current accounts	865.119	3.467	868.586
Advances	402.364	36.060	438.424
Other loans not settled in current account	792.765	59.596	852.361
Other loans (personal loans and mortgage loans)	1.706.059	640	1.706.699
Loans using third parties funds in administration	17.677	-	17.677
Securities loaned	7.789	-	7.789
Risk on portfolio	26.812	-	26.812
Non-performing loans	35.540	13	35.553
Other technical forms	3.353	7	3.360
<b>Total</b>	<b>3.857.478</b>	<b>99.783</b>	<b>3.957.261</b>
of which: residents	3.742.373	76.753	3.819.126
non residents	115.105	23.030	138.135

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

	<b>2004</b>	<b>2003</b>
Euro-in currencies	194.705	240.416
Other currencies	744	899
	<b>195.449</b>	<b>241.315</b>
Number of outstanding repurchase agreements	62	44

## SECTION 2 SECURITIES

### 2.1 Investment securities

	Book value	Market value
<b>1. Debt securities</b>	<b>61.709</b>	<b>65.293</b>
1.1 Government securities	59.657	63.241
quoted	59.657	63.241
unquoted	-	-
1.2 Other securities	2.052	2.052
quoted	-	-
unquoted	2.052	2.052
<b>2. Equities</b>	<b>-</b>	<b>-</b>
quoted	-	-
unquoted	-	-
<b>Total</b>	<b>61.709</b>	<b>65.293</b>

Capital gains as at 31/12/2004 on the whole amounted to € 3,6 million.

### 2.2 Changes in investment securities during the year

<b>A. Opening balance</b>	<b>61.545</b>
<b>B. Increases</b>	<b>164</b>
B.1 Purchases	-
B.2 Write-ups and revaluations	-
B.3 Transfers from dealing securities portfolio	-
B.4 Other changes	164
<b>C. Decreases</b>	<b>-</b>
C.1 Sales	-
C.2 Redemptions	-
C.3 Write-downs	-
C.4 Transfers to dealing securities portfolio	-
C.5 Other changes	-
<b>D. Closing balance</b>	<b>61.709</b>

The Bank's investment securities portfolio as at 31/12/2004 amounted to € 61,7 million and is almost exclusively made up of Long-term Treasury Bills (€ 59,7 million). These are held as a lasting and stable investment. The remaining part of the aggregate, amounting to € 2 million, regards a junior bond issued by Secursel s.r.l. within a securitization operation of landed property loans carried out by Banca Sella at the end of year 2000, which ended in 2001 with bonds issued by the above mentioned "special purpose vehicle company". The maximum size of investments fixed by resolution of the Board of Directors is complied with.

No sales or transfers were made from the investment securities portfolio to the dealing securities portfolio or viceversa. The increase (€ 164.000 with respect to 31/12/2003) was due to discounts on bonds issue and on dealing transactions accrued during the financial year.

The comparison between book value and market value (calculated on the basis of the arithmetic mean of the prices of the second half of 2004) highlights capital gains for € 3,6 million.

The comparison between book value and market value on maturity shows positive differences for € 632.000.



## 2.3 Dealing securities

	Book value	Market value
<b>1. Debt securities</b>	<b>849.308</b>	<b>849.406</b>
1.1 Government securities	634.880	634.880
quoted	634.880	634.880
unquoted	-	-
1.2 Other securities	214.428	214.526
quoted	190.914	190.914
unquoted	23.514	23.612
<b>2. Equities</b>	<b>1.867</b>	<b>1.867</b>
quoted	1.867	1.867
unquoted	-	-
<b>Total</b>	<b>851.175</b>	<b>851.273</b>

Capital gains as at 31/12/2004 on the whole amounted to € 98.783.

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

	Previous accounting principle (lesser between book value and market value)	Current accounting principle (market value)	Impact 2004
Capital gains and write-ups	0,29	1,03	0,74
Capital losses	-1,27	-1,45	-0,18
<b>Total</b>	<b>-0,98</b>	<b>-0,42</b>	<b>0,56</b>

The global positive impact of € 0,6 million includes two components: € 0,3 million relevant to previous financial years (capital gains matured in previous financial years) and € 0,3 million relevant to the current financial year. The global impact of the change in method relevant to previous financial years amounts to € 0,5 million, whereas capital gains relevant to 2004 amount to € 0,2 million. Unrecorded capital gains on unquoted securities amounted to € 0,1 million.

## 2.4 Changes in dealing securities during the year

<b>A. Opening balance</b>	<b>890.136</b>
<b>B. Increases</b>	<b>58.515.881</b>
B.1 Purchases	58.496.870
- Debt securities:	32.112.174
- government securities	29.204.983
- other securities	2.907.191
- Equities	26.384.696
B.2 Write-ups and revaluations	1.033
B.3 Transfers from investment securities portfolio	-
B.4 Other changes	17.978
<b>C. Decreases</b>	<b>58.554.842</b>
C.1 Sales and redemptions	58.552.790
- Debt securities:	32.152.548
- government securities	29.282.697
- other securities	2.869.851
- Equities	26.400.242
C.2 Write-downs	1.449
C.3 Transfers to investment securities portfolio	-
C.4 Other changes	603
<b>D. Closing balance</b>	<b>851.175</b>

Dealing securities are held for treasury or for customers' dealing purposes and are stated in Balance Sheet assets for an amount of € 851,2 million.

The slight decrease, if compared to the amount of € 890,1 million of the previous financial year, is due to the decrease of government bonds and equities, which was not entirely balanced by an increase of other debt securities. These changes were made following a strategy of gradual diversification of investments from Italian government bonds to securities of other euro-in countries and highly rated banking and corporate bonds. Nevertheless, investments were mainly made in floating rate, short-term Italian Government Bonds. Treasury Certificates represented the main investment category, always making up about 65% of dealing securities portfolio. Other debt securities mainly include unsubordinated, floating rate issues of credit institutions, while there is only a small part of securities issued by corporate issuers. Neither securities issued by emerging markets countries nor issued by corporate issuers based in those countries are held in the securities portfolio. The remarkable variation in the amount of "equities" is mainly due to the sell of two monetary sicavs entered in this item in the financial statements for 2003.

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

## SECTION 3 EQUITY INVESTMENTS

### 3.1 Significant investments

Name of company	Head office	Shareholders' equity <sup>(A)</sup>	Net profit /loss <sup>(B)</sup>	Percentage ownership	Book value
<b>A. Subsidiary companies</b>					
<b>1. B.C. FINANZIARIA SpA</b> Capital € 34.008.000 in shares of € 0,52	BIELLA	36.829	667	78,7965%	41.043
<b>2. IMMOBILIARE LANIFICIO MAURIZIO SELLA SpA</b> Capital € 10.400.000 in shares of € 5,20	BIELLA	17.538	264	99,9527%	15.070
<b>3. BIELLA LEASING SpA</b> Capital € 15.000.000 in shares of € 0,60	BIELLA	35.162	5.834	76,8409%	15.718
<b>4. BROSEL SpA</b> Capital € 300.000 in shares of € 1,50	BIELLA	1.122	352	60,5000%	499
<b>5. SELLA CAPITAL MARKETS SIM SpA</b> <i>in liquidation</i> Capital € 11.000.000 in shares of € 1,00	MILANO	9.215	137	71,6675%	6.605
<b>6. FIDUCIARIA SELLA SIMpa</b> <sup>(C)</sup> Capital € 1.040.000 in shares of € 0,52	BIELLA	4.700	750	43,0500%	551
<b>7. SELLA CONSULT SIMpa</b> Capital € 7.000.000 in shares of € 1,00	MILANO	4.847	1.302	79,0081%	6.536
<b>8. GESTNORD FONDI SGR SpA</b> Capital € 7.000.000 in shares of € 0,50	MILANO	18.885	1.135	81,0519%	19.859
<b>9. GESTNORD INTERMEDIAZIONE SIM SpA</b> <sup>(C)</sup> Capital € 13.000.000 in shares of € 1,00	TORINO	21.690	(355)	47,0255%	9.055
<b>10. SELLA CAPITAL MANAGEMENT SGR SpA</b> Capital € 5.200.000 in shares of € 0,52	MILANO	5.424	415	85,9261%	4.561
<b>11. IMMOBILIARE SELLA SpA</b> Capital € 3.380.000 in shares of € 0,52	BIELLA	3.769	(45)	99,0099%	3.324
<b>12. INSEL Srl</b> Capital € 37.700.000	BIELLA	35.927	(457)	99,9900%	37.610
<b>13. SELLA CORPORATE FINANCE SpA</b> Capital € 520.000 in shares of € 1,00	BIELLA	1.224	53	99,5000%	514
<b>14. SELSOFT DIRECT MARKETING SpA</b> Capital € 510.000 in shares of € 0,51	BIELLA	329	17	99,9000%	543
<b>15. C.B.A. VITA SpA</b> <sup>(C)</sup> Capital € 39.000.000 in shares of € 0,52	MILANO	38.951	1.334	48,2667%	29.812
<b>16. SELLA SOUTH HOLDING SpA</b> Capital € 51.000.000 in shares of € 0,51	BIELLA	52.905	848	75,0000%	38.748
<b>17. SELLA HOLDING N.V.</b> Capital € 43.196.809 in shares of € 1,00	THE NETHERLANDS	15.462	(9.310)	95,1041%	30.377
<b>18. CONSEL SpA</b> Capital € 7.650.000 in shares of € 0,51	TORINO	12.342	1.989	76,8409%	5.547
<b>19. SELLA TRUST LUX S.A.</b> <sup>(C)</sup> Capital € 100.000 in shares of € 1.000	LUXEMBOURG	452	5	1,0000%	1
<b>20. SELLA INVESTIMENTI BANCA SpA</b> Capital € 10.000.000 in shares of € 5,00	TORINO	7.772	(1.009)	99,9999%	10.000
<b>21. EASY NOLO SpA</b> Capital € 100.000 in shares of € 1,00	BIELLA	1.581	149	84,4444%	782

Name of company	Head office	Shareholders' equity <sup>(A)</sup>	Net profit /loss <sup>(B)</sup>	Percentage ownership	Book value
<b>B. Companies under significant influence</b>					
<b>1. SELCRE SpA</b>					
Capital € 100.000 in shares of € 0,50	BIELLA	38	(70)	10,0000%	10
<b>Total</b>					<b>276.765</b>

<sup>(A)</sup> Taken from the relevant drafts of the financial statements as at 31/12/2004 before profit distribution and taking into account all equity transactions performed within such date.

<sup>(B)</sup> Amount already included in "Shareholders' equity" as referred to in the relevant column.

<sup>(C)</sup> Controlled at a group level.

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

- revaluation of equity investments according to art. 7 Law 218/90;
- goodwill paid during the phase of acquisition of the control;
- losses of the subsidiaries which are not deemed to have long term effects.

During 2004, the following transactions within significant equity investments took place:

- purchase of 3.000.000 shares of C.B.A. Vita from Sella Capital Markets SIM in liquidation, so that the participation of the Bank in the company increased from 44,27% to 48,27%;
- increase in capital, from € 100.000 to € 900.000, of Easy Nolo by the assertion of pre-emption rights on unoptioned shares; such operation, along with the purchase of 1.000 shares from other shareholders, brought the increase of the participation from 79,00% to 84,44%;
- purchase from other shareholders of 140.000 shares of Gestnord Fondi SGR, so that the participation of the Bank in the company passed from 80,05% to 81,05%;
- sale of the whole participation in Seldata-Sellonet, so that it might be taken over by Immobiliare Lanificio Maurizio Sella.

During the financial year the liquidation of Mindview S.p.A. was completed.

Due to the permanent loss in value, the value of the participation in Sella Holding N.V. was written-down for an amount of € 2,3 million.

The controlled company Sella Bank Luxembourg S.A. (formerly IBL Investment Bank Luxembourg S.A.), following accountancy audit controls begun at the end of 2003 and ended in 2004, on approval of the financial statements as at 31/12/2003 made precautionary provisions for € 5,4 million in connection with the evaluated potential liabilities (the estimated precautionary provisions, on the basis of the temporary assets and liabilities and income situation as at 31/12/2003 drawn by the Board of Directors of Sella Bank Luxembourg only for consolidation purposes and before the controls made prior to the approval of the financial statements were completed, amounted to € 10,9 million).

Write-ups for an amount of € 647.000 were made with regards to the participation in Sella Capital Markets SIM in liquidation, as the reasons which led to the loss in value of the company (based on the forecasts made by the liquidator of the company on its shareholders' equity as at 31/12/2004) were in part overcome.

## Other equity investments

Name of company	Activity	Ownership %	2004	2003
Unicredit Banca Mediocredito S.p.A.	banking	2,05%	8.427	8.427
Banca Cesare Ponti S.p.A.	banking	-	-	3.623
Bancapulia (ordinary shares)	banking	4,73%	4.396	-
Private Wealth Management SGR S.p.A.	finance	14,74%	334	205
Corporate Finance Ponti S.p.A.	finance	5,00%	2	17
Mobilmat S.p.A.	finance	15,00%	570	833
Sella Sicav Lux	finance	variable	50	50
Sella Global Strategy Sicav	finance	variable	34	34
Sella Capital Management Sicav	finance	variable	36	36
Anima SGR S.p.A.	finance	-	-	134
Borsa Italiana S.p.A.	non finance	6,16%	14.143	11.503
Consorzio Pattichiari	non finance	0,54%	5	5
Consorzio Abi Energia	non finance	3,85%	1	-
E-MID S.p.A.	non finance	2,00%	121	121
Finanza World S.p.A.	non finance	15,00%	37	37
FO.R.UM. S.c.a r.l.	non finance	2,34%	5	5
Idroenergia	non finance	0,07%	1	1
Interporto dell'Area Ionico Salentina S.p.A.	non finance	3,35%	39	39
Le Ciminiere S.r.l.	non finance	3,33%	21	21
M.T.S. - Soc. per il Mercato Titoli Stato S.p.A.	non finance	5,00%	2.575	2.575
S.I.A. - Soc. interbancaria per l'automazione	non finance	1,31%	2.380	-
Pallacanestro Biella S.p.A.	non finance	4,00%	9	20
S.W.I.F.T.	non finance	0,03%	29	29
SI.TE.BA. S.p.A.	non finance	0,35%	16	8
Città Studi S.p.A.	non finance	0,04%	7	7
<b>Total</b>			<b>33.238</b>	<b>27.730</b>

During year 2004 the following transactions on other equity investments took place:

- sale of the whole stake in ANIMA SGR;
- sale of the whole stake in Banca Cesare Ponti;
- purchase from other shareholders of 803.535 ordinary shares of Bancapulia, equal to 4,73% of the ordinary capital of the same bank;
- purchase from other shareholders of 60.000 shares of Borsa Italiana, so that the participation in the company passed from 5,79% to 6,16%;
- assertion of pre-emption rights on Private Wealth Management SGR shares on sale, so that the participation of the Bank in the company increased from 13,63% to 14,74%;
- purchase of 456.506 shares of S.I.A. – Società Interbancaria per l'Automazione, equal to 1,31% of the capital of the same company.

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

- Mobilmat S.p.A. for € 263.000;
- Corporate Finance Ponti S.p.A. for € 24.260;
- Pallacanestro Biella S.p.A. for € 11.400.

## 3.2 Assets and liabilities towards Group companies (\*)

	2004	2003
<b>a) Assets</b>	<b>734.115</b>	<b>425.053</b>
1. Due from banks	11.464	30.336
2. Due from financial institutions	708.776	366.813
3. Due from other customers	3.875	2.904
4. Bonds and other debt securities of which: subordinated	10.000 -	25.000 -
<b>b) Liabilities</b>	<b>621.597</b>	<b>621.106</b>
1. Due to banks	558.630	548.960
2. Due to financial institutions	34.666	26.423
3. Due to other customers	16.119	18.207
4. Securities issued	11.115	25.983
5. Subordinated liabilities	1.067	1.533
<b>c) Guarantees and commitments</b>	<b>23.418</b>	<b>29.096</b>
1. Guarantees given	22.603	26.269
2. Commitments	815	2.827

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

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

	2004	2003
<b>a) Assets</b>	<b>4.883</b>	<b>17.623</b>
1. Due from banks	4.390	2.685
2. Due from financial institutions	2	2
3. Due from other customers	491	444
4. Bonds and other debt securities	-	14.492
<b>b) Liabilities</b>	<b>14.477</b>	<b>13.772</b>
1. Due to banks	5.285	633
2. Due to financial institutions	3.256	5.231
3. Due to other customers	5.936	2.908
4. Securities issued	-	5.000
5. Subordinated liabilities	-	-
<b>c) Guarantees and commitments</b>	<b>5.139</b>	<b>188</b>
1. Guarantees given	5.139	188
2. Commitments	-	-

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

	2004	2003
<b>a) In banks</b>	<b>12.823</b>	<b>12.050</b>
1. Quoted	-	-
2. Unquoted	12.823	12.050
<b>b) In financial institutions</b>	<b>1.027</b>	<b>1.309</b>
1. Quoted	-	-
2. Unquoted	1.027	1.309
<b>c) In others</b>	<b>19.399</b>	<b>14.410</b>
1. Quoted	-	-
2. Unquoted	19.399	14.410
<b>Total</b>	<b>33.249</b>	<b>27.769</b>

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

	2004	2003
<b>a) In banks</b>	<b>10.000</b>	<b>10.000</b>
1. Quoted	-	-
2. Unquoted	10.000	10.000
<b>b) In financial institutions</b>	<b>216.725</b>	<b>217.671</b>
1. Quoted	-	-
2. Unquoted	216.725	217.671
<b>c) In others</b>	<b>50.030</b>	<b>47.742</b>
1. Quoted	-	-
2. Unquoted	50.030	47.742
<b>Total</b>	<b>276.755</b>	<b>275.413</b>

### 3.6 Changes during the year in equity investments

#### 3.6.1 Investments in subsidiaries

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<b>A. Opening balance</b>	<b>275.413</b>
<b>B. Increases</b>	<b>4.710</b>
B.1 Purchases	4.063
B.2 Write-ups	647
B.3 Revaluations	-
B.4 Other changes	-
<b>C. Decreases</b>	<b>3.368</b>
C.1 Sales	1.100
C.2 Write-downs	2.268
of which:	
- permanent write-downs	2.268
C.3 Other changes	-
<b>D. Closing balance</b>	<b>276.755</b>
<b>E. Total revaluations</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>17.978</b>

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#### 3.6.2 Other equity investments

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<b>A. Opening balance</b>	<b>27.769</b>
<b>B. Increases</b>	<b>9.563</b>
B.1 Purchases	9.561
B.2 Write-ups	-
B.3 Revaluations	-
B.4 Other changes	2
<b>C. Decreases</b>	<b>4.083</b>
C.1 Sales	3.784
C.2 Write-downs	299
of which:	
- permanent write-downs	299
C.3 Other changes	-
<b>D. Closing balance</b>	<b>33.249</b>
<b>E. Total revaluations</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>1.496</b>

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### Relationship with Group companies: Balance Sheet - Assets

Name of company	30. Due from banks	40. Due from customers	50. Bonds and other debt securities	130. Other assets	140. Accrued income and prepayments
Banca Arditi Galati S.p.A.	5.141			264	23
Banca Bovio Calderari S.p.A.	926		10.000	228	22
Banca di Palermo S.p.A.	216			712	5
Biella Leasing S.p.A.		352.824		71	141
Brosel S.p.A.				25	
C.B.A. Vita S.p.A.				457	
Consel S.p.A.		296.243		15	123
Easy Nolo S.p.A.		397		182	
Fiduciaria Sella Sim p.A.		1		82	
Finanziaria Bansel S.p.A.		2		577	
Gestnord Fondi Sgr p.A.		1		3.839	
Gestnord Intermediazione Sim p.A.		38		85	
Immobiliare Lanificio Maurizio Sella S.p.A.		2.643		1	23
Immobiliare Sella S.p.A.		821			
Insel S.p.A.		9.174			
International Capital Holding S.A.				7	
Secursel S.r.l.				1	
Selfid S.p.A.				139	
Selir S.r.l.				5	
Sella Austria Financial Services A.G.		392			
Sella Bank A.G.	1.479			72	
Sella Bank Luxembourg S.A.	3.698			107	
Sella Capital Management Sgr p.A.		2		657	
Sella Consult Sim p.A.		165		189	
Sella Corporate Finance S.p.A.				100	
Sella Holding N.V.		35.362			
Sella Investimenti Banca S.p.A.	4			27	
Sella Life Ltd.				93	
Sella South Holding S.p.A.		14.572			
Sella Synergy India Ltd.		14		8	
Selsoft Direct Marketing S.p.A.				2	
<b>Total</b>	<b>11.464</b>	<b>712.651</b>	<b>10.000</b>	<b>7.945</b>	<b>337</b>

### Relationship with Group companies: Balance Sheet - Liabilities

Name of company	10. Due to banks	20. Due to customers	30. Securities issued: bonds	50. Other liabilities	60. Accruals and deferred income	110. Subordinated liabilities
B.C. Finanziaria S.p.A.		49				
Banca Arditi Galati S.p.A.	114.967			249	65	
Banca Bovio Calderari S.p.A.	29.626		10.933	331	41	1.067
Banca di Palermo S.p.A.	74.144		182	313	202	
Biella Leasing S.p.A.		1.928		6	8	
Brosel S.p.A.		2.331				
C.B.A. Vita S.p.A.		12.190				
Consel S.p.A.		3.586				
Easy Nolo S.p.A.				662		
Fiduciaria Sella Sim p.A.		912		34		
Finanziaria Bansel S.p.A.		128		1.174		
Gestnord Fondi Sgr p.A.		9.965		36		
Gestnord Intermediazione Sim p.A.		5.444		65	2	
Immobiliare Lanificio Maurizio Sella S.p.A.		515		24		
Insel S.p.A.				11		
Selban S.p.A.		109				
Selfid S.p.A.		109				
Selir S.r.l.				106		
Sella Bank A.G.	14.456			33	4	
Sella Bank Luxembourg S.A.	220.718			1		
Sella Capital Management Sgr p.A.		2.246				
Sella Capital Markets Sim p.A. (in liquidation)		9.201				
Sella Consult Sim p.A.				2.386		
Sella Corporate Finance S.p.A.		817		16	1	
Sella Holding N.V.		11				
Sella Investimenti Banca S.p.A.	104.719			1		
Sella Life Ltd.		951				
Sella Synergy India Ltd.				115		
Sella Trust Lux S.A.		271				
Selsoft Direct Marketing S.p.A.		22		56		
<b>Total</b>	<b>558.630</b>	<b>50.785</b>	<b>11.115</b>	<b>5.619</b>	<b>323</b>	<b>1.067</b>

### Relationship with Group companies: Guarantees and commitments

Name of company	10. Guarantees given	20. Commitments
Banca Arditi Galati S.p.A.		2
Banca Bovio Calderari S.p.A.	409	333
Banca di Palermo S.p.A.	654	58
Biella Leasing S.p.A.	3.447	
C.B.A. Vita S.p.A.	1.875	
Consel S.p.A.	147	
Gestnord Fondi Sgr p.A.	17	
Gestnord Intermediazione Sim p.A.	4.762	6
Immobiliare Lanificio Maurizio Sella S.p.A.	176	
Sella Bank A.G.	50	
Sella Bank Luxembourg S.A.	11.013	416
Sella Consult Sim p.A.	53	
<b>Total</b>	<b>22.603</b>	<b>815</b>



### Relationship with Group companies: Income Statement

Name of company	10. Interest receivable and similar income	20. Interest payable and similar charges	30. Dividends and other income	40. Fees and commissions receivable	50. Fees and commissions payable	60. Dealing profits (losses)	70. Other operating income	80. Administrative expenses
B.C. Finanziaria S.p.A.		2	412					
Banca Arditì Galati S.p.A.	32	2.201		114	528	75	1.363	17
Banca Bovio Calderari S.p.A.	627	615		25	736	(137)	1.224	230
Banca di Palermo S.p.A.	9	888		51	449	(246)	820	50
Biella Leasing S.p.A.	6.015	8	384	248		781	171	16
Brosel S.p.A.		17	20	109			3	
C.B.A. Vita S.p.A.		351		2.584			29	
Consel S.p.A.	4.226		81	402	1	538	84	10
Easy Nolo S.p.A.	19		5	31			593	3.147
Fiduciaria Sella Sim p.A.		25	23	615	476		265	12
Finanziaria Bansel S.p.A.	1	20		1	3		2.367	5.784
Gestnord Fondi Sgr p.A.		34	75	15.126			301	153
Gestnord Intermediazione Sim p.A.	215	31		87	306		573	88
Immobiliare Lanificio Maurizio Sella S.p.A.	78	6	21	2			1	916
Immobiliare Sella S.p.A.	39							
Insel S.p.A.	521							174
International Capital Holding S.A.							7	
Secursel S.r.l.				1				
Selban S.p.A.		1					2	
Selfid S.p.A.		4		10			346	
Selir S.r.l.								155
Sella Austria Financial Services A.G.	16							
Sella Bank A.G.		19		18			64	33
Sella Bank Luxembourg S.A.	228	3.995		24	5		402	1
Sella Capital Management Sgr p.A.		44		1.825			144	
Sella Capital Markets Sim p.A. (in liquidation)		159						
Sella Consult Sim p.A.	5	9		23	8.847		803	197
Sella Corporate Finance S.p.A.	1	3	16		10		387	26
Sella Fund Management Ireland Ltd				102				
Sella Holding N.V.	640							
Sella Investimenti Banca S.p.A.		3.332			3		44	
Sella Life Ltd.		35		361				
Sella South Holding S.p.A.	533							
Sella Synergy India Ltd.							1	54
Sella Trust Lux S.A.	4	4					24	
Selsoft Direct Marketing S.p.A.					352		5	
<b>Total</b>	<b>13.209</b>	<b>11.803</b>	<b>1.037</b>	<b>21.759</b>	<b>11.716</b>	<b>1.011</b>	<b>10.023</b>	<b>11.063</b>

## SECTION 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

As far as the properties owned by the Bank are concerned, in 2004 the main investments involved the purchase of the building in Ciriè, where the branch operating in this town was transferred. The overall value of the building amounts to about € 520.000, € 225.000 of which were already paid in advance in 2003.

The building of Biella, via Seminari, was renovated and these works amounted to about € 73.000; investments will continue in 2005.

The book value of property as at 31/12/2004 stood at € 46,3 million, net of write-downs for an amount of € 11,2 million.

Furniture and equipment belonging to the Bank as at 31/12/2004 amounted to € 8,6 million, net of write-downs for an amount of € 106,8 million.

Intangible fixed assets amounted to € 18,6 million, net of write-downs for an amount of € 69,7 million.

According to art. 10 Law 72 of 19/03/1983, properties which are still owned by the Bank, in the past have been revalued according to the following laws:

(i) Law 408 of 29/12/1990, for an amount of € 1,3 million;

(ii) Law 342 of 21/11/2000 for an amount of € 11 million.

Total revaluations therefore amount of € 12,3 million.

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

	Property	Furniture and equipment	Total
<b>A. Opening balance</b>	<b>47.246</b>	<b>10.081</b>	<b>57.327</b>
<b>B. Increases</b>	<b>368</b>	<b>6.046</b>	<b>6.414</b>
B.1 Purchases	368	6.046	6.414
B.2 Write-ups	-	-	-
B.3 Revaluations	-	-	-
B.4 Other changes	-	-	-
<b>C. Decreases</b>	<b>1.304</b>	<b>7.509</b>	<b>8.813</b>
C.1 Sales	-	8	8
C.2 Write-downs	1.294	7.494	8.788
a) amortizations	1.294	7.494	8.788
b) permanent write-downs	-	-	-
C.3 Other changes	10	7	17
<b>D. Closing balance</b>	<b>46.310</b>	<b>8.618</b>	<b>54.928</b>
<b>E. Total revaluations</b>	<b>12.259</b>	<b>-</b>	<b>12.259</b>
<b>F. Total write-downs</b>	<b>11.209</b>	<b>106.838</b>	<b>118.047</b>
a) amortizations	11.209	106.698	117.907
b) permanent write-downs	-	140	140

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

	Software	Expenses for rented fixed assets	Goodwill	Others	Total
<b>A. Opening balance</b>	<b>13.760</b>	-	<b>3.775</b>	<b>5.127</b>	<b>22.662</b>
<b>B. Increases</b>	<b>4.726</b>	-	-	<b>1.346</b>	<b>6.072</b>
B.1 Purchases	4.726	-	-	1.346	6.072
B.2 Write-ups	-	-	-	-	-
B.3 Revaluations	-	-	-	-	-
B.4 Other changes	-	-	-	-	-
<b>C. Decreases</b>	<b>7.154</b>	-	<b>647</b>	<b>2.288</b>	<b>10.089</b>
C.1 Sales	-	-	-	-	-
C.2 Write-downs	7.132	-	647	2.286	10.065
a) amortizations	7.132	-	647	2.286	10.065
b) permanent write-downs	-	-	-	-	-
C.3 Other changes	22	-	-	2	24
<b>D. Closing balance</b>	<b>11.332</b>	-	<b>3.128</b>	<b>4.185</b>	<b>18.645</b>
<b>E. Total revaluations</b>	-	-	-	-	-
<b>F. Total write-downs</b>	<b>50.985</b>	<b>6.132</b>	<b>3.345</b>	<b>9.197</b>	<b>69.659</b>
a) amortizations	50.985	6.132	3.345	9.197	69.659
b) permanent write-downs	-	-	-	-	-

On 28/12/2002, the Bank and the company's trade unions stipulated agreement for the use of the Solidarity Fund for the support of income, employment, reconversion and professional requalification of staff belonging to credit institutions. For the drafting of the financial statements, following the indications of Banca d'Italia (Memorandum No. 735 of 20/02/2003), the annual part of amortization, amounting to € 369.846, was stated at item 90 of the income statement ("write-downs to tangible and intangible fixed assets") reducing the amount of item 90 in balance sheet assets ("intangible fixed assets") to € 739.692.

## SECTION 5 OTHER ASSETS

### 5.1 Caption 130 "Other assets". Composing items

	2004	2003
Current account cheques drawn on third parties still to be transacted	38.182	44.962
Current account cheques drawn by customers still to be processed	21.852	19.917
Expired coupons and securities in course of dealing	4.587	7.969
Prepaid taxes	30.739	13.929
Taxes paid in advance on staff severance	940	1.105
Advance on tax deductions on interest due and other charges	526	1.633
Advance on substitute tax on mortgages	1.177	-
Advance on third party tax payments made through the tax payment collection service	24.981	12.143
Tax credit on dividends	-	1.898
Withholding taxes withheld	240	233
Assets on taxes paid in advance (Assets for deferred taxation) <sup>(*)</sup>	10.126	8.770
Assets on tax returns on a consolidated basis	99	-
Due from Tax Authority	2.737	3.095
Due from premiums paid on purchased options not yet exercised	8.703	703
Premiums on derivative contracts still to be settled at maturity	12.113	14.570
Revaluations of forex forward transactions and derivative contracts	24.400	25.254
Fees and commissions to be debited	16.354	24.607
Sundry payment orders to be debited	61.962	72.798
Amounts in transit between branches not attributed to specific accounts	91	2.065
Prepayments and due from suppliers	540	788
Stored forms	455	486
Write-downs on uncashable portfolio items	-	-
Other items	17.194	12.070
<b>Total</b>	<b>277.998</b>	<b>268.995</b>

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

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

	2004	2003
<b>Accrued income on:</b>		
Interest from due from banks	1.594	1.068
Interest from due from customers	10.607	11.123
Interest on securities in own portfolio	8.303	6.893
Differentials on derivative contracts	2.627	2.952
Fees and sundry proceeds	6.879	5.800
	<b>30.010</b>	<b>27.836</b>
<b>Prepayments on:</b>		
Discounts on bond issues	304	42
Administrative expenses (rents, insurances, etc.)	4.777	3.263
	<b>5.081</b>	<b>3.305</b>
<b>Total</b>	<b>35.091</b>	<b>31.141</b>

### 5.4 Distribution of subordinated liabilities

	2004	2003
a) Due from banks	-	-
b) Due from customers	-	-
c) Bonds and other debt securities	3.977	2.653
<b>Total</b>	<b>3.977</b>	<b>2.653</b>

## SECTION 6 PAYABLES

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

	2004	2003
a) Repurchase agreements	59.361	145.300
b) Securities borrowed	13.386	3.943

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

	2004	2003
a) Repurchase agreements	540.653	407.014
b) Securities borrowed	-	-

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

	Euro-in currencies	Other currencies	Total
<b>At sight:</b>			
Cash balances on current accounts for services rendered	165.990	8.327	174.317
Sight deposits	139.962	10.134	150.096
	<b>305.952</b>	<b>18.461</b>	<b>324.413</b>
<b>Forward or upon notice:</b>			
Term deposits	313.179	195.939	509.118
Liabilities advances not settled on current account	13.362	-	13.362
Repurchase agreements	59.361	-	59.361
Securities borrowed	13.386	-	13.386
	<b>399.288</b>	<b>195.939</b>	<b>595.227</b>
<b>Total</b>	<b>705.240</b>	<b>214.400</b>	<b>919.640</b>
of which: residents	433.597	83.910	517.507
non residents	271.643	130.490	402.133

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

	Euro-in currencies	Other currencies	Total
<b>At sight:</b>			
Saving deposits	289.703	-	289.703
Liabilities current accounts	3.018.211	158.108	3.176.319
	<b>3.307.914</b>	<b>158.108</b>	<b>3.466.022</b>
<b>Forward or upon notice:</b>			
Term deposits	1.360	-	1.360
Liabilities current accounts and other term deposits	98.325	62.154	160.479
Repurchase agreements	532.864	-	532.864
Repurchase agreements on securities borrowed	7.789	-	7.789
Caution money	29.147	3.009	32.156
	<b>669.485</b>	<b>65.163</b>	<b>734.648</b>
<b>Total</b>	<b>3.977.399</b>	<b>223.271</b>	<b>4.200.670</b>
of which: residents	3.851.184	135.162	3.986.346
non residents	126.215	88.109	214.324

### Number of outstanding current accounts with customers

	2004	2003
Saving deposits	118.473	114.680
Current accounts	292.546	290.751
	<b>411.019</b>	<b>405.431</b>
Number of outstanding repurchase agreement transactions	2.089	1.992

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

	Euro-in currencies	Other currencies	Total
<b>Bonds</b>	<b>800.595</b>	-	<b>800.595</b>
<b>Certificates of deposit:</b>			
short term	2.627	151	2.778
medium/long term	445	29	474
<b>Other instruments:</b>			
banker's drafts	31.715	40	31.755
other own cheques	1.293	-	1.293
<b>Total</b>	<b>836.675</b>	<b>220</b>	<b>836.895</b>
of which: residents	584.442	180	584.622
non residents	252.233	40	252.273

	2004	2003
Number of outstanding certificates of deposit	163	212

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

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

## SECTION 7 PROVISIONS

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

	2004	2003
- For possible risks on loans	8.976	9.256

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

<b>A. Balance as at 31/12/2003</b>		<b>9.256</b>
<b>B. Increases:</b>		<b>1.667</b>
B.1 - provisions		1.667
B.2 - other changes		-
<b>C. Decreases:</b>		<b>1.947</b>
C.1 - utilizations		464
C.2 - other changes		1.483
<b>D. Balance as at 31/12/2004</b>		<b>8.976</b>

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

	2004	2003
- To cover losses resulting from claims by receivers of bankrupt customers	2.203	2.709
- To cover severance indemnity for the Chairman	875	802
- For engagement towards the Deposit Guarantee Scheme	2.355	1.907
- To cover the risk related to fluctuation of securities portfolio	1.150	771
- To cover reimbursement of benefits deriving from law by decree 153/99	1.234	-
- To cover charges of different nature	5.499	4.951
<b>Total</b>	<b>13.316</b>	<b>11.140</b>

### Changes in caption 80/c “Provisions for risks and charges - Other provisions”

<b>Balance as at 31/12/2003</b>		<b>11.140</b>
<b>Decreases:</b>		
- Used to cover charges resulting from claims by receivers of bankrupt customers		1.059
- Used to cover interventions of the Deposit Guarantee Scheme		-
- Used to cover depreciations on securities portfolio		771
- Used to cover charges of different nature		519
- Transfer to out-of-period income		123
<b>Increases:</b>		
- Provisions charged to income statement		4.575
- Other changes (accounting of due from insurance company)		73
<b>Balance as at 31/12/2004</b>		<b>13.316</b>

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

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

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

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

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

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

On the prudence principle the Bank has however deemed to allocate to "provision for risks and charges - other" (item 80/c of the balance sheet) an amount of € 1,2 million entered at item "provisions for risks and charges" (item 100 of the income statement). Such provision includes both tax reliefs benefited in previous financial years and interest and sanctions provided for by law by decree 282/2002.

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

Balance as at 31/12/2003	24.643
<b>Decreases:</b>	
- Severance payments to staff	923
- Advances given according to the law	382
- Transfer to subsidiaries for employees transferred to the same	93
- Other changes	76
<b>Increases:</b>	
- Provision as total covering of year-accrued quotas	3.498
- Transfer from subsidiaries for employees transferred from the same	80
- Other changes	-
<b>Balance as at 31/12/2004</b>	<b>26.747</b>

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

	2004	2003
- Income taxes (IRES)	16.594	19.152
- Income taxes (IRAP)	6.148	5.969
- Indirect taxes and levies	356	646
<b>Total</b>	<b>23.098</b>	<b>25.767</b>



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

<b>Balance as at 31/12/2003</b>	<b>25.767</b>
---------------------------------	---------------

### Decreases:

- Payments made during the year	24.955
- Transfer to out-of-period income	103
- Other changes	-

### Increases:

-Provisions relevant to the financial year:	
- income taxes	22.083
- indirect taxes and levies	306
- other changes	-

<b>Balance as at 31/12/2004</b>	<b>23.098</b>
---------------------------------	---------------

On 25/06/2003 the Regional Tax Revenue Office for Piedmont issued against Banca Sella notification containing sundry tax recovery claims (concerning IRPEG and IRAP taxes) relevant to year 1999. Following such notification, the office in Biella of the Tax Revenue Office, issued, on 29/09/2004, the relevant assessment note. The Bank subsequently deposited appeal against the above mentioned assessment note at the Tax Committee of the province of Biella.

Additional taxation amounts to € 539.000. The examination of the remarks shows that the objections merely concern competence or different interpretations of the law.

It was not deemed necessary to allocate any amount to provisions for risk and charges, considering that the same remarks might be successfully discussed during suit, due to valid pleas, except for the uncertainty related to any kind of suit.

For information only, it is to be pointed out that should the Bank lose its case in the above mentioned litigation, the total charge for the Bank (additional taxation, interest and sanctions) would amount approximately to € 1,1 million.

### Deferred taxation

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

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

1. depreciation of equity investments, deductible in five financial years: € 3,1 million;
2. depreciation of loans to customers for the part exceeding the maximum annual limit of 0,5% / 0,6% of the loans, deductible in the course of seven/nine financial years: € 2,4 million;
3. remuneration paid to directors, deductible in the financial year in which they are paid: € 280.000;
4. provision for engagement with the Deposit Guarantee Scheme, deductible in the financial year in which the engagement is transformed into debt: € 811.000;
5. provision for securities portfolio fluctuations, deductible in the financial year in which the provision is used to cover losses: € 428.000;
6. provision for bankruptcy proceedings deductible in the financial year in which the engagement is transformed into debt: € 728.000;
7. provision for risks and charges used to cover charges of different nature: € 1,6 million.

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

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

1. contributions to be received for training costs in deferred taxation: € 336.000;
2. long-term expenses relevant to the facilitation of early retirement for employees: € 103.000.

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

The amount of assets for deferred taxation (€ 10,5 million) less liabilities for deferred taxation (€ 439.000) stands at € 10,1 million, as shown at caption 130 "assets for deferred taxation" of the balance sheet.

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

The IRES rate relevant to 2004 and following years (33%) takes into account the rates fixed by Law by Decree No. 344/2003.

The average IRAP rate relevant to 2004 and following years (4,25%) was estimated taking into account the added value not subject to the tax as it may be considered as generated abroad.

## 7.4 Changes during the year in “assets for deferred taxation”

	2004	2003
<b>1. Opening balance</b>	<b>8.900</b>	<b>5.379</b>
<b>2. Increases</b>	<b>4.352</b>	<b>5.245</b>
2.1 Taxes paid in advance arisen during the year	4.352	5.102
2.2 Other increases	-	143
<b>3. Decreases</b>	<b>2.687</b>	<b>1.724</b>
3.1 Taxes paid in advance annulled during the year	2.687	1.721
3.2 Other decreases	-	3
<b>4. Closing balance</b>	<b>10.565</b>	<b>8.900</b>

The main assets for taxes paid in advance relevant to year 2004 (caption 2.1 of the table) are the following:

1. loan losses deductible in ninths: € 2,1 million;
2. remuneration paid to directors: € 271.000;
3. provision for securities portfolio fluctuation: € 428.000;
4. provision for engagement with the Deposit Guarantee Scheme: € 167.000;
5. provision to cover losses resulting from claims by receivers of bankrupt customers: € 213.000;
6. staff expenses in deferred taxation: € 593.000
7. provision for risks and charges used to cover charges of different nature: € 546.000.

The main assets for taxes paid in advance annulled for year 2004 (caption 3.1) are the following:

1. depreciations of equity investments: € 1,1 million;
2. remuneration paid to directors: € 138.000;
3. depreciation of loans to customers: € 163.000;
4. provision for securities portfolio fluctuation: € 286.000;
5. provision to cover losses resulting from claims by receivers of bankrupt customers: € 491.000;
6. provision for risks and charges used to cover charges of different nature: € 523.000.

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

## 7.5 Changes during the year in “liabilities for deferred taxation”

	2004	2003
<b>1. Opening balance</b>	<b>130</b>	<b>130</b>
<b>2. Increases</b>	<b>346</b>	<b>111</b>
2.1 Deferred taxes arisen during the year	346	64
2.2 Other increases	-	47
<b>3. Decreases</b>	<b>37</b>	<b>111</b>
3.1 Deferred taxes annulled during the year	37	111
3.2 Other decreases	-	-
<b>4. Closing balance</b>	<b>439</b>	<b>130</b>

Liabilities for deferred taxation arisen for competence in year 2004 (caption 2.1) refer to contributions to be received for training costs in deferred taxation (€ 336.000) and to long-term expenses relevant to the facilitation of early retirement for employees (€ 10.000).

The only liability for deferred taxation annulled in year 2004 (caption 3.1) refers to capital gains from sale of tangible fixed assets that belonged to the Bank for more than three years and amounts to € 37.000.

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

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

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

Deferred taxation relevant to the provision existing as at 31/12/2003: € 2,6 million.

Deferred taxation relevant to use of provisions made in 2004: - € 93.000.

Variation due to changes in average fiscal rates: + € 9.000.

Total deferred taxation on provisions for possible loan losses for default interest as at 31/12/2004: € 2,5 million.

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

<sup>(1)</sup> Reserve ex art. 7 law 218/90, reserve for assets and liabilities contribution ex law 218/90, special reserve ex law by decree 124/93, revaluation reserve ex law 342/2000: these are reserves for shareholders' net capital in suspension of taxation for an amount of € 11,8 million, for which the Bank did not undertake, and it is believed it is not likely to undertake in the future, any behaviour so as to integrate the requirements for the taxation of the same.

<sup>(2)</sup> Differential between book value and tax value of two among equity investments (Insel and Immobiliare Sella), for a total amount of € 10,6 million, further to revaluations of some of the assets in suspension of taxation, according to law 218/90, made in connection with contributions of equity investments and property in favour of the same made during 1992 financial year. These are items on which deferred taxation was not calculated as the Bank did not undertake, and it is believed it is not likely to undertake in the future, any behaviour so as to integrate the requirements for the taxation of the same.

<sup>(3)</sup> Differential between book value and tax value (for a total amount of € 34,9 million) of the assets (property and equity investments) received as contribution in 1991, as per law 218/90: the revaluation operation did not at the time influence either the civil law result or the taxable income for Banca Sella. This was due to the fact that the differences between civil law value and tax value were built up on occasion of the contribution operation relevant to the conferring subjects. Therefore, such differentials should be considered "permanent differences" for the conferred subject, for which no deferred taxation should then be recorded in the books.

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

Capital, equity reserves, reserve for general banking risks and subordinated liabilities, as at 31/12/2004, amounted globally to € 572,9 million, before the attribution of profit to reserves. The dividend per share proposed for distribution of the net profit relevant to the financial year amounts to 2,50 euro cents. In case of acceptance of what proposed, equity reserves will increase by € 22,7 million.

### Caption 120 "Subscribed capital". Composing items

	2004	2003
Ordinary shares No. 160.000.000 (nominal value € 0,50)	80.000	80.000

### Caption 130 "Share premium account". Composing items

	2004	2003
Share premium account reserve	49.414	49.414

### Caption 140 "Reserves". Composing items

	2004	2003
<b>a) Legal reserve</b>	<b>22.219</b>	<b>19.004</b>
<b>b) Statutory reserve</b>	<b>74.063</b>	<b>63.347</b>
<b>c) Other reserves:</b>		
- Reserve ex art. 7 Law 30/7/1990 No. 218	2.586	2.586
- Reserve for assets and liabilities contribution ex Law 30/7/1990 No. 218	97	97
- Special reserve ex art. 23 Law by Decree 153/99	5.059	5.059
- Special reserve ex art. 13 Law by Decree 124/93	238	180
- Extraordinary reserve	52.173	42.632
<b>Total</b>	<b>156.435</b>	<b>132.905</b>

The special reserve according to Law by Decree 124/93 was increased by the setting aside of part of the profit for 2003. Such provision was made necessary to benefit from tax relief according to art. 70, par 2-bis, Decree by the President of the Republic No. 917/86, before the issue of Law by Decree No. 344/2003, stating that an amount not exceeding 3% of annual quotas of staff severance provision destined to complementary pension forms is deductible, provided that such amount be allocated to a special reserve.

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

	2004	2003
Reserve for general banking risks	54.744	54.744

### Caption 150 "Revaluation reserves". Composing items

	2004	2003
Revaluation reserve ex Law 342/2000	8.895	8.895

The total of reserves in suspension of taxation included in the above mentioned items 140 and 150 amounts to € 11,8 million, at end of the financial year. No deferred taxation relevant to any of the reserves in suspension of taxation was identified. For this purpose please also refer to section 7 - Provisions - Provisions for taxes and fees.

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

	Amount	Interest rate <sup>(*)</sup>	Maturity
<b>Subordinated loans</b>			
Bonds in EUR issued on 01/06/1999	5.000	2,45%	01/06/2005
Bonds in EUR issued on 15/05/2000	10.000	2,45%	15/05/2006
Bonds in EUR issued on 01/11/2000	10.000	2,40%	01/11/2006
Bonds in EUR issued on 03/09/2001	21.000	2,40%	03/09/2007
Bonds in EUR issued on 15/12/2002	20.000	2,20%	15/12/2008
Bonds in EUR issued on 15/10/2003	10.000	2,25%	15/10/2009
Bonds in EUR issued on 15/12/2004	50.000	2,724%	15/12/2014
<b>Hybrid capital instruments</b>			
Bonds in EUR issued on 16/09/2002	50.000	2,55%	16/03/2013
Bonds in EUR issued on 01/09/2003	24.612	2,40%	01/09/2014
Bonds in EUR issued on 15/07/2004	7.813	2,45%	15/07/2015
<b>Tier 3 subordinated liabilities</b>			
Bonds in EUR issued on 16/09/2002	15.000	2,43%	16/03/2005
<b>Total</b>	<b>223.425</b>		

(\*) As at 31/12/2004.

#### Subordinated loans

The floating rate bond loan issued on 1/06/1999 was reimbursed for four years on 1/06/2004 and will be reimbursed for the last time on 01/06/2005.

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

The floating rate bond loan issued on 01/11/2000 was reimbursed for three years on 1/11/2004 and will be reimbursed in other two years, starting from 01/11/2005.

The floating rate bond loan issued on 3/09/2001 was reimbursed for two years on 03/09/2004 and will be reimbursed in other three years starting from 3/09/2005.

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

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

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

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

In particular:

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

#### Hybrid capital instruments

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

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

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

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

- there are no early redemption clauses;
- the reimbursement at maturity is subject to authorization of Banca d'Italia;
- in case of losses involving a decrease in subscribed capital and in reserves such as to go under the minimum required capital for authorization to carry on banking activity, the amount of such liabilities and the related interest may be used to cover the losses, in order to allow the issuing entity to continue in its activity;
- in case of liquidation of the Bank the loan bearer can only be reimbursed subsequently to all other creditors who are not similarly subordinated.

#### Tier 3 subordinated liabilities

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

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

In particular:

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

### Caption 170 "Profit for the year". Composing items

	2004	2003
Profit for the year	26.864	26.790

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

	2004	2003
<b>A. Capital for supervisory purposes</b>		
A.1 Tier 1 capital	344.673	317.931
A.2 Tier 2 capital	220.867	181.849
A.3 Prescribed deductions	904	1.038
A.4 Capital for supervisory purposes	564.636	498.742
<b>B. Minimum regulatory requirements</b>		
B.1 Credit risks	302.034	274.000
B.2 Market risks	5.929	5.806
of which:		
- risks of dealing securities portfolio	5.929	5.806
- exchange rate risks	-	-
B.3 Tier 3 subordinated liabilities	5.929	5.806
B.4 Other requirements	2.052	2.052
B.5 Total requirements	310.015	281.858
<b>C. Risk-weighted assets and adequacy ratios</b>		
C.1 Risk-weighted assets <sup>(1)</sup>	4.428.787	4.026.544
C.2 Tier 1 capital / Risk-weighted assets	7,78%	7,90%
C.3 Capital for supervisory purposes / Risk-weighted assets	12,88%	12,53%

<sup>(1)</sup> Total minimum regulatory requirements multiplied by the reciprocal of the minimum compulsory rate relevant to credit risk.

## SECTION 9 OTHER LIABILITIES

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

	2004	2003
Amounts available to third parties	48.720	56.643
Transfers to be processed	34.897	71.630
Premiums collected on options not yet exercised	3.431	1.069
Premiums on derivative contracts not yet settled at maturity	7.750	2.756
Due to suppliers and fees due to third parties	16.876	19.171
Due to tax authorities on account of third parties	6.617	5.831
Provisions for staff expenses (including payments to be made to tax authorities and social security institutions)	20.464	19.224
Remunerations due to directors and statutory auditors	874	499
Contributions due to other bodies	37	39
Payments as hedging of recalled bills	87	80
Valuation of forward transactions and derivatives contracts	31.580	28.959
Amounts in transit within branches not attributed to their relevant accounts	1.426	912
Write-downs for uncashable portfolio items	45.808	78.475
Other items	9.306	12.825
<b>Total</b>	<b>227.873</b>	<b>298.113</b>

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

	2004	2003
<b>Accruals on:</b>		
Interest on amounts due to banks	752	1.117
Interest on amounts due to customers	1.480	1.141
Interest on securities issued	5.038	4.445
Interest on subordinated liabilities	1.127	1.018
Differentials on derivative contracts	3.803	4.622
Administrative expenses	87	101
	<b>12.287</b>	<b>12.444</b>
<b>Deferred income on:</b>		
Advanced interest on due from customers	338	80
Discounted notes	695	912
Fees and commissions	2.977	2.907
Other income	233	410
	<b>4.243</b>	<b>4.309</b>
<b>Total</b>	<b>16.530</b>	<b>16.753</b>

## SECTION 10 GUARANTEES AND COMMITMENTS

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

	Residents	Non residents	Total
<b>a) Commercial guarantees:</b>			
- acceptances	2.516	569	3.085
- endorsements and sureties	211.730	11.630	223.360
- documentary credits	6.944	477	7.421
	<b>221.190</b>	<b>12.676</b>	<b>233.866</b>
<b>b) Financial guarantees:</b>			
- acceptances	103	-	103
- endorsements and sureties	38.508	997	39.505
	<b>38.611</b>	<b>997</b>	<b>39.608</b>
<b>c) Assets given in guarantee:</b>			
- caution deposits for third parties	35.422	-	35.422
<b>Total</b>	<b>295.223</b>	<b>13.673</b>	<b>308.896</b>

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

	Residents	Non residents	Total
<b>a) Commitments to grant finance (certain to be called on):</b>			
- purchase of securities not yet settled	176.075	39.566	215.641
- loans to be granted to customers	88	-	88
- mortgage loans to be granted to customers	32.865	180	33.045
- deposits to be made with banks	1.448	14.294	15.742
	<b>210.476</b>	<b>54.040</b>	<b>264.516</b>
<b>b) Commitments to grant finance (not certain to be called on):</b>			
- engagement to the Deposit Guarantee Scheme	8.971	-	8.971
- available margins on irrevocable granted credit lines	-	-	-
- available margins on irrevocable credit lines granted to securitization companies	9.400	-	9.400
- other commitments and risks <sup>(*)</sup>	47.665	-	47.665
	<b>66.036</b>	<b>-</b>	<b>66.036</b>
<b>Total</b>	<b>276.512</b>	<b>54.040</b>	<b>330.552</b>

<sup>(\*)</sup> This item represents commitments in favour of third parties to place stocks.

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

	2004	2003
Securities lodged with Banca d'Italia to guarantee advances	59.816	17.093
Securities lodged to guarantee bankers' drafts	12.866	13.898
Securities lodged to guarantee repurchase agreements	402.472	398.319
Securities lodged to guarantee other transactions	48.386	27.876

### 10.4 Unused lines of credit

	2004	2003
a) Central banks	210.206	405.163
b) Other banks	-	-



## 10.5 Forward transactions

	Hedging transactions	Dealing transactions	Other transactions
<b>1. Purchases</b>	<b>194.459</b>	<b>696.170</b>	-
1.1 Securities	-	447.977	-
- purchases	-	263.306	-
- sales	-	184.671	-
1.2 Currencies	194.459	248.193	-
- currency against currency	55.956	99.535	-
- purchases against euro	82.330	74.464	-
- sales against euro	56.173	74.194	-
<b>2. Deposits and loans</b>	-	-	<b>92.302</b>
- to be granted	-	-	48.875
- to be received	-	-	43.427
<b>Derivative contracts</b>	<b>1.709.569</b>	<b>1.177.773</b>	-
3.1 With exchange of capital	618.214	106.400	-
a) Securities	-	34.100	-
- purchases	-	-	-
- sales	-	34.100	-
b) Currencies	618.214	72.300	-
- currency against currency	101.047	-	-
- purchases against euro	285.913	36.150	-
- sales against euro	231.254	36.150	-
c) Other instruments	-	-	-
- purchases	-	-	-
- sales	-	-	-
3.2 Without exchange of capital	1.091.355	1.071.373	-
a) Currencies	145.705	-	-
- currency against currency	-	-	-
- purchases against euro	80.856	-	-
- sales against euro	64.849	-	-
b) Other instruments	945.650	1.071.373	-
- purchases	379.380	512.908	-
- sales	566.270	558.465	-

<i>In sub-caption 3.2 b) are included basis swaps contracts for an amount of</i>	118.190
<i>In sub-caption 3.1 a) are included hedging contracts of dealing securities portfolio for an amount of</i>	-
<i>In sub-caption 3.2 b) are included derivative contracts included in financial instruments deriving from:</i>	
<i>bonds issued for an amount of</i>	52.457
<i>interest rate swap contracts for an amount of</i>	55.901
<i>mortgage loans for an amount of</i>	186.934

## SECTION 11 CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

### 11.1 Significant exposures

	2004	2003
a) Amount	128.722	454.113
b) Number	2	5

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

	2004	2003
a) Governments	1.039	885
b) Other public bodies	13.834	14.193
c) Non-financial institutions	1.609.479	1.602.109
d) Financial institutions	933.647	643.163
e) Family businesses	177.101	170.064
f) Other	1.222.161	1.026.849
<b>Total</b>	<b>3.957.261</b>	<b>3.457.263</b>

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

	2004	2003
a) Commerce, salvage and repairs	364.509	372.080
b) Other sale services	337.881	263.301
c) Textiles, leather and footwear, clothing	214.208	244.600
d) Construction and public works	188.662	205.524
e) Metal products excluding machines and means of transport	72.427	80.172
f) Other	592.063	584.623
<b>Total</b>	<b>1.769.750</b>	<b>1.750.300</b>

### 11.4 Distribuzione delle garanzie rilasciate per principali categorie di controparti

	2004	2003
a) Governments	-	1
b) Other public bodies	1.322	1.264
c) Banks	18.501	18.629
d) Non-financial institutions	209.370	226.204
e) Financial institutions	47.842	61.304
f) Family businesses	10.560	10.482
g) Other	21.301	31.085
<b>Total</b>	<b>308.896</b>	<b>348.969</b>

### 11.5 Geographic distribution of assets and liabilities

	Italy	Other E.U. countries	Other countries	Total
<b>1. Assets</b>	<b>5.590.568</b>	<b>403.759</b>	<b>120.142</b>	<b>6.114.469</b>
1.1 Due from banks	953.605	233.420	57.300	1.244.325
1.2 Due from customers	3.819.127	112.201	25.933	3.957.261
1.3 Securities	817.836	58.138	36.909	912.883
<b>2. Liabilities</b>	<b>5.328.780</b>	<b>589.435</b>	<b>280.095</b>	<b>6.198.310</b>
2.1 Due to banks	517.506	261.137	140.997	919.640
2.2 Due to customers	3.986.347	75.752	138.571	4.200.670
2.3 Securities issued	584.621	252.233	41	836.895
2.4 Other accounts	240.306	313	486	241.105
<b>3. Guarantees and commitments</b>	<b>571.734</b>	<b>60.313</b>	<b>7.401</b>	<b>639.448</b>

## 11.6 Maturities of assets and liabilities

	Specified maturity							Unspecif. maturity	Total
	at sight	up to 3 months	beyond 3 months up to 12 months	beyond one year up to 5 years		beyond 5 years			
				fixed rate	floating rate	fixed rate	floating rate		
<b>1. Assets</b>	<b>1.353.996</b>	<b>2.490.330</b>	<b>821.914</b>	<b>610.290</b>	<b>1.149.915</b>	<b>145.733</b>	<b>1.132.138</b>	<b>258.137</b>	<b>7.962.453</b>
1.1 Treasury bonds eligible for refinancing	176	4.723	18.484	11.103	77.310	684	59.252	-	171.732
1.2 Due from banks	110.227	868.568	47.229	-	-	-	-	218.301	1.244.325
1.3 Due from customers	1.054.445	951.167	262.803	315.001	625.047	31.819	677.143	39.836	3.957.261
1.4 Bonds and other debt securities	61	13.870	136.793	60.634	396.368	1.003	130.555	-	739.284
1.5 Off-balance sheet transactions	189.087	652.002	356.605	223.552	51.190	112.227	265.188	-	1.849.851
<b>2. Liabilities</b>	<b>3.986.589</b>	<b>2.057.124</b>	<b>585.308</b>	<b>253.728</b>	<b>664.148</b>	<b>120.986</b>	<b>362.598</b>	<b>-</b>	<b>8.030.481</b>
2.1 Due to banks	337.799	544.279	24.200	-	-	13.362	-	-	919.640
2.2 Due to customers	3.505.967	666.909	27.794	-	-	-	-	-	4.200.670
2.3 Securities issued	39.457	67.568	86.521	31.974	605.375	-	6.000	-	836.895
- bonds	6.197	66.380	85.114	31.558	605.346	-	6.000	-	800.595
- certificates of deposit	212	1.188	1.407	416	29	-	-	-	3.252
- other securities	33.048	-	-	-	-	-	-	-	33.048
2.4 Subordinated liabilities	-	15.000	29.000	-	47.000	-	132.425	-	223.425
2.5 Off-balance sheet transactions	103.366	763.368	417.793	221.754	11.773	107.624	224.173	-	1.849.851

## 11.7 Assets and liabilities in foreign currencies

	2004	2003
<b>a) Assets</b>		
1. Due from banks	246.030	188.438
2. Due from customers	99.783	125.711
3. Securities	273	1.782
4. Equity investments	-	-
5. Other accounts (cash)	3.345	2.645
	<b>349.431</b>	<b>318.576</b>
<b>Other items</b>	<b>1.589</b>	<b>1.307</b>
<b>Total</b>	<b>351.020</b>	<b>319.883</b>
<b>b) Liabilities</b>		
1. Due to banks	214.401	118.839
2. Due to customers	223.271	212.903
3. Securities issued	220	246
	<b>437.892</b>	<b>331.988</b>
<b>Other items</b>	<b>485</b>	<b>1.193</b>
<b>Total</b>	<b>438.377</b>	<b>333.181</b>

## 11.8 Loans securitization

### QUALITATIVE INFORMATION

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

- class A: € 184,4 million, Aaa rating assigned by Moody's, legal expiry date 26/04/2021, index rate: 6 months Euribor + spread 0,28 b.p. As at 31/12/2004 class A bonds amounted to € 93 million;
- class B: € 17,3 million, A2 rating assigned by Moody's, legal expiry date 26/04/2021, index rate: 6 months Euribor + spread 0,85 b.p. As at 31/12/2004 no reimbursement in the line of capital was made;
- class C: € 2,1 million, no rating, legal expiry date 26/04/2021.

Arranger of the operation was Calyon (formerly Crédit Agricole Indosuez).

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

As at 31/12/2004 the credit due to Banca Sella by the special purpose vehicle for the remuneration of bond C were € 5,1 million. Accrued income amounted to € 1,7 million.

In 2004, Banca Sella, as servicer of the securitization operation, went on collecting the credits and managing any possible recovery of credit. Banca Sella monthly reports on this activity to Calyon - Corporate and Investment Bank, which has the task of cash management and is agent for the payment of the bonds.

In 2004 the amounts collected were split as follows (figures in euro units):

- capital	15.660.056
- interest	5.537.257
- advanced redemptions	6.347.124
- other collections	120.622

As at 31/12/2004 loans to be collected amounted to € 108,7 million, of which € 263.956 still to be matured. Non-performing loans amounted to € 1,4 million. None of the positions originated depreciations.

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

As at 31/12/2004, the liquidity credit line was not used nor was it ever used during the year.

### QUANTITATIVE INFORMATION

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

	No.	Residual value
0 to 3 months	60	173.457
above 3 months to 1 year	109	573.725
above 1 to 5 years	1.249	27.293.502
beyond 5 years	1.826	80.708.713
<b>Total</b>	<b>3.244</b>	<b>108.749.397</b>

#### Geographic distribution of securitized loans

All debtors are resident in Italy.

#### Concentration of risk (figures in euro units)

Class of risk	No.	Residual value
from € 0 to € 25.823	1.502	22.829.352
above € 25.823 up to € 77.470	1.567	66.255.434
above € 77.470 up to € 258.230	168	17.130.196
beyond € 258.230	7	2.534.415
<b>Total</b>	<b>3.244</b>	<b>108.749.397</b>

## SECTION 12 ASSET MANAGEMENT AND DEALING ON BEHALF OF THIRD PARTIES

### 12.1 Securities dealing

	2004	2003
<b>a) Purchases</b>	<b>51.961.537</b>	<b>60.540.060</b>
1. Settled	51.825.532	60.330.283
2. Not settled	136.005	209.777
<b>b) Sales</b>	<b>53.785.058</b>	<b>61.105.266</b>
1. Settled	53.649.453	60.883.275
2. Not settled	135.605	221.991

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

### 12.2 Assets under management

	2004	2003
<b>Assets managed on behalf of customers:</b>	<b>3.436.973</b>	<b>3.589.595</b>
1. Securities issued by Banca Sella	14.119	39.798
2. Other securities	3.422.854	3.549.797

*The above mentioned assets managed on behalf of customers do not include cash (current accounts and deposits) for an amount of € 140,2 million, as at December 2004, and € 177,3 million, as at December 2003.*  
*The total of assets under management amounted to € 3.577,1 million.*

### 12.3 Custody and administration of securities

	2004	2003
<b>a) Third party securities held in deposit (excluding assets under management)</b>	<b>12.693.588</b>	<b>11.208.972</b>
1. Securities issued by Banca Sella:	573.222	690.531
- held in custody	554.832	659.246
- held in custody as custodian bank	-	11.000
- received as guarantees	18.390	20.285
2. Other securities	12.120.366	10.518.441
- held in custody	9.163.068	7.719.713
- held in custody as custodian bank	2.241.451	2.400.171
- received as guarantees	715.847	398.557
<b>b) Third party securities deposited with third parties</b>	<b>12.941.946</b>	<b>11.504.119</b>
<b>c) Bank's portfolio securities deposited with third parties</b>	<b>1.010.877</b>	<b>1.027.383</b>

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

	2004	2003
<b>a) Debit write-downs</b>	<b>676.699</b>	<b>632.148</b>
1. Current accounts with banks	548	1.187
2. Central portfolio	305.353	322.553
3. Cash	152.889	139.923
4. Other accounts	217.909	168.485
<b>b) Credit write-downs</b>	<b>722.507</b>	<b>710.624</b>
1. Current accounts with banks	2.674	2.522
2. Transferors of notes and documents	678.108	673.124
3. Other accounts	41.725	34.978





## **PART C – INFORMATION ABOUT INCOME STATEMENT**

(all figures are shown in euro thousand)



## SECTION 1 INTEREST

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

	2004	2003
a) On due from banks	25.803	32.559
of which:		
- on deposits with central banks	1.356	1.431
b) On due from customers	162.806	156.514
of which:		
- on third parties' funds in administration	2	1
c) On debt securities	24.337	26.060
d) Other interest receivable	242	42
e) Net differential on hedging transactions	532	701
<b>Total</b>	<b>213.720</b>	<b>215.876</b>

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

	2004	2003
a) On due to banks	24.922	22.913
b) On due to customers	40.486	48.111
c) On securities issued	17.038	20.418
of which:		
- on certificates of deposit	58	77
d) On third parties' funds in administration	2	1
e) On subordinated liabilities	4.327	4.920
f) Net differential on hedging transactions	-	-
<b>Total</b>	<b>86.775</b>	<b>96.363</b>

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

	2004	2003
a) On assets denominated in foreign currency	12.796	7.779

### 1.4 Caption 20 "Interest payable and similar charges". Detailed items

	2004	2003
a) On liabilities denominated in foreign currency	5.495	4.741



## SECTION 2 COMMISSIONS

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

	2004	2003
<b>a) Guarantees given</b>	<b>1.954</b>	<b>1.956</b>
<b>b) Credit derivatives</b>	-	-
<b>c) Asset management, dealing and consulting:</b>	<b>66.147</b>	<b>66.097</b>
1. securities dealing <sup>(*)</sup>	17.479	21.943
2. currencies dealing	879	777
3. asset management:		
3.1 individual	12.804	12.928
3.2 collective	-	-
4. securities custody and administration	1.063	1.024
5. custodian bank services	4.184	4.275
6. securities placement	19.477	17.140
7. acceptance of orders <sup>(*)</sup>	6.413	4.391
8. consultancy activities	23	198
9. distribution of third parties services:		
9.1 assets under management		
a. individual	600	494
b. collective	-	-
9.2 insurance products	3.136	2.824
9.3 other products	89	103
<b>d) Payment and collection services</b>	<b>79.844</b>	<b>68.368</b>
<b>e) Servicing for securitization operations</b>	<b>599</b>	<b>710</b>
<b>f) Tax collection services</b>	-	-
<b>g) Other services</b>	<b>27.513</b>	<b>25.583</b>
<b>Total</b>	<b>176.057</b>	<b>162.714</b>

<sup>(\*)</sup> To make comparison homogeneous please note that in 2003 an amount of € 1,1 million was transferred from item c) 1 securities dealing to item c) 7 acceptance of orders.

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

	2004	2003
<b>a) own branches:</b>	<b>33.880</b>	<b>32.154</b>
1. assets under management	11.748	11.708
2. securities placement	18.307	17.025
3. third parties' products and services	3.825	3.421
<b>b) "door-to-door" sale:</b>	<b>2.226</b>	<b>1.335</b>
1. assets under management	1.056	1.220
2. securities placement	1.170	115
3. third parties' products and services	-	-
<b>Total</b>	<b>36.106</b>	<b>33.489</b>

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

	2004	2003
<b>a) Guarantees received</b>	-	-
<b>b) Credit derivatives</b>	-	-
<b>c) Asset management, dealing and consulting:</b>	<b>16.158</b>	<b>16.223</b>
1. securities dealing	3.216	3.222
2. currencies dealing	4	3
3. asset management:		
3.1 own securities portfolio	-	8
3.2 third parties' securities portfolio	-	-
4. securities custody and administration	1.349	1.243
5. securities placement	173	378
6. "door-to-door" sale of securities, financial products and services	11.416	11.369
<b>d) Payment and collection services</b>	<b>42.375</b>	<b>34.169</b>
<b>e) Other services</b>	<b>1.950</b>	<b>1.686</b>
<b>Total</b>	<b>60.483</b>	<b>52.078</b>

### Caption 40 "Fees and commissions receivable - Other services". Detailed items

	2004	2003
1. Commissions on loans to customers	4.892	4.217
2. Expenses refunds and other income on loans granted to customers	11.105	10.895
3. Commissions and fees on relations with banks	14	11
4. Recovery of post outlays, print-out, etc...	3.749	3.080
5. Safe-deposits boxes	151	152
6. Commissions for funding activities on behalf of third parties	1	1
7. Commissions on credit/debit cards	4.928	4.519
8. Other	2.673	2.708
<b>Total</b>	<b>27.513</b>	<b>25.583</b>

### Caption 50 "Fees and commissions payable - Other services". Detailed items

	2004	2003
1. Commissions and charges for relations with banks, Banca d'Italia and Ufficio Italiano Cambi (Office of the Comptroller of the Currency)	265	306
2. Commissions paid to brokers for treasury transactions	1.499	1.051
3. Other	186	329
<b>Total</b>	<b>1.950</b>	<b>1.686</b>

## SECTION 3 DEALING PROFITS/LOSSES

### 3.1 Caption 60 “ Dealing profits/losses”. Composing items

	Securities transactions		Currencies transactions		Other transactions	
	2004	2003	2004	2003	2004	2003
A.1 Revaluations	1.130	77	-	-	735	324
A.2 Depreciations	(1.538)	(1.776)	-	-	(598)	(611)
B. Other profits/losses	14.448	17.725	2.302	2.178	1.493	1.851
<b>Total</b>	<b>14.040</b>	<b>16.026</b>	<b>2.302</b>	<b>2.178</b>	<b>1.630</b>	<b>1.564</b>

	2004	2003
1. Government bonds	3.233	3.910
2. Other debt securities	6.233	7.151
3. Equity shares	8.474	7.749
4. Derivatives on securities	(3.901)	(2.784)

Besides the elements, both positive (profit on securities dealing, write-ups, valuation of exchange rates) and negative (write-downs), which contributed to the balance value of the securities portfolio, as shown and reported in section 2 of the Explanatory Notes to the Balance Sheet, the income elements deriving from derivative instruments transactions were added to the tables of this section of the Explanatory Notes to the Income Statement.

## SECTION 4 ADMINISTRATIVE EXPENSES

### 4.1 Average number of employees by category

	2004	2003
a) Executive cadres	23	23
b) 3° and 4° level cadres	186	176
c) Other employees	2.010	1.983
<b>Total</b>	<b>2.219</b>	<b>2.182</b>

### Caption 80 "Administrative expenses". Composing items

	2004	2003
<b>a) Staff expenses:</b>		
wages and salaries	79.089	73.704
social security charges	20.845	19.263
staff severance	3.980	3.899
pensions and similar commitments	2.611	2.425
other	283	183
	<b>106.808</b>	<b>99.474</b>
<b>b) Other administrative expenses:</b>		
legal fees and notarial charges	1.987	1.779
software maintenance and consultancy	7.157	5.696
expenses for staff temporarily detached from subsidiary companies	809	417
forms and stationery	864	790
leasing of machines and software	2.930	3.381
other leases and expenses for outsourced services	17.074	15.992
fees for data transmission	3.202	3.130
purchase of equipment for EDP centre	61	69
postage, telegraph	4.321	3.319
telephone	2.142	2.560
transport	374	293
cleaning of premises	950	947
security and cash escorting	1.892	1.838
electricity and heating	2.768	2.617
maintenance and repair expenses	4.151	4.374
property rents	9.561	9.431
sundry insurances	1.210	1.268
advertising and entertainment	1.749	2.184
donations	91	96
subscriptions	135	128
contributions to associations	662	703
gadgets for the staff	246	313
staff training	955	547
information and enquiries	978	861
travel expenses	1.769	1.485
interbank network expenses	583	497
remuneration paid to directors and auditors	1.247	862
other	1.316	1.435
	<b>71.184</b>	<b>67.012</b>
<b>Indirect duties and taxes:</b>		
stamp duties	12.458	12.397
local property taxes	281	283
capital taxes	34	34
other	2.030	1.566
	<b>14.803</b>	<b>14.280</b>
<b>Total other administrative expenses</b>	<b>85.987</b>	<b>81.292</b>
<b>Total</b>	<b>192.795</b>	<b>180.766</b>

## SECTION 5 WRITE-DOWNS, WRITE-UPS AND PROVISIONS

**Caption 90 "Write-downs to tangible and intangible fixed assets". Composing items**

	2004	2003
<b>a) Intangible fixed assets</b>	<b>10.065</b>	<b>10.802</b>
<b>b) Tangible fixed assets:</b>		
property	1.294	1.282
furniture and installations	7.494	11.181
	<b>8.788</b>	<b>12.463</b>
<b>Total</b>	<b>18.853</b>	<b>23.265</b>

**Caption 100 "Provisions for risks and charges". Composing items**

	2004	2003
- engagement towards the Deposit Guarantee Scheme	449	390
- securities and equity investments fluctuation provision	1.150	771
- charges related to claims by receivers of bankrupt companies	644	594
- to cover reimbursement of benefits deriving from law by decree 153/99	1.234	-
- other charges	1.098	605
<b>Total</b>	<b>4.575</b>	<b>2.360</b>

**Caption 120 "Write-downs to loans and provisions for guarantees and commitments". Composing items**

	2004	2003
<b>a) Write-downs to loans</b>	<b>40.620</b>	<b>29.920</b>
of which:		
- general write-downs for country risk	-	-
- other general write-downs	-	-
<b>b) Provisions for guarantees and commitments</b>	<b>-</b>	<b>-</b>
of which:		
- general provisions for country risk	-	-
- other general provisions	-	-
<b>Total</b>	<b>40.620</b>	<b>29.920</b>

**Caption 130 "Write-ups to loans and provisions for guarantees and commitments". Composing items**

	2004	2003
a) Write-ups to loans <sup>(1)</sup>	5.001	5.934
b) Provisions for guarantees and commitments	-	-
<b>Total</b>	<b>5.001</b>	<b>5.934</b>
<sup>(1)</sup> of which: interest on non-performing loans	150	270
recovery of non-performing loans previously written down	4.851	5.664
	5.001	5.934

**Caption 140 "Provisions to the reserves for possible loan losses". Composing items**

	2004	2003
a) Provisions for the financial year	1.667	1.543

**Caption 150 "Write-downs to financial fixed assets". Composing items**

	2004	2003
a) Write-downs to equity investments	2.567	14.194

**Caption 160 "Write-ups to financial fixed assets". Composing items**

	2004	2003
a) Write-ups to equity investments	647	-

**Caption 210 "Variation of general banking risks reserves". Composing items**

	2004	2003
a) Net variation	-	-

## SECTION 6 OTHER INCOME STATEMENT CAPTIONS

### 6.1 Caption 70 "Other operating income". Composing items

	2004	2003
Property rental income and other similar revenues	913	847
Expenses recovery and other revenues on deposits and current accounts	7.084	6.603
Recovery of charges for staff attached to other companies	5.287	4.268
Recovery of stamp duties and other taxes	13.125	12.714
Charges for leased EDP services	3.983	3.863
Securities income deriving from securitization operations	1.079	833
Premiums received on options	350	-
Recovery of interest on payments and collections settled in clearing house	820	879
Other	5.960	5.073
<b>Total</b>	<b>38.601</b>	<b>35.080</b>

### 6.2 Caption 110 "Other operating expenses". Composing items

	2004	2003
Financial leases	-	-
Reimbursement of interest on payments and collections settled in clearing house	1.257	1.234
Premiums paid on options	288	-
Other	1.256	1.553
<b>Total</b>	<b>2.801</b>	<b>2.787</b>

### 6.3 Caption 180 "Extraordinary income". Composing items

	2004	2003
Gains on the disposal of tangible and intangible fixed assets	4	148
Gains on the disposal of equity investments	2.922	1.076
Out-of-period income on items referring to previous years	3.107	3.951
<b>Total</b>	<b>6.033</b>	<b>5.175</b>

### 6.4 Caption 190 "Extraordinary expenses". Composing items

	2004	2003
Losses on the disposal of tangible fixed assets	6	53
Losses on the disposal of equity investments	82	124
Out-of-period expenses and cancellations on assets (various cancellations, losses due to robberies - portions not covered by insurance, etc)	3.806	4.949
<b>Total</b>	<b>3.894</b>	<b>5.126</b>

### 6.5 Caption 220 "Income taxes for the year"

	2004	2003
Current taxation	22.087	24.485
Variation due to the Regulation of Consolidated Tax Returns	(99)	-
Variation of taxes paid as advance	(1.665)	(3.381)
Variation of deferred taxation	309	(46)
Income taxes for the year	20.632	21.058

## SECTION 7 OTHER INFORMATION REGARDING INCOME STATEMENT

### 7.1 Geographical distribution of revenues

	Italy	Other countries	Total
Interest receivable and similar income	197.710	16.010	213.720
Dividends and other income	4.493	2	4.495
Commissions receivable	175.377	681	176.058
Profits on sundry financial transactions	16.383	1.589	17.972
Other operating income	38.495	106	38.601
<b>Total</b>	<b>432.458</b>	<b>18.388</b>	<b>450.846</b>





## **PART D – OTHER INFORMATION**

(all figures are shown in euro thousand)



## SECTION 1 DIRECTORS AND STATUTORY AUDITORS

### 1.1 Remuneration paid to directors and statutory auditors

	2004	2003
a) directors	1.192	809
b) statutory auditors	55	53

### 1.2 Loans and guarantees given

	2004	2003
a) directors <sup>(*)</sup>	408	1.347
b) statutory auditors <sup>(*)</sup>	66	793

<sup>(\*)</sup> Amount referring to outstanding credit transactions, pursued in accordance with the present Bank Law, directly with directors and statutory auditors and/or with companies in which the same are involved.

## SECTION 2 PARENT COMPANY OR SUPERVISING EU-RESIDENT CREDIT INSTITUTION

**2.1 Company name** FINANZIARIA BANSEL S.p.A.

**2.2 Head office** Via Italia, 2 - BIELLA  
Chamber of Commerce Companies Register of Biella fiscal number 00190770024  
Roll of Banks and Banking Groups No. 20005

## SECTION 3 FINANCIAL STATEMENTS OF THE COMPANY IN CHARGE OF DIRECTION AND COORDINATION

According to art. 2497 bis of the Civil Code, Banca Sella S.p.A. is subject to the direction and coordination of Finanziaria Bansel S.p.A., with legal office in Biella in Via Italia, 2 and enrolled in the Chamber of Commerce Companies Register of Biella with fiscal number 00190770024.  
Therefore the Balance Sheet and Income Statement of Finanziaria Bansel S.p.A. for 2002 and 2003 are published here below.

### BALANCE SHEET

ASSETS	31/12/2003	31/12/2002
20. Treasury bills and other bills eligible for refinancing with central banks	1.067.235	557.592
30. Due from banks:	587.733	1.450.028
(a) at sight	587.733	1.450.028
50. Bonds and other debt securities:	14.000	14.000
(b) issued by banks	14.000	14.000
60. Equity shares, quotas and other share capital securities	36.634	187.856
80. Investments in subsidiaries	135.211.066	135.211.066
90. Intangible fixed assets	17.743	12.538
100. Tangible fixed assets	60.200	16.048
120. Own shares (nominal value euro 189.472)	978.531	978.531
130. Other assets	4.318.302	3.793.813
140. Accrued income and prepayments:	10.302	60.075
(a) accrued income	5.700	58.466
(b) prepayments	4.602	1.609
<b>TOTAL ASSETS</b>	<b>142.301.746</b>	<b>142.281.547</b>

LIABILITIES	31/12/2003	31/12/2002
50. Other liabilities	2.598.415	2.259.594
70. Staff severance provision	1.265.421	352.914
80. Provisions for risks and charges:	1.410.536	2.069.746
(b) taxation	1.410.536	2.069.746
120. Subscribed capital	20.000.000	20.000.000
140. Reserves:	115.222.030	114.838.300
(a) legal reserve	6.277.530	6.139.480
(b) reserve for own shares	978.531	978.531
(c) statutory reserves	17.691.469	17.691.469
(d) other reserves	90.274.500	90.028.820
170. Profit for the year	1.805.344	2.760.993
<b>TOTAL LIABILITIES</b>	<b>142.301.746</b>	<b>142.281.547</b>

GUARANTEES AND COMMITMENTS	31/12/2003	31/12/2002
20. Commitments	12.649.696	12.649.696

## INCOME STATEMENT

	31/12/2003	31/12/2002
10. Interest receivable and similar income	50.214	25.947
- from debt securities	23.083	25.846
- from due from banks	27.131	101
20. Interest payables and similar charges	(4.464)	(26.740)
- on other debts	(4.464)	(26.740)
30. Dividends and other income:	4.433.115	4.418.223
(c) from equity investments in subsidiaries	4.433.115	4.418.223
60. Dealing profits (losses)	5.325	(3.769)
70. Other operating income	5.591.756	5.722.102
80. Administrative expenses:	(6.940.616)	(5.420.071)
(a) staff expenses	(3.628.040)	(1.098.705)
of which:		
- wages and salaries	(2.640.627)	(842.738)
- social security charges	(750.758)	(219.074)
- staff severance	(133.112)	(36.893)
- other	(103.543)	-
(b) other administrative expenses	(3.312.576)	(4.321.366)
90. Write-downs to tangible and intangible fixed assets	(18.644)	(9.122)
110. Other operating expenses	(32.658)	(6.351)
170. Profit on ordinary activities	3.084.028	4.700.219
180. Extraordinary income	258.192	950
190. Extraordinary expenses	(215.322)	(321)
200. Extraordinary profit (loss)	42.870	629
220. Income taxes for the year	(1.321.554)	(1.939.855)
<b>230. Profit for the year</b>	<b>1.805.344</b>	<b>2.760.993</b>



## ANNEXES

(all figures are shown in euro thousand)





## PROPERTIES OWNED BY THE BANK AS AT 31 DECEMBER 2004

Location/Premises	Investments	Amortizations	Net Value	Square Meters
ANDORNO - Via Cavalieri di V.Veneto 77	322	90	232	480
BIELLA - Costa Noci 2	3.578	706	2.872	6.800
BIELLA - Palazzo Sede Via Italia 2	18.362	3.579	14.783	12.433
BIELLA - Piazza V.Veneto 15	465	-	465	196
BIELLA - Piazza Martiri 8	574	123	451	600
BIELLA - Via Milano 1	2.243	482	1.761	4.140
BIELLA - Via Milano 53	557	159	398	540
BIELLA - Via Seminari 1	3.453	372	3.081	6.260
BIELLA - Via Matteotti (condominio Milano)	772	153	619	465
BIELLA - Via Volpi 2	525	55	470	296
BIELLA - Via Volpi 6	545	115	430	330
BIELLA - Via G.Valdengo 8	611	80	531	1.060
BOVOLONE - Via Garibaldi 48	812	109	703	1.234
CALUSO - "Bosco Ceduo"	1	-	1	1.909
CALUSO - Via Bettoia 61	1.298	309	989	1.027
CIRIE' - Via Doria "Fenoglio"	519	11	508	215
CHIVASSO - Via Italia 2	303	41	262	290
COSSATO - Piazza Cavour 8	1.112	274	838	1.200
GAGLIANICO - Via Gramsci 75	461	94	367	505
Properties of former IMMOBILIARE STAZIONE	1.132	221	911	2.087
LUXEMBOURG - 4 Boulevard Royal	1.793	432	1.361	466
MILANO - Viale Corsica 42	233	31	202	102
MILANO - Via Gonzaga 3	2.805	450	2.355	740
MONGRANDO - Via Roma 24	171	35	136	213
NOVARA - Corso Torino 35/37	1.020	275	745	449
PIEVE DI CADORE - P.zza del Municipio 11	351	47	304	493
PONT S.MARTIN - V.Circonvallazione 15A	687	191	496	355
ROMANO C.SE - Viale Marconi 34	319	66	253	529
SAVIGLIANO - Piazza del Popolo 25	2.603	673	1.930	2.219
SETTIMO T.SE - Via Italia 18	459	91	368	476
SUSA - Corso Inghilterra 56	779	186	593	500
TOLLEGNO - Via XX Settembre 6/8	171	26	145	120
TORINO - Corso Orbassano 193	840	192	648	350
TORINO - Corso Racconigi	666	126	540	257
TORINO - Piazza Adriano 5	583	95	488	268
TORINO - Piazza Giosuè Carducci 122	820	174	646	271
TRINO VERC.SE - Corso Cavour 34/38	217	46	171	160
TRIVERO - Piazza XXV Aprile	242	50	192	315
VALLEMOSSO - Via B.Sella 1	725	95	630	1.069
VERCELLI - P.zza M. D'Azeglio	373	61	312	180
VERCELLI - P.zza Risorgimento 23	1.174	218	956	852
VERCELLI - Via Mameli 15	843	171	672	441
VIGLIANO BIELLESE - Via Milano 163	2.000	505	1.495	2.668
<b>TOTAL</b>	<b>57.519</b>	<b>11.209</b>	<b>46.310</b>	<b>55.560</b>

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

According to art. 2427 No. 7 Bis of the Civil Code

## Financial years ended as at 31/12/2003 and 31/12/2004

	Subscribed capital	Share premium account res.	Reserves		Reserve for general banking risks	Fund for charity and various disbursements	Profit for the year	Total
			Legal reserve	Other reserves				
<b>Balances as at 31/12/2002</b>	<b>80.000</b>	<b>49.414</b>	<b>16.112</b>	<b>95.635</b>	<b>54.744</b>	<b>-</b>	<b>24.098</b>	<b>320.003</b>
Allocation of 2002 net profit decided by the Ordinary Assembly of 05/05/2003:								
legal reserve			2.892				(2.892)	-
statutory reserve				9.639			(9.639)	-
extraordinary reserve				8.571			(8.571)	-
reserve ex art. 13 Law by Decree 124/93				56			(56)	-
taxed fund for various disbursements						140	(140)	-
various disbursements						(140)		(140)
Dividends distributed							(2.800)	(2.800)
Profit for year 2003							26.790	26.790
<b>Balances as at 31/12/2003</b>	<b>80.000</b>	<b>49.414</b>	<b>19.004</b>	<b>113.901</b>	<b>54.744</b>	<b>-</b>	<b>26.790</b>	<b>343.853</b>
Allocation of 2003 net profit decided by the Ordinary Assembly of 30/04/2004:								
legal reserve			3.215				(3.215)	-
statutory reserve				10.716			(10.716)	-
extraordinary reserve				9.541			(9.541)	-
reserve ex art. 13 Law by Decree 124/93				58			(58)	-
taxed fund for various disbursements						140	(140)	-
various disbursements						(140)		(140)
Dividends distributed							(3.120)	(3.120)
Profit for year 2004							27.702	27.702
<b>Balances as at 31/12/2004</b>	<b>80.000</b>	<b>49.414</b>	<b>22.219</b>	<b>134.216</b>	<b>54.744</b>	<b>-</b>	<b>27.702</b>	<b>368.295</b>

## Use of reserves - detail (in euro units)

	Amount	Possible use (*)	Available quota	Summary of use in the three previous financial years	
				To cover losses	For other reasons
<b>Subscribed capital</b>	<b>80.000.000</b>				
<b>Capital reserves</b>					
Share premium account reserve	49.413.513	A - B - C	49.413.513		
<b>Reserves from allocation of profit</b>					
Legal reserve	22.218.969	B			
Statutory reserve	74.063.231	B			
Extraordinary reserves	52.172.810	A - B - C	52.172.810		
Special reserve ex Law by Decree 153/99	5.058.652	A - B - C	5.058.652		
Special reserve ex Law by Decree 124/93	238.546	A - B - C	238.546		
<b>Reserves from assets and liabilities contributions</b>					
Reserve ex art. 7 Law 218/90	2.586.200	A - B - C	2.586.200		
Assets and liabilities contribution reserve ex Law 218/90	96.957	A - B - C	96.957		
<b>Total</b>			<b>109.566.678</b>		
Undistributable quota			-		
Residual distributable quota			109.566.678		

(\*) A: for increase of capital; B: to cover losses; C: for distribution to shareholders



## STATEMENT OF CASH FLOW

### Funds generated and taken

	2004	2003
Profit for the year	26.864	26.790
Provision to the reserve for general banking risks	-	-
Write-downs to the items which do not create movements in financial balances:		
- write-downs to tangible and intangible fixed assets	18.853	23.265
- provision to the staff severance provision	3.498	3.354
<b>Total funds generated by operations</b>	<b>49.215</b>	<b>53.409</b>
Other funds generated and taken:		
Increases (Decreases)		
- Due to banks	59.396	177.291
- Due to customers	519.211	(43.061)
- Securities issued	28.666	(25.925)
- Third parties funds in administration	323	17.357
- Other liabilities	(70.239)	47.781
- Accruals and deferred income	(224)	(5.739)
- Provisions for risks and charges	(492)	4.262
- Reserve for possible loan losses	(281)	(231)
- Subordinated liabilities	39.613	15.742
<b>Total</b>	<b>625.188</b>	<b>240.886</b>

### Application of funds

	2004	2003
Dividends paid	3.120	2.800
Various disbursements	140	140
Acquisitions of tangible and intangible fixed assets	12.437	10.162
Use of the staff severance provision	1.394	1.649
Other funds applied:		
Increases (Decreases)		
- Cash and balances with central banks	8.897	6.327
- Securities	(31.530)	80.997
- Due from banks	118.228	(382.246)
- Due from customers	499.998	505.876
- Equity investments, shares and other share capital securities	(448)	(7.336)
- Other assets	9.003	29.180
- Prepayments and accrued income	3.949	(6.663)
<b>Total</b>	<b>625.188</b>	<b>240.886</b>





**AUDITORS' REPORT**



**AUDITORS' REPORT**  
(Translation from the original Italian text)

To the Board of Directors of  
Banca Sella S.p.A.

1. We have audited the financial statements of the company Banca Sella S.p.A. as of and for the year ended 31 December 2004. These financial statements are the responsibility of the company Banca Sella S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. Our opinion is not issued based on law requirements, since Banca Sella S.p.A. assigned to another body the audit functions set forth by the Italian Civil Code at 2409-bis and subsequent articles.
2. Our audit was made in accordance with auditing standards generally accepted in Italy. In accordance with such standards we planned and performed our audit to obtain the information necessary in order to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The audits of the financial statements of certain subsidiaries, which respectively represent approximately 11% and approximately 0,4% of "investments in subsidiaries" and of total assets, is the responsibility of other auditors.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated 29 April 2004.

3. In our opinion, the financial statements of Banca Sella S.p.A. comply with the Italian regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of Banca Sella S.p.A. as of 31 December 2004, and the results of its operations for the year then ended.
4. We bring to your attention the following:
  - some assets (property and equity investments) are recorded at the conferred value arising as per Law 30 July 1990 n. 218 (Amato Law on banking concentrations). The higher value of the conferred assets in respect of the amounts originally recorded by the pre-existing company, of which the residual amount is indicated in the notes to the financial statements, is regulated for fiscal purposes by the above mentioned Law. The notes to the financial statements also disclose the residual amount at year end of the equity reserves in suspense of taxation, which partially have been recorded by the Company as a consequence of the above described conferral;

- in 2002 the Bank and the Company's trade unions stipulated an agreement for the use of the Solidarity Fund for the early retirement of personnel employed by credit institutions. The related cost has been accounted for as intangible assets and amortized as allowed by the specific law, in alternative to the charging the entire amount to the income statement in the year in which the liability arises. The effects on the financial statements arising from the mentioned accounting treatment are disclosed in the notes to the financial statements.

Turin, 29 April 2005

Reconta Ernst & Young S.p.A.  
Signed by: Guido Celona, Partner

## RESOLUTIONS OF THE ORDINARY SHAREHOLDERS' MEETING OF 29 APRIL 2005

The ordinary Shareholders' meeting unanimously:

a p p r o v e s

- the annual report of the Board of Directors on the financial year 2004;
- the Financial Statements as at 31 December 2004, consisting of the Balance Sheet, Income Statement, Explanatory Notes and the relevant annexes;
- the proposal for the allocation of the profit for the year, as stated in the Annual Report of the Board of Directors;

d e l i b e r a t e s

on the reduction in the number of members of the Board of Directors from eleven to ten.

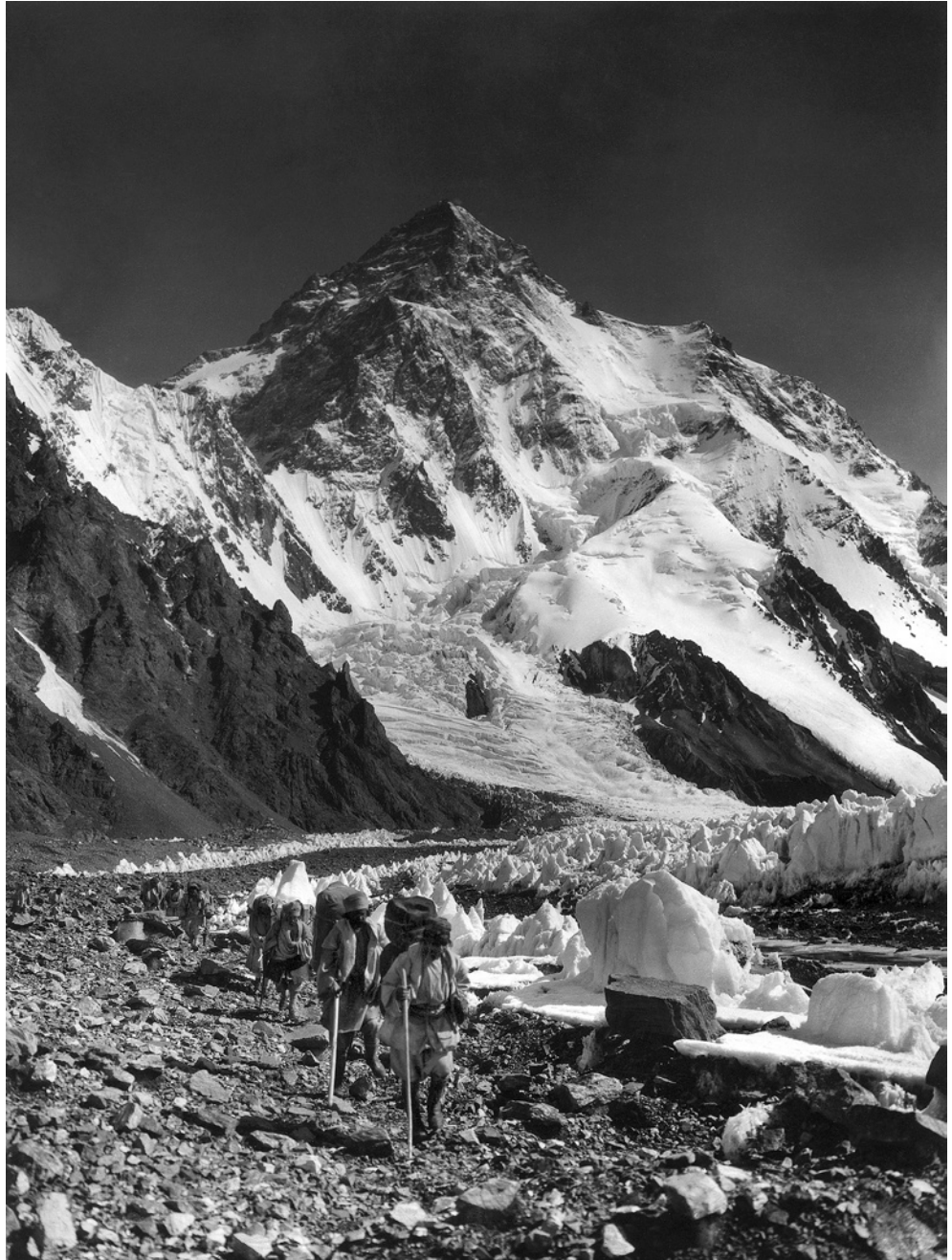


Photo Vittorio Sella, 1909

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K2 and coolies marching from Godwin-Austen Glacier

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