BANCA SELLA GROUP

CONSOLIDATED ANNUAL REPORT

2011

Drawn up by the Parent Company

BANCA SELLA HOLDING S.p.A.

This in an English translation of the Italian Original “GRUPPO BANCA SELLA – BILANCIO CONSOLIDATO 2011”.
It contains the Consolidated Financial Statements at 31 December 2011, consisting of the balance sheet, the income statement, the statement of changes in shareholders’ equity, the cash flow report, the statement of consolidated comprehensive income and the notes to the statements, accompanied by the report on operations. In case of doubt, the Italian version prevails.

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

Contents

Banca Sella Holding S.p.A. Main corporate boards and committees

BOARD OF DIRECTORS

In office up to the approval of the 2012 financial statements

Chairman	Maurizio Sella
Deputy Chairman	Franco Sella
" "	Lodovico Sella
Chief Executive Officer	Pietro Sella
Director	Mario Bonzano (*)
"	Franco Cavalieri
"	Anna Maria Ceppi
"	Massimo Condinanzi
"	Mario Deaglio
"	Giovanni Petrella (*)
"	Ernesto Rizzetti
"	Caterina Sella
"	Federico Sella
"	Giacomo Sella
"	Sebastiano Sella
"	Giovanni Zanetti
"	

(*) appointed by the Shareholders' Meeting of 27th April 2012

AUDIT COMMITTEE

Member – Chairman	Anna Maria Ceppi
"	Mario Deaglio
"	Giovanni Zanetti

REMUNERATION COMMITTEE

Member – Chairman	Mario Deaglio
"	Mario Bonzano
"	Giovanni Zanetti

APPOINTMENT COMMITTEE

Member – Chairman	Maurizio Sella
"	Anna Maria Ceppi
"	Giovanni Zanetti

BOARD OF STATUTORY AUDITORS

in office up to the approval of the 2014 financial statements

Auditor - Chairman	Mario Pia
" "	Paolo Piccatti
" "	Daniele Frè
Alternate Auditor	Riccardo Foglia Taverna
" "	Pierangelo Ogliaro

GENERAL DIRECTION

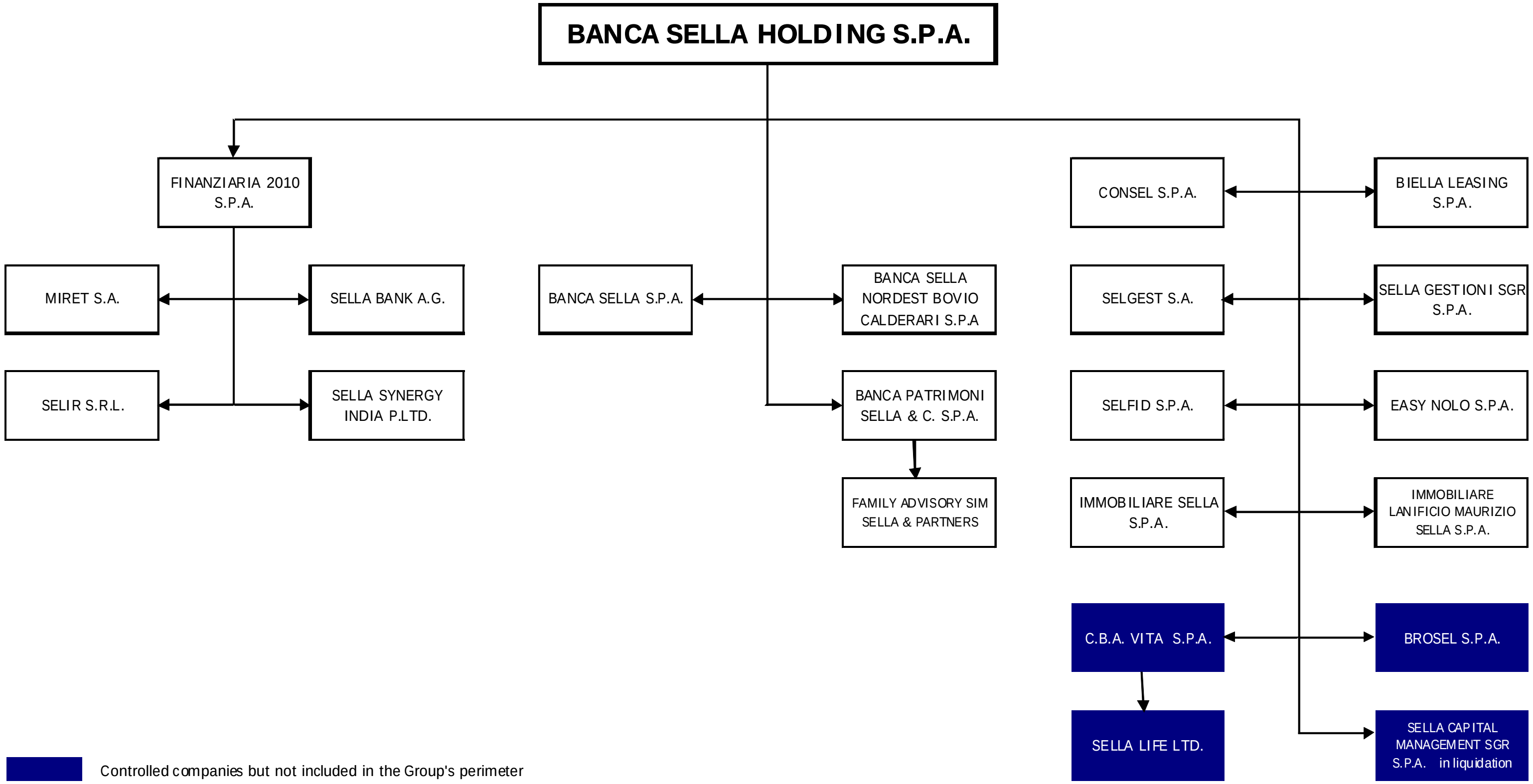
General Manager	Pietro Sella
Co - General Manager	Attilio Viola

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

Map of the Banca Sella Group

at 31 December 2011



Other line by line consolidated companies: MARS 2600 S.r.l. (special purpose vehicle for the Group's securization transaction).

Net equity method consolidated companies

MARTIN MAUREL SELLA BANQUE PRIVEE MONACO S.A.M.
HI-MTF SIM S.p.A.
INCHIARO ASSICURAZIONI S.P.A.
S.C.P. VDP 1
ENERSEL S.p.A.

CONSOLIDATED REPORT ON OPERATIONS AT 31 DECEMBER 2011

» BANCA SELLA GROUP MAIN FIGURES AND INDICATORS

BANCA SELLA GROUP SUMMARY DATA *(euro millions)*				
Item	31/12/2011	31/12/2010	Variation	
			absolute	%
BALANCE SHEET				
Total assets	12.946,8	13.165,7	(218,9)	-1,7%
Cash loans(1) (excluding reverse repurchase agreements)	8.793,1	8.770,7	22,4	0,3%
Reverse repurchase agreements	1,3	54,3	(53,0)	-97,6%
Guarantees given	330,7	352,4	(21,7)	-6,2%
Financial assets	2.973,7	3.220,6	(246,9)	-7,7%
Equity investments	12,3	13,0	(0,7)	-5,4%
Non-current assets and asset groups held for sale (2)	-	56,1	(56,1)	-
Tangible and intangible fixed assets	284,5	296,5	(12,0)	-4,0%
Direct deposit(3) (excluding repurchase agreements)	9.659,2	10.001,8	(342,6)	-3,4%
Repurchase agreements	57,8	38,9	18,9	48,6%
Indirect deposit (4)	14.500,6	16.407,5	(1.906,9)	-11,6%
Total deposit	24.217,6	26.448,1	(2.230,5)	-8,4%
Regulatory capital	991,1	974,8	16,3	1,7%
INCOME STATEMENT(5)				
Net interest income (6)	281,4	293,7	(12,3)	-4,2%
Net income from services	258,8	239,0	19,8	8,2%
Net banking income	13,6	6,5	7,1	108,6%
Net banking and insurance income	553,7	539,2	14,5	2,7%
Operating costs	379,7	391,2	(11,5)	-2,9%
Operating profit	174,1	148,1	26,0	17,6%
Net value adjustments for impairment losses	115,9	96,4	19,5	20,3%
Income tax	20,6	24,0	(3,4)	-14,3%
Profit for the year (net) pertaining to the Parent Company	15,7	19,2	(3,5)	-18,4%

(1) The aggregate represents the sum of the following items of the Balance Sheet Assets: 70 "Due from customers" and 90 "Change in value of financial assets subject to macrohedging" and of the loans component included under item 150 "Non-currents assets and asset groups held for sale".

(2) The item does not include the component relating to customer receivables included in cash loans.

(3) The aggregate represents the sum of the following items from the Liabilities section of the Balance Sheet: 20 "Due to Customers" and 30 "Securities in issue" and the component of direct deposits included under item 90 "Liabilities associated with groups of assets held for sale".

(4) The aggregate, wich does not include the item "cash" component (included under "direct deposit"), represents the sum of the following items of the "Other information" section of the Notes to the Statements - Balance Sheet: "Asset management", "Third party securities held in deposit connected with the role of Depositary Bank", "Other third party securities held in deposit (net of securities issued by companies included in the consolidation)" the item related to income from insurance activities, as indicated in the note at the foot of the table on Management and Broking for third parties.

(5) As per items reported in the reclassified consolidated income statement.

(6) The aggregate does not include the component related to the insurance sector.

In these financial statements, some items relative to the comparative data at 31 December 2010 are different than in the financial statements published the previous year, due to the application of IAS 8 regarding changes in the accounting principle for severance indemnities and following clarifications sent by the Bank of Italy relative to reclassification of certain components in reference to expenses for personnel, under administrative expenses. For more detail please refer to the Notes to these financial statements, Part A - Accounting Policies.

STAFF AND BRANCHES *(year end)*	2011	2010	2009	2008	2007	2006
Employees of banking group	4.121	4.229	4.383	4.412	4.327	4.027
Employeees of insurance companies	44	44	46	44	43	38
Gruppo Banca Sella total employees[7]	4.165	4.273	4.429	4.456	4.370	4.065
Branches in Italy and abroad	334	335	334	332	332	313
Financial promoters	281	295	291	299	351	390

[7] *Employees of the banking group plus employees of the insurance companies*

ALTERNATIVE PERFORMANCE INDICATORS BANCA SELLA GROUP		
Item	**31/12/2011**	**31/12/2010**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [8]	2,5%	2,9%
R.O.A.A. (return on average assets) [9]	0,13%	0,15%
Net interest income [10] / Net banking and insurance income [10]	50,8%	54,5%
Net income from service [10] / Net banking and insurance income [10]	46,7%	44,3%
Net income from insurance activity[10] / Net banking and insurance income[10]	2,5%	1,2%
Cost to income [11]	66,3%	70,2%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income [10] / Average number of employees	131,2	123,9
Gross operating profit [10] / Average number of employees	41,3	34,0
Cash loans / Number of employees at year end	2.111,2	2.052,6
Direct deposit / Number of employees at year end	2.319,1	2.340,7
Total deposit / Number of employees at year end	5.814,5	6.189,6
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	91,0%	87,7%
Cash loans / Total assets	67,9%	66,6%
Direct deposit / Total assets	74,6%	76,0%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	6,0%	4,2%
Net value adjustments to loans / Cash loans	1,3%	1,1%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	7,51%	7,19%
Total Capital Ratio	11,96%	11,61%

[8] *Ratio between operating profit and equity, net of valuation reserves, both including minority interest.*
[9] *Ratio between "Net profit including minority interest" and "Average total assets".*
[10] *As per item reported in the reclassified consolidated Income Statement.*
[11] *Ratio between operating costs net of IRAP and net banking and insurance income.*

In these financial statements, some items relative to the comparative data at 31 December 2010 are different than in the financial statements published the previous year, due to the application of IAS 8 regarding changes in the accounting principle for severance indemnities and following clarifications sent by the Bank of Italy relative to reclassification of certain components in reference to expenses for personnel, under administrative expenses. For more detail please refer to the Notes to these financial statements, Part A - Accounting Policies.

» RATING

The ratings assigned by the agency Moody's Investors Service and indicated in the table below refer to the latest Credit Opinion published in February 2012:

Rating	
Long Term Global local currency deposit rating	Baa1 (*)
Short term	P–2 (*)
Bank Financial Strength Rating	C– (*)
Outlook	Rating under review

(*)Rating under observation for a possible reduction.

» MACROECONOMIC REFERENCE SCENARIO

World context

2011 was characterised by a slowing in the growth rate of the global economy.

In the Euro Area, the continuation of the uncertainty surrounding management of the sovereign debt crisis contributing to increasing worries for economic and financial operators as well as to the slowing in the GDP growth trend, which became clear in particular during the second half of 2011.

The United States, after the beginning of a year characterised by weak growth, evinced recovery capacities greater than expected. During the third and fourth quarters, signs of acceleration in private consumption and in the employment market were seen, even if they were weak.

Japan was hit by a natural disaster on 11 March, which in the short term led to notable weakening in productive activities. During the second half of the year, the GDP growth trend returned to a more positive path.

The Emerging Countries, while still continuing to serve as an important motor for the world economy, showed signs of slowing due to the decreased dynamics of foreign demand and the impact of restrictive monetary policies adopted by their respective Central Banks in order to counteract notable inflexible tendencies.

Analysing the main world economies at a more detailed level, the following aspects can be noted:

- the US economy concluded 2011 with an average gross domestic product rate of change of +1,7%, year on year, a decline with respect to the +3% year on year seen in 2010. This slowing was caused in great part due to the contained growth in private consumption, which continued to be seen in the slow recovery of the job market. Additional factors that contributed to the limited dynamism in personal spending were the increase in inflation, with consequent negative impact on household spending power, and the slow recovery in wealth, determined above all by the continuation of an extremely weak construction market. Nonetheless, certain encouraging signs should be noted in regards to the normalisation of the job market, where a decline in unemployment claims and the unemployment rate were seen in the final months of 2011.

In addition, investments in production continued to have satisfactory growth rates, above all in the machinery and software sectors. The fall in public spending, as seen in all four quarters of 2011, is in line with the lack of support for the tax policy supporting economic growth. The need to contain the US public deficit served as the foundation for the definition of a 10-year plan to counteract the deficit. A preliminary agreement was reached between the Democrats and Republicans at the time of the debate regarding raising the maximum public debt amount in August. At that time, it was established that automatic cuts in public spending would take effect starting in 2013, aimed at reducing the deficit by 1.200 billion dollars over a 10-year period. This is without prejudice to Congress's ability to come to an agreement regarding the expense items to be cut in order to respect the deficit reduction objectives.
The decision of Standard & Poor’s to review the reduction in its rating of the United States, from AAA to AA+ with Negative Outlook was justified by the lack of significant progress in stabilising the dynamics of the public debt over the medium-long term. In regards to monetary policy, the Federal Reserve (Fed) left the official tax rate interval unchanged at 0-0,25% and committed itself to maintaining the tax rate at extremely low levels at least through to the end of 2014. In addition, the Federal Reserve completed its second program of acquiring public debt securities and enacted a policy of extending the average maturity of government bonds held.

- The Euro zone saw a positive trend in gross domestic product at 1,8% in 2011, in line with the growth rate seen in 2010. Trends in private consumption and investments were contained and the almost non-existent contribution in public spending was compensated for stable net exports. Nonetheless, aggregate growth figures for the area is a summary of quite heterogeneous figures. While the German economy continued to perform well, especially during the first half of the year, the countries with critical issues in terms of public accounts where characterised by weak economic growth.
  In the face of the sovereign debt crisis, the persistent tensions on the financial market induced Portugal in April to request an aid program from supranational financial institutions in the amount of 78 billion euro over three years. In Greece, the severity of the economic recession compromised its ability to reach its tax consolidation objectives and made it necessary to establish a second aid plan for the country. The meeting of the Heads of State and Government on 26 October led to an agreement to reduce the nominal value of Greek government bonds held by private investors by 50% and recognition of the need for a new aid plan supported by the official sector in the amount of 130 billion euro. Management of the sovereign debt crisis in the area was characterised by the adoption of important decision to change European governance. After having reached an agreement to reinforce the Stability Pact, monitoring of economic imbalance and instituted a permanent mechanism to manage the sovereign debt crisis (European Stability Mechanism) at the European Council on 24 and 25 March, the Heads of State and Governments of the European Union, with the exception of the United Kingdom, committed themselves to respect shared rules for financial statement regulations at the time of the meeting of leaders on 8 and 9 December. At the same meeting, it was also decided to move forward the establishment of the European Stability Mechanism (ESM) to July 2012 and to not include clauses for the involvement of the private sector in the ESM agreement.
  Recognising the importance of said decisions, which establish the foundations for greater tax and economic integration, they are the result of a tortuous process, which encountered a number of roadblocks along the way, including the difficulty of reconciling German opinions with those of other member states. In addition, the emphasis placed on national and community authority regarding tax austerity measures as the main tool to resolve the macroeconomic imbalances seen in the area increased worries regarding the consequences for economic growth. During the summer months, the political uncertainties arising from the management of the crisis helped to increase tensions regarding Spanish government bonds

and, above all, Italian government bonds, making it necessary to adopt new restrictive tax polices in both countries. Specifically in reference to Italy, the public finance interventions adopted in several moments during July work to achieve the objective of a balanced budget in 2013. A restrictive tax policy represents a critical issue for the future outlook, in an economic growth situation that continues to be weak. In fact, Italian GDP grew by 0,6% year on year in 2011, in the face of 1,4% growth in the previous year. Analysis of the individual sectors indicates slowing of both public and private consumption as well as investments in production, as well as negative contributions from stocks and construction, only partially compensated for by stable exports. With regards to monetary policy, the European Central Bank (ECB) intervened numerous times to contain the tensions on the financial markets and the consequent impact on the real economy. The official rate was reduced by 25 base points at the November and December meetings, in so doing annulling the increases that had been approved in April and July. The public debt securities acquisition operations were restored, with interventions focussed on the Italian and Spanish market. The policy to inject liquidity into the system continued through the introduction of two three-year fixed-rate refinancing operations, carried out with a full demand acceptance mechanism, the enlargement of the array of assets accepted as guarantees by the European Central Bank, and the reduction of the compulsory reserve coefficients for banks.

- In Asia, growth in the Japanese economy was severely impacted by the natural disaster of 11 March. Despite the recovery in economy activities seen in the second half of the year and the focus on expansion maintained by the economic policy authority, GDP had a negative rate (0,9% year on year) in 2011, after the 4,4% year on year increase seen in 2010. As in the United States, Japan also saw a need to contain its deficit and public debt. The downgrade by Standard & Poor's in January, followed by Moody's in August, were motivated by the critical nature of the country's tax position, which the Japanese authorities have not yet counteracted with a credible corrective strategy. In regards to monetary policy, the Japanese Central Bank (BoJ) left the official rate interval unchanged at 0-0,1% and increased unconventional monetary policy interventions. China and India continued to record sizeable growth rates, although they continued to slow over the course of the year. The impact of the restrictive monetary policies adopted by both the Chinese and Indian Central Banks in order to contain inflationary pressures, associated with decreased dynamism in foreign demand, contributed to explaining the reduction in growth in the two countries. The intensification of risk factors in terms of changes in world growth during the summer months and the moderation in inflation led to a more relaxed monetary policy in China. On the other hand, in India the persistence of inflation rates exceeding the Central Bank's desired levels delayed the process of an inversion in monetary policy.

THE FINANCIAL MARKETS

Long-term market interest rates in the United States benefited from the sovereign debt tensions in the more vulnerable Euro area countries. The falling trend seen in these countries during the 2011 was characterised by acceleration during the summer months. The long-term German rate, after a first quarter of growth, began the descent towards historically low levels reached in September. The last few months of 2011 saw alternating rising and falling levels. Nonetheless, long-term German levels did not suffer from notable oscillations, remaining at extremely low levels. The average US ten-year interest rate was 2,76% in 2011, against an average of 3,19% in 2010. The average Euro Zone ten-year interest rate was 2,65% in 2011, a decrease from the 2,78% seen in 2010. The uncertainties arising from management of the sovereign debt crisis in the Euro area, helped to extend tensions regarding Italian government bonds during the summer months. Despite the interventions of the European Central Bank, the ten-year tax exceeded 7% in November and December. The average 10-year rate in Italy was 5,35% in 2011, an increase over the 4,05% seen in 2010.

In 2011, the stock markets saw a decline of approximately 9,4% (MSCI World). The stock markets suffered from the worsening of the tensions regarding the sovereign debt crisis in the Euro area and worries about the stability of world economic growth.

THE BANKING SYSTEM

In this context, the Italian banking system saw a decrease in securities issued, mainly due to the decrease in quotes for Government bonds in portfolio. In particular, the worsening of the sovereign debt crisis during the second part of the year led to more onerous financing conditions for Italian institutions which inevitably risked being reflected in credit disbursed, in terms of volumes and prices, in this way further worsening the already fragile growth conditions of the country. This effect was limited by stability in retail deposits and by the good liquidity support offered by the European Central Bank to area banks using unconventional instruments.

Italian bank lending to the local private sector were at 1.712 billion euro at the end of the year, for a positive annual change of 1,8%, less than the 4,2% growth seen in 2010, and with slowing that was evident above all in the second half of 2011. The growth in the families and non financial company sectors (+3,6% at 1.512 billion, with respect to +3,7% in 2010) served to counteract the decreases seen in the remaining categories of loans to other Financial Institutions which in 2011 constituted approximately 12% of loans to private entities, resulting in a decrease of 10,2%. In the family sector, growth for loans during the year was around 4,3%, a decline in respect to the rates seen the previous year (estimated, net of securitizations, at around 7,9%). The volume of loans to non-financial companies grew by 3,1%, with an acceleration, especially in the short-term component, during the first half of 2011, with respect to the weak 2010 (+2,1% growth), followed by notable slowing towards the end of the year.

As concerns credit quality, the volume of gross non-performing positions reached 107 billion euro (November figures), a 38% increase with respect to the previous year with the ratio between gross non-performing and loans of 5,42% (4,01% at the end of 2010) and a ratio between net non-performing and loans of 3,09% (2,4% at the end of 2010). During the course of 2011, the growth rate for non-performing loans improved slightly (in January the growth trend was 52%).

Deposits in Euro with Italian banks represented by residents' deposits and bonds, reached 2.098 billion euro at the end of the year, representing growth of 2,8% on an annual basis, slowing in respect to the rates seen in 2010. In particular, slowing in the deposits component (with a 4,1% decrease trend in December) was counteracted by the performance of the bond component which, after the decreases of the previous year, recovered with positive growth rates (+13%) with very strong acceleration seen in the last few months of 2011, especially in the fixed-rate component.

In regards to the figures in the income statement, during 2011 Italian bank interest margins returned to positive growth with respect to the previous, above all thanks to the recovery of the spread between earned and paid interest rates (even if limited). On the other hand, the uncertainty in the financial markets caused a decrease in commissions, worsened during the second part of the year. Hence net banking income saw only limited increases in comparison with 2010. In terms of costs, efforts to contain administrative expenses continued, even if performance was quite varied in the sector and affected by the dynamics of the previous years and non-recurring items. Allocations to cover losses on loans continued to increase during the second half of the year, after a reductionist trend at the start of the year, due to the worsening of the macroeconomic situation.

The process of reinforcing equity, aimed at making the credit system stronger in the face of unexpected difficulties, continued in line with the indications received from the Supervisory Authority. Notable acceleration in adapting to the new minimum regulatory capital requirements, especially for larger institutions, was carried out in accordance with the recommendations, followed by the so-called "capital exercise" following the indications of the European Banking Authority (EBA).

The financial wealth of private banking customers (families)

In 2011, the financial wealth of families in the private sector, expressed in market values, decreased by 1,6%. The negative impact caused by the reduction in recourse to securities should also be noted, which totalled 2,4% and followed the lasting difficulties seen on the financial markets over the course of the year.

The performance in 2011 ran counter to the last three years and cause the stock of total wealth to decline slightly below the value it was at in 2007 (891 billion euro).

The equity of private families hit a total of 878 billion euro. This is approximately 600 thousand families with equity of more than 500 thousand euro.

The share of private customers served by structures devoted to private banking stands at over 48%, just under that of retail structures (52%). Hence, the trend of progressive growth (up from 41% in 2007) has continued, confirming the potential offered by the market, in particular for banks oriented towards private banking.

» STRATEGIC ISSUES

For more than 120 years the Banca Sella Group, as an independent, innovative, professional and dynamic business, has been guided in its daily activities by strong ethical and moral values.

The Group's reputation has been built up over time with responsible and correct conduct, which has always been consistent and characterized by prudence. The vision to which the Group's activities referred during 2011, and which remains unchanged also with regards to future prospects, is that of a group that intends to be recognised for:

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

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

Operating in the context of the 2010-2012 Strategic Plan in effect, the Guidelines for the year 2011 were mainly aimed at executing the existing Plan and focussing appropriate, timely and necessary changes in reaction to the evolutions occurring in the external situation, which was particularly troubled in 2011.

To make these goals concrete, the Group based its strategies on the following four directives:

- Commercial development (maintaining a prudential profile) and improvement of customer service;
- Reinforcing equity and risk management, in particular credit risk;
- Structural reduction of functioning costs and reduction of complexity;
- Growth of human resources, including involvement and motivation.

In order to pursue these objectives as established in the existing Strategic Plan, the strategic initiatives outlined below were carried forward, shared by the whole Group, which each individual Company contributed to fulfilling, for their responsibilities.

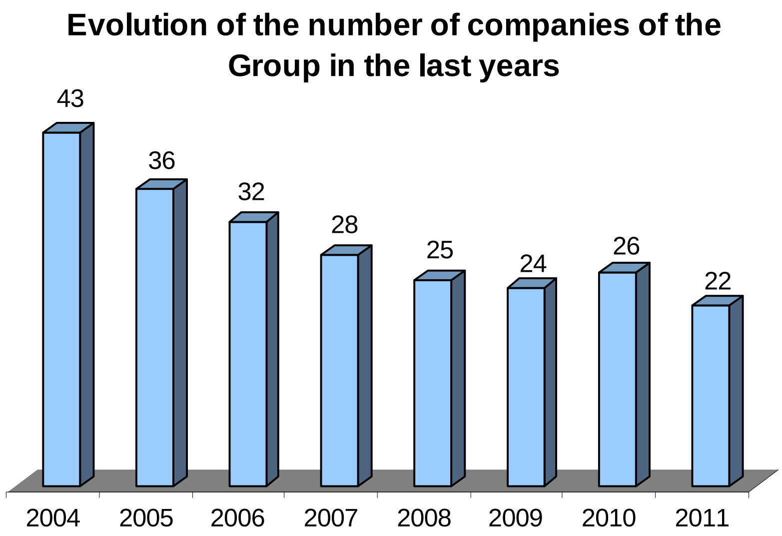
- Strengthening of Core Tier 1
- Review of the governing structures
- 2012 organisation
- Evolution of the commercial model and Bank of the Future
- Net deposits
- Credit processes
- Human Resource management

We note in particular that in regards to the second Strategic Initiative, the first stage of the One Bank initiative was completed and is described in the next section of this Report on Operations.

CHANGES IN THE FRAMEWORK OF THE GROUP AND EQUITY INVESTMENTS

During the year the Group continued to review and optimise its corporate structure. Over the last few years, this policy had led to a progressive decrease in the number of companies, which went from 43 in 2004 to 22 at the end of 2011 (one of which a liquidation).

During the year, in any case important corporate operations were implemented, laying the basis for the Group rationalisation projects forecast for future years. These will not only simplify the structure, further reducing the number of companies, but will also allow for a better organisation of the offer of services and products.



Corporate transactions

Below is an illustration of the main corporate transactions that took place during the financial year.

ESTABLISHMENT OF FINANZIARIA 2010 S.p.A.

In the context of the process of rationalising the company frameworks of the Banca Sella Group envisaged in the 2010-1012 Strategic Plan, on 01 July 2011 the transfer of the Dutch company Sella Holding N.V. to Italy was completed. At the same time the company changed its name to Finanziaria 2010 S.p.A.

The purpose of Finanziaria 2010 is to acquire interests in other companies or entities for the purpose of managing said holdings on its own account, as well as the technical, economic and financial coordination of the companies and entities in which it holds interests.

SALE OF BANQUE BPP S.A.

On 20 April 2011 the sale of the entire interest in Banque BPP by Banca Sella Holding and Sella Holding NV to a major European banking counterparty was completed. The operation, which was already described in the 2010 consolidated financial statements, followed an agreement signed between the parties on 28 December 2010 and falls under the context of the Banca Sella Group's rationalisation and equity reinforcement plan.

"ONE BANK"

On 30 May 2011 an important step in the strategic initiative "One Bank" was taken, through the aggregation into Banca Sella of Banca Sella Sud Arditi Galati and Sella Servizi Bancari in Banca Sella and the transfer, to Banca Sella, of the business unit of Banca Sella Holding consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area.

Following this operation, Banca Sella has 280 branches, with a presence in Piedmont, Lombardy, Valle d'Aosta, Liguria, Emilia Romagna, Tuscany, Lazio, Marche, Abruzzo, Sardinia, Puglia, Sicily, Campania and Molise, with a staff of over 2.500.

Banca Sella's mission, similar to that of the Banca Sella Group, takes into account both its nature as a commercial bank and its role as a service provider to the rest of the Group and is as follows: act as a bank in a prudential, responsible and proper manner, respecting the values of the Banca Sella Group, creating value over time for customer and stakeholders and serving as the engine of the Banca Sella Group, providing excellent services that allow the Group to successfully achieve its strategic objectives.

NEW COMMERCIAL MODEL

In 2011, the adoption of a new commercial model was begun.

This evolution, together with a serious organisational review of the branch operations, is making it possible to sustainably increase our territorial network, as well as increase the time dedicated to commercial activities, thanks to the improved efficiency it will bring.

LIQUIDATION OF SECURSEL S.r.l.

Secursel S.r.l. a securitization vehicle company in the Group, controlled 80% by the parent company Banca Sella Holding, was liquidated on 04 April 2011. In fact, on 31 October 2010 the last of the securitizations for which said company was a vehicle was concluded.

The closure of the liquidation operations occurred in November 2011.

SALE OF THE EQUITY INTEREST IN BANCA MONTE PARMA

On 26 July 2011 Banca Sella Holding and CBA Vita completed the operation to sell their interest in Banca Monte Parma S.p.A. to Intesa San Paolo S.p.A.. To that end, note that the sale price initially corresponded to the price used for the valuation at 30 June 2011, while in the second half of the year a price adjustment of 2,2 million euro was paid to Intesa San Paolo to resolve the sale of the interest.

Changes in the scope of consolidation

The structure of the Banca Sella Group at 31 December 2011, together with an indication of the main equity relationships, is shown in the Group chart provided at the beginning of this annual report. For more information on the shareholdings and availability of votes in the ordinary shareholders' meeting, please refer to Part A of the Explanatory Notes - A1 General part.

FULLY CONSOLIDATED COMPANIES

In relation to fully consolidated companies, in 2011 the following changes were recorded to the percentage stakes of the Group:

CHANGE IN INTEREST PERCENTAGE			
Company	**From**	**A**	**Operation**
Banca Sella S.p.A.	100,00%	94,801%	Merger by incorporation of Banca Sella Sud Arditi Galati S.p.A. and Sella Servizi Bancari S.C.p.A. in Banca Sella S.p.A., transfer of the business unit of Banca Sella Holding S.p.A. represented by the Payment Systems Area and Customer Area and successive acquisitions by minority shareholders
Banca Patrimoni Sella & C. S.p.A.	71,514%	71,730%	Purchases
Biella Leasing S.p.A	76,986%	77,136%	Purchases
Consel S.p.A.	51,978%	52,079%	Purchases
Easy Nolo S.p.A.	89,737%	89,790%	Purchases
Sella Capital Management SGR S.p.A.	98,529%	98,841%	Purchases
C.B.A. Vita S.p.A.	82,000%	84,954%	Capital increase

In addition, during the course of 2011:

- the entire interest held in Banque BPP S.A. was sold;
- the liquidation of Securisel S.p.A. was completed and it was removed from the registry of businesses;
- the company Sella Holding N.V. moved its registered offices from Holland to Italy and changes its name to Finanziaria 2010 S.p.A.

COMPANIES CONSOLIDATED AT NET EQUITY

In regards to companies consolidated at net equity, note the sale of the entire interest held in Banca Monte Parma S.p.A. and the sale of the entire interest in Agata S.p.A. (40%), in the context of the acquisition of the interest in the company Smava GmbH.

» 2011: A YEAR OF EVENTS FOR THE BANCA SELLA GROUP

2011, despite the difficult external situation, was a year rich in events and recognition for the Banca Sella Group, which believes that innovation is necessary to overcome the crisis.

In this spirit, the Group took comprehensive actions: from commercial activities aimed at improving customer service, to structural and cost savings, going from the product catalogue to environmental impacts.

The most important event, as repeated previously, was the activation of the first stage of the "One Bank" project - a new Banca Sella that combines the histories of the various components within it. Together with One Bank, an evolution in branch activities was started: over 76% of customer operations are done automatically and 20.000 customers have chosen Sella Digit, while 2.300 mobile banking transactions occur daily combined with 95.000 internet banking transactions. During the course of 2011, 40 ATMs were installed. All this made it possible to earn even more time to dedicate to customers for consulting and added value activities.

In the context of the internal reorganisation and cost savings in 2011, 122.187 hours were freed up thanks to process simplification, 130 tasks were automated in the main offices and over 500 projects were completed.

All of the actions indicated above combined with a great deal of attention to costs allowed the Group to save approximately 10 million euro, without affecting customer satisfaction, which improved, going from 30,05% to 33,35% (percentages relative to a survey on customer satisfaction index).

2011 also saw the start-up and further development of the following products and services:

- SAS service moving towards an integrated relationship model: to efficiently coordinate channels through which services are offered to Customer;
- “4,5% account and deposit even more"; the current account with an increasing creditor rate;
- “CBA multiple choice plus"; multi-sector insurance contract that combines in one product the characteristics of the Unit policies (performance directly connected to the performance of the reference markets) and of Traditional policies (minimum guaranteed performance with annual consolidation), without interfering with the typical advantages of a life insurance policy;
- “Dynamic account"; the fee goes down as the number of services activated goes up;
- “Account backwards"; the fee goes down, even to zero, as the number of services activated goes up;

Sella Fidelity, an initiative which began in 2010 and offers awards for transactions, saw almost 12 thousand enrol, with 8 million points accumulated.

During the year, the restyling continued in 2.0 of all Group websites, which began in 2009 with the idea of offering customers innovative relation instruments and evolved interaction; objectives that have also been pursued with the participation of the Banca Sella Group in the social networks Facebook and Twitter as further proof of the desire to remain close to customers.

In the context of Mobile Banking, among the most important changes we note the new application designed specifically for use with Android cellphones and the adaptation of the iPhone platform to IOS5 and retina display. The launch of UP Mobile (an application that can be used by anyone with a credit or prepaid card and a smartphone with the Android application to make purchases in payments safely, immediately and easily) establishes the Banca Sella Group as the first mover in the sector.

The prizes awarded and successes achieved by the Group during the year include:

- improvement in its position in the Private Banking GBS for the Italian market, going from 17th place in 2009 to 14th place in 2011 (annual press release from the magazine "Patrimoni" published by the Milano Finanza Group);
- in the classification drawn up for the IX Edition of the Prepaid Contract of Of-Osservatorio Finanziario there are 3 Banca Sella Group cards among the first 5 places and 1,4 million prepaid cards issued at a Group level;

- “Your web ready" elected by the Milano Finanza Innovation Awards, as one of the best personal loans;
- Grands Prix 2011 Prize, EUROFONDS FUNDCLASS: Sella Gestioni SGR received the Grands Prix 2011 Prize as the best company in Italy in the 8-15 funds category. Additional recognition was received at the international level, in terms of quality of management and the results offered to customers over the last 4 years;
- Premio Lipper Fund Awards 2011, THOMSON REUTERS, for the second consecutive year, Sella Gestioni SGR received at the Lipper Fund Awards 2011 the award as best manager in Italy for having achieved the best performance over the last three years for its entire product array ("Overall Small" category);
- Selir received the prize for best company in the medium-company category in the "Research, development, high-tech" sector.

Again in 2011, the Group distinguished itself for its support for small and medium companies, signing agreements with SACE, CNA Associazione Artigiani Biellese, and Ascom Biella, financing of the "13th month's pay" to small and medium businesses.

The Banca Sella Group also distinguished itself due to its environmentally sustainable initiatives: it now can count 17 active photovoltaic systems, it has decreased the quantity of paper used to communicate with customers by 10%, and has decreased paper usage at its offices and branches by 6%.

In 2011, the new offices of the Corporate University were inaugurated, located at the former Lanificio Maurizio Sella in Biella. The building offers new, modern and technologically advanced classrooms, designed to increase the efficacy of training projects while also providing the possibility of remote participation and training: 1.491 employees were trained, 43.757 man-hours in traditional classroom, 19.230 man-hours in virtual classroom, and 14.302 man-hours through e-learning.

In addition, new innovative operational tools were made available to employees. These include a company Internet provided with a new navigation bar, a powerful modern search engine, and a personalised menu. In addition, a shared GBS Wiki space was created for collective knowledge and it is now possible to become part of the Biella Leasing and Brosel communities.

» COMMERCIAL AND DISTRIBUTION POLICIES

During the course of the year, as envisaged in the 2010-2012 strategic plan, the "new commercial model and bank of the future" were implemented, moving towards the following objectives:

- to increase customer satisfaction;
- to improve service levels;
- to increase the time devoted to customer relations and the commercial relationship;
- to increase the profitability of the branches, reducing the costs of branch operations;
- to improve risk management.

This evolution, together with a serious organisational review of the branch operations, will make it possible to sustainably increase our territorial network, as well as increase the time dedicated to commercial activities, thanks to the improved efficiency it will bring.

This evolution is based on the following guidelines:

- the review and rationalisation of the territorial structure of the Group through the adoption of a "territorial team" model;
- evolution of the organisation of branches and the branch model with interventions that involved: operations, behaviours, innovation, automation, structure and opening hours for branches, as well as the product catalogue;
- the development of an integrated commercial model, namely of an open system at the centre of a group of integrated relations between customers and the bank, which allows for the more efficient management of the customer's information, obtaining greater interaction and better coordination of operative channels and assistance, involving the customer more, better overseeing pricing and, finally, supplying better central support to consultants, bankers, cash operators and other operators for a quality service.

Bank branches

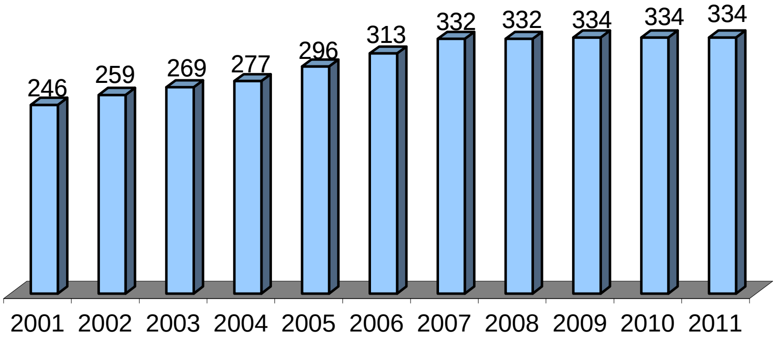
At end 2011, the number of Group branches decreased by one with respect to 31 December 2010, bringing the total to 334.

The main operations that involved the Group's branches over the course of the year were:

- on 29 May 2011 the first part of the One Bank operation was completed, which involved the merger by incorporation of Banca Sella Sud Arditi Galati in Banca Sella along with the associated branches;
- during the course of 2011, in relation to fulfilling the Banca Sella Group guidelines relative to reorganisation and structural savings, the Treviso branch of Banca Patrimoni Sella & C. was closed. The operations and accounts of this branch were transferred to the nearest branches. A financial promotion office continues to operate in Treviso.
- on 20 April 2011 the sale of the entire interest in Banque BPP by Banca Sella Holding and Sella Holding NV to a major European banking counterparty was completed, which included the sole branch;
- on 23 February 2011, activities began in the new branch of Banca Sella of Ayas (AO), a place where the Bank had been present up until last year with a treasury branch.

The diagram below shows the evolution in the number of Group branches in the last 10 financial years. It can be seen that in that period of time, the number of branches grew be 36,1%, going from 246 in 2001 to 334 in 2011, testifying to the growth in the distribution network over the last several years and the consolidation break which characterised 2011.

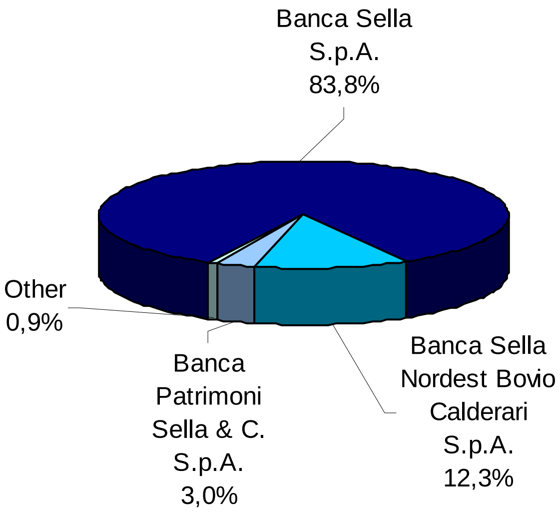
Evolution of the number of branches of the Group in the last 11 years



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

Group bank branches				
Company	**Branches at 31/12/2011**	**Proportion (%) of total 2011**	**Branches at 31/12/2010**	**Proportion (%) of total 2010**
Banks in Italy				
Banca Sella Sud Arditi Galati S.p.A.	0	0,0%	67	20,0%
Banca Patrimoni Sella & C. S.p.A.	10	3,0%	11	3,3%
Banca Sella S.p.A.	280	83,8%	212	63,3%
Banca Sella Nordest Bovio Calderari S.p.A.	41	12,3%	41	12,2%
Banca Sella Holding S.p.A.	1	0,3%	1	0,3%
Total branches in Italy	**332**	**99,4%**	**332**	**98,8%**
Foreign banks				
Banque BPP S.A. - Lussemburgo	0	0,0%	1	0,3%
Sella Bank A.G. - Svizzera	2	0,6%	2	0,6%
Total branches abroad	**2**	**0,6%**	**3**	**0,6%**
Total Group branches	**334**	**100,0%**	**335**	**99,4%**
Geographical distribution of branches				
North West (Piedmont, Aosta Valley, Lombardy, Liguria)	168	50,3%	167	49,9%
North East (Veneto, Trentino, Emilia Romagna)	58	17,4%	59	17,6%
Centre (Tuscany, Lazio, Molise, Abruzzo, Marche)	35	10,5%	35	10,4%
South and Islands (Campania, Apulia, Sicily, Sardinia)	71	21,3%	71	21,2%
Abroad (Switzerland)	2	0,6%	3	0,9%
Total branches	**334**	**100,0%**	**335**	**100,0%**

Percentage breakdown by company of the Group Bank branches



As shown in the table and the graphs above, after the conclusion of the first stage of One Bank, the Group's distribution network is mainly composed of Banca Sella branches (83,8%), while the second and third largest organisations in the Group, in terms of numbers of branches, are Banca Sella Nordest Bovio Calderari (12,3%) and Banca Patrimoni Sella & C. (3%). The remaining 0,9% is made up of the branches of the Banca Sella Group's foreign banks (in Switzerland) and the head office of the parent company Banca Sella Holding.

Financial promoters

The commercial network of Banca Patrimoni Sella & C. includes 281 financial advisers operating mainly on investment services at the bank itself and partly in synergy with other commercial channels of the Group.

The number of financial advisers in the Group as of 31 December 2011 stood at 281, 14 less than the 295 recorded for last year. They carry on their business at 10 branches (at 31 December 2010 there were 11) and 21 financial promotion offices (at 31 December 2010, there were 21), distributed all over the country.

Private Banking

The Private Banking sector of the Banca Sella Group includes the company Banca Patrimoni Sella & C. and the Private Banking divisions of Banca Sella, Banca Sella Nordest Bovio Calderari and Selfid.

Total net deposits for the Group's Private Banking grew by 441 million euro over the course of 2011, consolidating the trend towards both volume and economic growth already noted in 2010. 2011 was notable for the high level of instability in the markets which led customers to make defensive choices in terms of diversifying risk in investment portfolios. As a consequence, the asset mix of customers has a greater focus on easily cashed investments with short-term maturity periods, and a lesser focus on forms of managed savings such as individual portfolio management, which in any case, continues to represent an important percentage of the overall portfolio. For Banca Patrimoni Sella & C. in 2011, the percentage of managing savings including mutual funds and individual portfolio management was 50,7%, while for BSE Private Banking it was 31,8%. Similar aggregates for the Italian private banking market were 22,9% (source: AIPB).

Total stocks of the Private Banking sector of the Banca Sella Group as of 31 December 2011 amounted to approximately 9.836 million euro. The weight of private deposits with the Group totalled approximately 46%.

With regards to the trend of revenues, net banking and insurance income for the Group Private Banking sector recorded a 4,8% improvement on last year. In 2011, performance of net deposits and effective and proper communications with customer made it possible to better manage the tense moments and the under performance of the markets in the customers' interests while protecting the income statement.

Remote banking channels

INTERNET AND MOBILE BANKING

In 2011, Internet Banking registered appreciable development rates, in terms of increased clientèle for the banks of the Group, and in terms of the number of on-line instructions issued by them. In particular, an increase of 12,12% was seen with respect to the previous year.

In the context of Mobile Banking, among the most important changes we note the new application designed specifically for use with Android cellphones and the adaptation of the iPhone platform to IOS5 and retina display.

Web and CRM

During the course of 2011, efforts were concentrated on improving the user experience when using on-line services. The internet sites www.sella.it and www.sellanordes-bbc.it were completely redesigned and restructured in terms of layout and user experience, with the objective of making them clearer and more easily usable.

In addition, the new community, "The Bank We Like" was launched. Customers have the possibility of becoming part of the community, choosing an avatar, and sharing their suggestions and opinions with other customers, so as to help the bank to adapt its offerings on the basis of the recommendations given.

In addition, during the year some initiatives relative to the CRM were begun, aimed at improving the level of customer satisfaction, proposing services and products appropriate to their various needs.

Contact Center

In 2011, contacts decreased by 7,1% over 2010, with customers appreciating alternative options to the telephone, including chat, e-mail and video communication.

A 2% increase in order calls was seen in the Telephone Banking service with respect to 2010, thanks in part to the implementation of new services available for customers, such as the virtual portfolio and inter-bank transfer service.

During the course of the year, the Development Support service continued its activities to centralise branch calls and for the centralised development of telematic prospects, with good redemption.

ON LINE TRADING

On-Line trading business was influenced by the high level of volatility on the financial markets seen in the second half of 2011. Increased operations for our most active trader customers, in association with the various commercial and functional initiatives established during the year, made it possible for Group on-line trading banking income to grow by approximately 4% in comparison to the previous year.

On Line Trading activities developed mainly in three directions:

1. innovation in the product array offered and increasing the number of markets tradeable on-line;
2. completion of the migration of customers towards the new on-line trading platform;
3. execution of commercial initiatives aimed at acquiring new Trade customers, carried out in part through the organisation of training events to support customer operations.

Relative to product innovation, 2011 saw the release of various new items:

- completion of the "Sella Trading Bridge" application (by which customers can integrate specialised external software with the trading systems made available by the bank);
- the release of a new version of the application “SellaXTrading Mobile”, which takes advantage of the growing potential of next generation smartphones with touch capability and includes cutting edge graphical analysis functions;
- the introduction of trading in short and leverage intraday methods on foreign and bond markets;
- the extension of tradeable products, introducing on-line commodities futures trading, foreign ETF and the Amsterdam, Brussels and Lisbon stock markets;
- the introduction, as the first Italian intermediary, of trading on the Equiduct market, Berlin stock market segment, which allows best execution trading of the main financial securities from various European markets.

In reference to the second point, during the course of 2011, migration of customers to the new trading platforms SellaExtreme 4 and SellaxTrading was completed. This event is of fundamental importance, because rationalisation of the offerings allowed for cost reductions, enlargement of the array of services offered, and improvement of the performance and service levels offered to customers.

In reference to strictly commercial activities linked to the organisational of events and educational meetings, aimed at the commercial development of new relationships and provision of quality training, again in 2011 encounters with market professionals were organised, for a total of 79 training days which saw the participation of 1.343 individuals. As in previous years, the on-line trading area was an important player at the main sector fairs held in Rimini and Milan.

Payment Systems Agents

As of 31 December 2011, the commercial network of the Banca Sella Group also included 37 Payment Systems Agents holding double mandates: agency mandates issued by the company Easy Nolo to promote the Easy Nolo commercial services/products (e.g. POS hire, Fidelity and Gift) and the Acquiring service of Banca Sella throughout national territory.

Other channels

The Group's commercial activities are also carried out through 26 Consel branches, 13 affiliated "Consel Points" and an additional 2.800 partner sales points active in 2011 all over Italy. Biella Leasing, a company operating in the financial lease sector, is instead present on the territory with 9 branches, in addition to the Biella office.

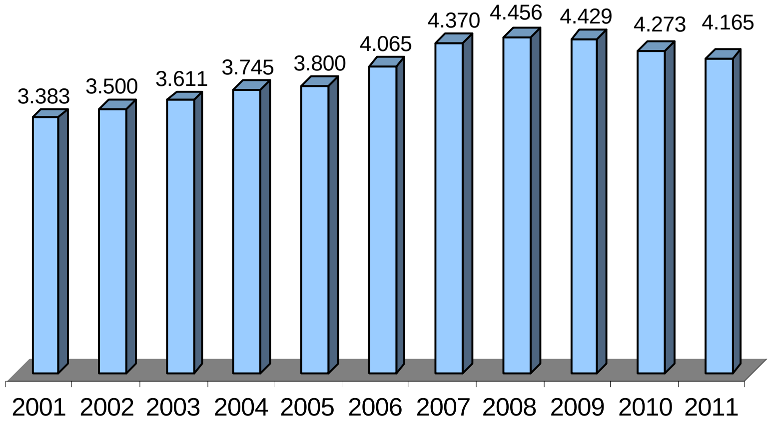
The Group also operates through its companies working in the fields of asset management, insurance services and insurance brokerage.

» HUMAN RESOURCES

Management and development of human resources

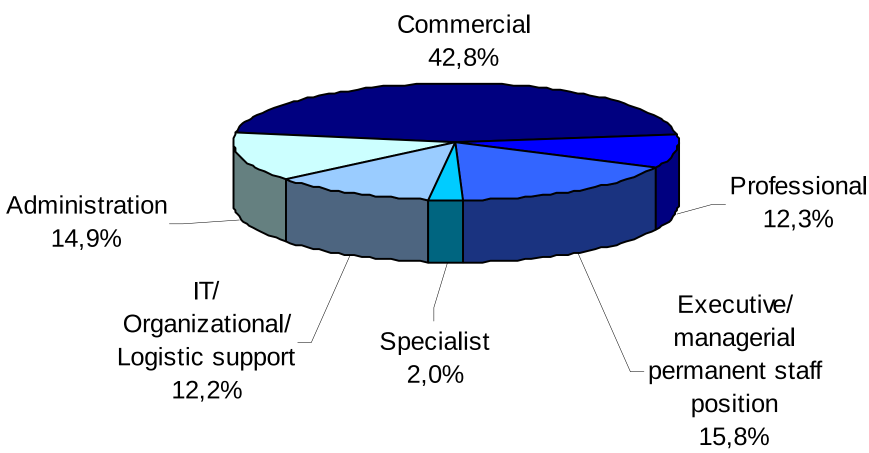
At 31 December 2011 the Banca Sella Group's staff totalled 4.165 employees, a decrease of 108 with respect to the figure at the end of 2010. Data relative to just the banking group (hence including the companies in the insurance sector) indicate that total employees at the end of the year numbered 4.121, a decrease of 108 over 2010.

Evolution of the number of employees of the Group in the last 11 years



At the end of 2011 the average age of the Group's employees was approximately 38,4 with women representing 49,5% of the total workforce. Both of these figures increased over the previous year, when the average age was 37,6 and women represented 49% of the total. The chart below provides a detailed breakdown of staff by professional category.

Distribution of personnel by category



The following table, instead, contains a breakdown of staff by company, with the corresponding percentage of the total workforce. Some of the variances in the number of employees of companies compared with last financial year are partly due to the transactions described in the section "Strategic issues" (which can be referred to for additional information), in particular in reference to:

- the merger by incorporation of Banca Sella Sud Arditi Galati and Sella Servizi Bancari in Banca Sella and the transfer, to Banca Sella, of the business unit of Banca Sella Holding consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area;
- the sale of the entire interest in Banque BPP by Banca Sella Holding and Sella Holding NV to a major European banking counterparty.

GROUP STAFF STRUCTURE						
Company	Employees at 31/12/2011	Proportion (%) of total 2011	Employees at 31/12/2010	Proportion (%) of total 2010	Changes	
					absolute	%
Parent Comapny						
Banca Sella Holding S.p.A.	250	6,0%	312	7,3%	-62	-19,9%
Banking Group Banca Sella						
Banca Sella Sud Arditi Galati S.p.A.	-	0,0%	387	9,1%	-387	-100,0%
Banca Patrimoni Sella & C. S.p.A.	174	4,2%	187	4,4%	-13	-7,0%
Banca Sella S.p.A.	2.675	64,2%	1.495	35,0%	1180	78,9%
Banca Sella Nordest Bovio Calderari S.p.A.	191	4,6%	201	4,7%	-10	-5,0%
Biella Leasing S.p.A.	62	1,5%	59	1,4%	3	5,1%
Consel S.p.A.	276	6,6%	262	6,1%	14	5,3%
Easy Nolo S.p.A.	2	0,0%	2	0,0%	-	0,0%
Selir S.r.l.	246	5,9%	244	5,7%	2	0,8%
Sella Bank A.G.	35	0,8%	32	0,7%	3	9,4%
Miret S.A	5	0,1%	5	0,1%	-	0,0%
Banque BPP	-	0,0%	30	0,7%	-30	-100,0%
Sella Gestioni SGR S.p.A.	50	1,2%	58	1,4%	-8	-13,8%
Sella Servizi Bancari S.C.p.A.	-	0,0%	803	0,0%	-803	-100,0%
BS IBO Chennai	154	3,7%	150	3,5%	4	2,7%
Selgest S.A.	1	0,0%	2	0,0%	-1	-50,0%
Total banking group Banca Sella	**4.121**	**98,9%**	**4.229**	**99,0%**	**-108**	**-2,6%**
Total average banking group Banca Sella	**4.175**		**4.306**		**-131**	**-3,0%**
Brosel S.p.A.	17	0,4%	17	0,4%	-	0,0%
CBA Vita S.p.A.	21	0,5%	21	0,5%	-	0,0%
Sella Life Ltd	6	0,1%	6	0,1%	-	0,0%
Total statutory Banca Sella Group	**4.165**	**100,0%**	**4.273**	**100,0%**	**-108**	**-2,5%**
Total average statutory Banca Sella Group	**4.219**		**4.351**		**-132**	**-3,0%**

Analysing these data we can see that, also as a consequence of the company transactions mentioned above, the companies with the highest proportion of the total number of staff are Banca Sella, the main commercial bank of the Group (with 64,2% of the total).

The foreign companies of the Group (Selir in Romania, Sella Bank in Switzerland, Miret and Selgest in Luxembourg, Sella Life in Ireland and Sella Synergy India in India) together account for 7% of the total. If the figures relative to the Chennai Branch of Banca Sella are added, the percentage of the total rises to 10,7%.

Training

Again in 2011, as in last year, the Banca Sella Group has identified a critical factor in the people and their professionalism, by which to continue its success story and customer services in the current macroeconomic scenario. In this context, the activities of the Company University were implemented, a structure dedicated to training with the purpose of:

- disseminating corporate values and culture;
- developing managerial and specialist skills;
- supporting research and innovation;
- collaborating with national and international universities and training centres.

The new site of the University, located in the former Maurizio Sella woollen mill in Biella, opened in 2011 offering new modern and technologically advanced classrooms, designed to increase the effectiveness of training actions and to make possible distance learning and participation.

Relative to the contents of training activities, besides the traditional areas (regulations, operations, behaviour, technical and commercial) four specific projects were begun in 2011:

- a project aimed that the commercial network, to support the realisation of a new commercial model, aimed at facilitating change both in relation to internal organisation and in relation to the commercial approach taken with customers
- a performance improvement project for certain staff structures, aimed at improving operational efficiency through the involvement, training and growth of employees
- a project aimed at managers, with the purpose of focussing attention on improving their staff through identification of their personal characteristics and defining personalised professional improvement plans
- a project aimed at internal trainers, to support the start up of Corporate University activities

Overall, in the Group as a whole about 110 thousand hours of training were provided, of which about 21.872 in the form of e-learning. The total amount of training is less than that in the previous year, while the division between corporate and external courses represents the policy begun in previous years to encourage greater use of teachers internal to the Group to support the spread of corporate culture and values. Specifically, training hours provided by internal instructors totalled 85% of all hours provided.

Training activities involved approximately 85% of employees (a decrease of approximately 10% with respect to the previous year) for a cost of 900 thousand euro (25% less than the previous year, a figure in line with the strategy to provide training through internal instructors).

At the end of the year 1.317 members of staff were qualified as insurance brokers, (-23% as compared with last year, in line with the reorganisation of the commercial network), of whom 5% were employees trained and certified during the year, while the remaining 95% consisted of staff trained for the annual renewal of certification awarded in previous years.

As regards e-learning instruments, in 2011 the use of virtual rooms was similar to that seen in the previous year (approximately 23.000 thousand hours, equal to 20% of the total hours delivered), as this method combines the advantages of synchronous learning with the organisational and logistical advantages of remote learning.

Other information

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

» OPERATIONAL STRUCTURE

Research and development activities

ABI WORK GROUPS

During the course of the year, Group companies took part in the work of the technical commissions and the associated working parties set up by the A.B.I. (Italian Banking Association).

Among these it is worth noting:

- within the ABILAB (Centre for Research and Development of Technologies for Banks, established in 2002 following an initiative of the Italian Banks Associations – ABI - with the purpose of creating a meeting point between banks and ICT Partners and to carry out research and development on innovative technologies for the management of processes, channels and bank security), the work Groups: “Register of bad cheques and payment cards against IT attacks," "Electronic Document," and the observatories: “IT Security and Fraud Observatory," "IT Architecture Observatory";
- the work groups within the Credit sector: “Land credit and Mortgages”, “Microcredit and loans to social enterprises”, "Guarantees", “Consumer Credit”, "Small business"; "Real Estate Appraisal," "Family Plan," "Insurance Policies";
- the work group "Food and Agriculture," and the observatory "Renewables," in the context of the Agriculture and Alternative Energy sector
- the work group "Internal Communication," in the context of which the 2011 Report "Internal Communication in Italian Banks" was completed;
- the work group "Claims Office";
- the work groups “Liquidity TIT”, “Liquidity Limits and Stress Test";
- the work groups within the tax sector: “Financial income," "Bank Investigations," “Lower Taxes," "Financial Profit," "Corporate income." In the same context, note also participation in the Gruppo Interassociativo Abi, Ania, Confindustria, and Assonime.
- the work groups under the scope of Anti-crime security "Technical study group for anti-crime security", "Cash group";
- the working groups “Current Accounts" and "mortgages" in the context of the "Simple Transparency" project

INFORMATION TECHNOLOGY

During the course of the year, Information Technology's activities focussed on maintaining and developing applications, with special attention paid to the flexibility of the architecture of the IT System, to increasing the knowledge of personnel, availability of analytical and programming resources, and constant recovery of both internal and external productivity.

The most significant activities carried out during the year include:

- the positive conclusion of the "One Bank" project that led to the merger of the following assets into Banca Sella: Banca Sella Sud Arditi Galati, Sella Servizi Bancari and certain Banca Sella Holding business units;
- in the context of Green IT, activities to complete the Private Cloud and the gradual migration of Windows and Linux environments to it continued, leading to a notable savings in electrical absorption, simplification and optimisation of Disaster Recovery and Business Continuity procedures, as well as a significant reduction in provisioning times for new infrastructure;
- the operating release of the Digital Signature solutions used to simplify and automate customer relation activities using telematic channels. The solution was gradually extended to almost all

products;

- the application changes necessary to manage the various organisational models introduced to the functions of the commercial network, in the context of the "New Commercial Model" initiative, which led to the introduction of the new Territories and Aggregations areas;
- the display of new functions on ATMs combined with the increased number of advanced ATMs installed, with a significant increase in the overall number of transactions carried out using this channel;
- the realisation of the Mobile Payment solution in cooperation with an external technology partner;
- completion of the activity to migrate customers to the new advanced Trading versions which now offer functions relative to stocks and derivatives in a single integrated tool;
- constant activities to introduce innovative solutions and extended use of the same in the context of the infrastructure together with actions leading to an increase in internal productivity in the context of development, making it possible to achieve an overall decrease in operational costs of 11%;
- experimentation, in the context of an initial pilot project, with use of a next generation tablet, to manage activities on the go, with the use of the main IT system functions, a project which will move forward with specific project activities in 2012;
- the review of a procedure used to manage customer conditions through the introduction and automation of management of expiration conditions;
- expansion of Web2.0 tools in the context of the intranet and internet sites, to optimise internal and external communication and the use of advanced tools;
- improvement of the release management system with management of "hot" releases for departmental components in order to minimise the impacts of said releases;
- continuation of activities to optimise printing processes, in particular in reference to extending the use of electronic versions by customers, available on the SellaBox application, and review of communication aggregation mechanisms in order to limit paper printing and the consequent environmental impacts;
- maintenance of the Multibank IT System, ensuring that it remains up to date with external regulatory requirements;
- continuation of activities to establish the functionality of the Company IT System through services (SOA), so as to allow expansion of the functions offered on the Mobile Banking and Home Banking multichannel platforms, and as a service platform for the project to establish a new Commercial Workstation, which will begin in the new year;
- the revision of the IT processes linked to the issue of the Services relative to ITIL with the introduction of an infrastructural solution for governing them for the Service Operation component;
- the continuance of the optimisation of the procedures, in pursuit of both improvement and greater efficiency of the processes and for the optimisation of the use of the resources;
- the review of the audit processes and methods in the sphere of software development aimed at generating greater efficiency;
- adaptation of the Data Center by the technological renewal of the infrastructures of central computers. This is to keep the infrastructures technologically adequate and make them suitable to support the growth of volumes, allowing, among other things, also for the reduction in energy consumption in favour of Green IT;
- the progressive adoption of open source software in production areas;
- research and development activity aimed at the selection of the technological solution with which to operate next year, revision of the information system interfaces used by colleagues, in view of multi-devices.

Report on corporate governance and ownership structure

In conformity with the provisions of section 123 bis, subparagraph 2, point b) of Legislative Decree 58/98, the information on the main features of existing risk management and internal control systems concerning the accounting and financial information process is reported below.

As regards administration and accounting activities connected with the preparation of individual and consolidated financial statements, the Group adopted specific company processes, aimed at supervising the correct preparation of financial statements, as provided by legal, regulatory, civil and fiscal regulations. The Compliance and Internal Audit services of the Holding company ensure the conformity and adequacy of these processes, within the scope of their activity, as described in the following section.

The model used therefore allows obtaining a reasonable guarantee for the reliability of the accounting and financial information prepared.

Internal controls

Reinforcement of the Banca Sella Group's control system, begun in 2005, was carried out in accordance with a detailed action plan that was constantly updated in order to take into account the experience acquired and best practices at a system level. It operates according to four directives:

a) supervision of rules and processes;
b) continuous inspection of rules adequacy;
c) growth of professional competencies and control culture;
d) controls and inspection of the compliance with rules.

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

Below is a brief summary of the main activities carried out:

a) Control of the rules and processes

The Group's organisational framework is the basis of its stability, efficiency and profitability. In particular a complex organisation, such as the Banca Sella Group is today, requires the processes to be well structured, subject to appropriate audits and based on clear and efficient rules.

With a view to pursuing the continuous improvement of the Group's capacity to intercept symptoms of process vulnerability in advance and have an immediate perception of the areas most greatly exposed to risks, in 2011 a reorganisation project was continued involving business processes, which was begun in 2010 and based on a new classification of the same into five levels:

1. class: identifies the subdivision of all processes into four types (decision-making and governance processes, marketing, commercial and customer service processes, business processes, and support processes);
2. macro process: functional aggregation of processes aimed at supporting an unequivocal view and responsibility for processes that work towards similar purposes;
3. end-to-end process: all those correlated activities which starting from one or more inputs produces at least one output (product or service). The end-to-end concept refers to the need to represent the entire flow of activities that from the start passes through various organisational units through to disbursement of the product/service to the customer (internal or external);

4. activity: all those actions aimed at a specific purpose in the context of an end-to-end process;
5. procedure: all those specific operational instructions which must be understood and applied by actors in an end-to-end process.

This project has the final goals of:

- maximising clarity in attribution of responsibilities;
- offering a clear and complete "overall vision" of how processes are carried out (both decision-making and operation) for every service and product provided by the Group;
- making prevention significantly easier, enabling a complete vision of the "production chain" underlying decision-making and business activities.

In addition, to ensure that new regulations are internally acknowledged effectively and appropriately and, more generally, to guarantee compliance over time with the internal regulatory structure, during the course of 2011 a project was begun to review the Group's entire internal regulatory structure, in order to simplify it and adapt it to the company organisation. The following benefits will be obtained through the project, which will be completed through precise intermediate objectives during the course of the next two years:

- greater unambiguousness in the behaviours induced by the regulations, thanks to greater clarity in the regulatory references linked to company operations as well as greater simplicity and immediacy in terms of usability;
- consequently, greater efficacy and efficiency, as well as a reduction in operating risks deriving from "non-conformant behaviour" by personnel;
- simplification of responsibilities related to preparation and maintenance of said regulations, thanks to the introduction of a new "taxonomy of the regulatory system."

b) Continuous monitoring of adequacy of the rules

The organisational and internal regulatory structure requires continuous adaptation to changes in regulations, evolution of technologies, products, risks themselves and experience gained.

The compliance department is particularly important (which is dealt with in more detail in the section on second-level controls), responsible for supervising the risks of not conforming to regulations and verifying that internal procedures are in line with the objective of preventing violations of both external and self-government regulations.

Of equal importance is the role played by Internal Auditing (which is more amply described in the section on third-level controls), consisting of Internal Audit services, the Insurance Inspectorate, Investment Services Auditing and EDP Auditing, assigned to identify anomalous trends, violations of procedures and internal and external regulations, to evaluate the functionality and adequacy of the overall internal controls system and to ensure notification of potential risks identified during the course of their verification activities. With the objective of reinforcing the Group's capacity to intercept, predict and evaluate potential existing risks, in 2011, Internal Auditing added additional audit activities with an eye to improving process verification.

In the work of identifying and mitigating risks and eliminating the causes of the possible events, an internal process, known as the “Audit Cycle”, which regulates the treatment of anomalies and the immediate elimination of the effects and causes which generated them, continues to be adopted with excellent results for the whole Group. The process is coordinated by the Parent Company’s Risk Management and Audit Service, which, through the use of a specific software procedure, presides over the work of surveying, monitoring and managing all the anomalous events that occur in all the Group companies.

The anomalous event gives rise to:

- immediate evaluation of the corresponding degree of seriousness Each anomaly is classified on the basis of a scale of risk from 1 to 5;
- the immediate solution (so-called left cycle"), the aim of which is to neutralise immediately the effects of the anomaly, implementing, at the same time, continuous and/or extraordinary supervision until the root causes of the anomalous event have been definitively dealt with;
- the definitive solution (so-called "right cycle"), which has the objective of definitively removing the causes of the event to prevent it occurring in the future. This may include interventions regarding the organisation of processes or information systems, modification of controls and/or modification of internal standards.

Since its adoption, the "Audit Cycle" has made it possible to:

- improve the culture of risks, management of anomalies and service levels;
- identify, survey and analyse anomalies to create a statistical base that is also useful for assessing the vulnerability of the single processes and the exposure to risk of single sectors, activities, businesses and companies;
- rigorously track the responsibilities for and progress in eliminating anomalies;
- render the process of following up anomalies more effective and controlled;
- guide the identification of the intervention priorities for an improvement of processes in order to mitigate operational, non-conformity and reputational risks;
- lay the foundations for the new Information Flow Rules of the Group.

The monitoring of technological, process, business and product innovations is carried out by second level audit structures, which carry out preventative and in-depth analysis on the compliance of new products with current regulations and the Group guidelines, which act to create quality products and services, in line with the customer's demands, mitigating the risks related to commercial activity. To that end, a specific process for the approval and creation of new products/services has been defined, through the use of a special "evaluation form," which contains a check list of the controls performed and verifications carried out on the various involved services, as well as the evaluation and quantification of the risks to which the product/service may be exposed.

In addition, in terms of anti-money laundering, the contribution of the Parent Company's Anti-Money Laundering department should be noted, established with the Risk Control department[1], which works with the Compliance department of the Parent Company to continuously identify the regulations applicable in terms of fighting money-laundering, issuing rules and guidelines for the Group and proposing organisational and procedural changes aimed at ensuring a high degree of protection against money-laundering risks.

c) Growth of professional competencies and control culture

The growth of professionalism and the audit culture are pursued by paying careful attention to resources, whether directly operating as audits or in operative departments, ensuring constant professional growth through the use of external training and constant professional and regulatory updates, also through participation in inter-banking work groups. The resources operating in units not directly involved in control activities are subject to continuous professional training aimed at spreading the control culture to all levels.

The Group has special training established to ensure that personnel is informed about the obligations envisaged under anti-money laundering norms, and organises training programs aimed at all employees and collaborators in order to spread a culture of conformance and respect for the

[1] Following the update to the organisation charts and the Direction and Coordination Map, starting from 22 December 2011, the department "Value Control" is now known as "Risk Control".

regulations and to a common ability to identify suspect transactions. The continuous training program on this subject includes courses that can be used via e-learning as well as classroom courses.

In addition, on-line training continued during 2011, in particular with reference to Loan Officers, Managers, and Branch Managers and Second in Commands, in regards to credit risk and capital absorption.

d) Controls and inspection of the compliance with rules

Again in 2011, the Group acted to further and continually qualitatively and quantitatively reinforce the services responsible for second and third level audits, and the continual refinement of the organisation of activities, also improving the flows of information between the various audit structures.

Second and third level control units are notable for their high degree of independence and authority, indispensable for guaranteeing effective control and ensure, as its ultimate aim, the Group's stability with respect for sound and prudent management principles.

In the light of all that above, the organisational framework of the "Internal Control System" is structured over three levels, in accordance with the provisions of the Supervisory Authority.

The Group's foreign bank, Sella Bank Ag (CH), on the other hand, has a control system consisting of active internal structures (which, in the context of the overall design adopted by the Group, has certain adaptations to local regulations) and a complex of control activities which are carried out at the central structures of Banca Sella Holding and Banca Sella.

In order to properly align on-site units and units operating within the Holding company structures, the Internal Audit and Risk Control areas regularly arrange co-ordination meetings fostering discussion and exchanges of views among the heads of the relevant control activities in the various entities. The Compliance department of the Parent Company organises specific meetings with the individual Compliance managers of the various subsidiaries.

As regards Internal Controls we highlight the contribution of the following "corporate mechanisms":

- the Audit Committee, established in 2005, in order to constantly and effectively monitor the main risks connected with the Group's operations. By analysing the internal control system and examining the main anomalous events that occur, it aims to continuously improve the control system, proposing solutions to strengthen its efficacy and guarantee strict and effective supervision to mitigate the risks which the Group is most expose to;
- the Operations Risk Committee (CO.R.O.), established in 2008, in charge of the examination, assessment and authorisation of operations, organisational models, new product and activity launches and, in general, any other initiative generating significant operational, reputational, strategic, legal or compliance risk or that create an increase in capital absorption;
- the Rating committee is both an advisory board and decision making council and its tasks include resolving to override the ratings of customers belonging to the Corporate and Large Corporate categories. Override resolutions take place in accordance with the powers assigned to the Committee and in compliance with specific guidelines. Causes must lie in a specific list of grounds and there will be an audits system in place in order to guarantee the homogeneity, integrity and efficiency of these measures, in any case only to be implemented with regards to residual cases that are not easy to standardise or not considered by the model.
- the Audit Committee, instituted by the Board of the Directors of the Parent Company in order to assist the latter in monitoring the control system. The Committee is responsible for analysing the relevant issues and practices related to the internal control system and for evaluating the adoption of the most appropriate corrective measures proposed to resolve the shortcomings and anomalies detected during the verification and control process, both internally and by the audit company;

- The Supervisory and Control Committee, established by the Board of Directors of the Parent Company, who is assigned the task of supervising the effectiveness and observance of the "Models," as well as ensuring that they remain up to date.

The organisational framework of the “Internal Audit System” divides audits into three levels, in accordance with the recommendations of the Supervisory Authority.

FIRST LEVEL CONTROLS

First level controls aim at ensuring the correct performance of operations and are carried out by the same operational units or included within computer support procedures.

In the context of first level or line controls, work is focused on:

- automation of manual controls;
- inserting of new controls deriving from comprehensive analysis of processes and risks;
- reinforcing central monitoring of the outcome of peripheral controls.

SECOND LEVEL CONTROLS

Under the scope of second level or risk audits (which are carried out by structures other than production units), the improvement was pursued of quantitative and qualitative instruments for the measurement of exposure to risk and professional skills grew of the structures appointed, through suitable internal and external training.

The main activities performed by the Risk Management and Control service of Banca Sella Holding include:

- constant improvement of the “Audit Cycle” organisational process;
- conduction of Risk Self Assessment activities, (coordinated by the Risk Management and Audit with the involvement of all the departments and the process owner companies), with the ensuring more detailed study of the mapping of processes through a quantification, in terms of both financial impact and frequency of occurrence, of possible risk events, and therefore of losses, identified in the business processes;
- application of a new computational methodology used to determine the "Internal Operational Risk Rating", the indicator adopted by the Banca Sella Group to measure the exposure of the Group companies/Parent company area to operating risk. The indicator is based on internal operating losses figures (effective and estimated), on performance indicators (KPI) and risk indicators (KRI) and provides a measure of the exposure to operating risk that can be translated into discrete values from 1 to 5 (where 5 is the maximum risk). It was reviewed with an eye to reinforcing protections for the management and mitigation of risk beforehand;
- evolutionary maintenance of credit risk measurement processes and procedures, including:
  - a rating system for determining the credit quality of corporate and large corporate segments. During the course of 2011, a new rating model was released, developed in cooperation with Cerved Group, that made it possible to better classify the clientèle and increase predictive capacity in respect to the previous model. At the same time the new ratings model was introduced, the method used to calculate collective valuations of performing loans was also updated;
  - the scoring system used to determine creditworthiness associated with private customers and companies defined internally as *Small Business* and Small-Medium Businesses; during the course of 2011 a new performance scoring model was developed for small and small-medium businesses that will be released to production in the case that the validation tests currently in course have positive results;
  - IT procedure for identifying legal and economic bonds existing among customers;
  - monitoring of risk-adjusted return;

    - processes and procedures to check the admissibility requirements of credit-risk mitigation techniques;
- the continuous strengthening of the monitoring of market risks;
- improvements in the management and control of Second Pillar risks identified in the Basel 2 standards and subject to measurement/assessment in the context of the ICAAP process. More specifically, we note the following:
    - improvements in the process of measuring and controlling the interest rate risk and the modelling used;
    - the constant refinement of the indicators adopted to monitor the liquidity risk, with a view to aligning these to future new standards proposed by Basel 3;
- the introduction of daily exposure monitoring for the Group for countries on the outskirts of the Euro zone;
- reinforcement of controls regarding market abuse;
- revision of risk control and management policies;
- estimate of the quantity impact of the new equity rules dictated by the revised bank prudential regulation (Basel 3);
- continuous, proactive and effective monitoring to prevent external IT attacks (including phishing);

The Group Risk Management and Audit Department is also responsible for monitoring the service levels of all the Group's operational structures.

The Cruscotto dei Livelli di Servizio (Service Level Dashboard) is an appraisal instrument to assess service levels, to allow grouping indicators according to the organisation chart of the Banca Sella Group. The dashboard also provides an overview of the impact on the service levels of the critical anomalies which occurred in a certain department/company.

The service level monitoring process is closely connected to the anomaly and follow-up management processes. In fact, within the Group Control Cycle process, an analysis of the impact on service levels is requested for each anomaly detected in the "Anomaly Reporting" platform.

The 2011 dashboard has been adapted to suit the changes in the organisation as they have come into effect during the period. The Service Level Dashboard report with the related comments is prepared during the meeting of the Board of Directors of the Parent company, is published every month on the corporate Intranet and is available to all users for consultation.

At 31 December 2011 the Group Dashboard recorded a total annual average service level of 99,916%, an improvement of 0,052% compared with the result for 2010 (99,968%).

On the issue of money laundering, the Money Laundering Controls department (part of the Control and Follow Up service at Banca Sella) carried out the following activities in 2011:

- review of anomalous movements made by the clientèle, by carrying out systematic and sampling controls. This activity is supported by IT extraction and review of the overall results obtained ("alarm bells");
- production, control and monthly transmission of data to UIF regarding the records contained in the shared IT archiving system;
- monitoring unexpected positions highlighted by the special GIANOS procedure within the deadlines envisaged in internal regulations.

Again in 2011, the Banca Sella Group carried out an independent valuation of the Group's capital adequacy, both in current and prospective terms, in relation to the risks assumed and assumable and the company strategies, formalised in the drafting of the ICAAP report, sent to the Bank of Italy.

The company bodies of the Parent Company govern the entire ICAAP process and, in compliance with the Supervisory regulations, promote the update, in order to ensure that it continuous to meet the operational characteristics and context in which the Group works.

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

Finally, the Banca Sella Group drew up and published on its website, in the "Investor Relations" section, the so-called “Basel 2, Third Pillar: Disclosure”, in accordance with the provisions of the “New regulations for the prudential Supervision of Banks”.

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

This unit governs a cross-sector multi-functional process that involves numerous aspects of company life. In fact, carrying out conformance requirements, which include a large number of activities already performed by other departments, involves responsibilities distributed within the company, diverse skills and may also require communicating with external parties, including the Supervisory Authorities.

The compliance process is necessary in order to:

- supervise the risks of non-conformance deriving from the introduction of new relevant regulations or amendments to existing ones;
- transform the new regulatory context into opportunities and benefits for the clientèle and the company;
- carry out effective and efficient organisational and cultural adaptation.

The stages into which the Banca Sella Group compliance process is divided are:

1) knowledge of the regulations;
2) alert activities;
3) gap analysis;
4) organisational planning, successive changes, and full release of the same;
5) adaptation control (with respect to deadlines);
6) efficacy and adequacy control.

In greater detail, the application of the compliance process provides for the responsibilities described below, under its scope of competence:

- continuously identify applicable regulations and measure/evaluate their impact, in terms of non-conformance risk, for company processes and procedures;
- ensures that the processes, procedures, products and services offered comply with the self and general regulation provisions;
- including through direct verifications carried out in the context of the annual plan or through extraordinary verifications requested by Top Management, verify that the regulations have been acknowledged by the departments relative to the procedure, processes and the internal regulations, as well as verifying the efficacy of the organisational solutions (structures, processes, and procedures, including both operations and commercial) that are suggested to prevent compliance risk;
- provide advisory assessment to the Top Management on the regulatory compliance of innovative projects and on the prevention and management of the conflicts of interest;

- supply advice and assistance to significant subjects appointed to perform services, in order to ensure fulfilment of the obligations laid down in the legislation;
- verify the coherence of the award system (in particular personnel retribution and incentives) with the objectives to respect the regulations;
- evaluate the risk of non-conformity underlying the strategic decisions taken;
- agree on courses and training seminars with human resources on compliance matters, both of a general nature and on specific subjects, in order to ensure the promotion and diffusion of a culture of legality and compliance and to prevent the compliance risk;
- at least once a year, present the company bodies with the report on activities, in accordance with that established by sector regulations;
- it draws up regular reports on the instances of non-compliance detected.

In Banca Sella Holding, the BSH Compliance department is operative, permanent and independent and an integral part of the internal audit system, and the staff is under General Management. Each company of the Banca Sella Group has assigned the responsibility for compliance to an internal compliance manager or, by virtue of specific outsourcing contracts, directly to the Parent Company division.

In addition, the Parent Company's Compliance Department has the responsibility of supervising the application of the compliance process in the Banca Sella Group and to propose guidelines at a Group level in terms of managing non-conformity risk.

THIRD LEVEL CONTROLS

In the context of third level controls, Internal Auditing at Banca Sella Holding consists in four areas: Internal Audit, Investment Services Auditing, EDP Auditing, and Insurance Inspectorate, which operate with the purpose to identify anomalous trends, violation of procedures and external and internal regulations, and to assess the functionality and appropriateness of the whole internal control system and report any potential risks identified during inspections. Internal Auditing reports structurally to the Board of Directors of the Parent Company and, when the Board is not meeting, to its Chairman. The services which comprise it carry on their work, in accordance with their respective responsibilities, in close collaboration and under the guidance of the Internal Auditing Manager, who, in turn, assists the Audit Committee[2], to which he or she reports.

Control activities carried out by Internal Auditing are executed through inspection verifications and audits, both planned and not, and with the successive detailed follow up regarding corrective actions.

The Internal Auditing Department carries on its work in relation to both the departments and services of the Parent Company, and the other Group companies, in particular for Banca Sella, in the context of the role played by the Parent Company. The Internal Auditing Department also performs a

[2] *The Audit Committee consists of three independent directors. It was set up by the Board of Directors of the parent company to assist the directors in monitoring the audit system. Operational since the second quarter of 2005, during 2011, calling on the internal audit and staff structures of the Parent Company to report to it, it dealt mainly with the following subjects:*

- *action plans and periodical reports of the Internal Audit Unit indicating the greatest shortcomings that had emerged and the stage of progress of the follow up;*
- *updating by the Risk Management and Control Service of Banca Sella Holding and Operational Controls of Sella Servizi Bancari regarding Operational Risks, indicating the main critical issues that had emerged and updating the stage of progress of the follow up;*
- *examination of interim and annual consolidated financial statement drafts, focusing on the main items and the process by which they were compiled;*
- *situation of the risk for the Group companies arising from legal disputes and the relevant provisions;*
- *complaints received by the Group companies.*

Over the year the Committee also studied in detail and requested updates on various specific topics.

task of co-ordination with the inspection/audit services present in the Group companies, with the goal of making the overall supervision and monitoring of the risk areas more efficient and effective.

In 2011 it worked to:

- ensure appropriate planning and execution of activities, in line with the various external requirements (norms/regulations, or requested by the Supervisory Bodies) and external ones, using a risk-based perspective;
- ensure monitoring of the implementation of the correctional steps by the inspected bodies (follow up);
- guarantee the efficacy of the informational and reporting flows in terms of the Board of Directors, Board of Statutory Auditors, the Audit Committee, and Top Management, as well as the second level control departments;
- strengthen the workforce quality standard and improve and expand the range of professional competencies available within its services with the purpose of better responding to action demands;
- reinforce the actions of coordination of the inspection and audit units of the other Group entities, by examining together the end-of-year results and the Group's annual integrated audit activity plans as established for the upcoming year. The regular routine meetings with the managers of the inspection and audit units of the other Group companies are part of this aspect. They are an important occasion for the exchange of information on the outcome of the audits and on the anomalies that have emerged, and for discussing and agreeing on methods of work and updating;
- reinforce the Quality Assurance process for audit activities by carrying out a Quality Self Assessment.

More specifically, the inspections performed by the Internal Audit Department during the year had the purpose of:

- checking the compliance with internal regulations, supervisory regulations and laws (from both a formal and a substantial point of view), the effects on capital and income and the risks associated with the business;
- carrying out process analysis, with the purposes of evaluating risk areas, in relation to the efficiency and efficacy of controls, the functionality and adequacy of the organisational processes, their efficiency and appropriateness to the type of operations of the structure/company. In this context, the Internal Auditing department at the Parent Company is responsible for reviewing so-called "company macro-processes" with the objective of being able to express considerations relative to business lines in their entirety;
- ensuring that line and risk controls are carried out in an optimal and thorough manner;
- highlighting the existence of “residual” risks”, reporting on their “level of seriousness” , and formulating requests and suggestions for corrective actions to resolve of mitigate the shortcomings detected.

From an exclusively quantitative and statistical point of view, considering a workforce of 22.34 (full time equivalent) units in 2011, the audits carried out by the Internal Audit department on site and remotely can be summarised as follows:

INTERNAL AUDIT ACTIVITY			
Audits of:	**2011**	**2010**	**2009**
- Areas/Services/Processed of the Parent company Banca Sella Holding S.p.A.	27	29	40
- Areas/Services/Processes of Sella Servizi Bancari S.C.p.A./Banca Sella	31	38	24
- Other Group companies and/or their Central Services/Processes	25	19	15
- Banca Sella S.p.A. peripheral business units (with *outsourcing* contracts)	-	15	23
Total	**83**	**101**	**102**

SUPERVISION AND AUDIT COMMITTEE LEGISLATIVE DECREE 231/01

During the year, the Supervisory and Control Committee, pursuant to Legislative Decree 231/01 of Banca Sella Holding duly went about its business, both in terms of assessing the need to update the "Organisation, Management and Control Models" and to monitor the application of the complex system of internal rules that govern the execution of the various company activities.

During the course of 2011, the "Models" were subject to updating mainly in regards to company organisational relative to anti-money laundering regulations, with particular reference to the provisions contained in the Bank of Italy instructions of 10 March 2011, effective as of 1 September 2011.

In reference to the introduction of article 25-undecies, introduced by Legislative Decree no. 121/2011, in regards to so-called environmental crimes, the Bank will take action to update the model during the course of 2012, in the context of the general review and new structure of the Risk Management Organisational Models 231/01.

As regards the supervisory tasks assigned to the Committee, it performed various inspections at the central offices of the Parent company, and at the offices of the main subsidiary Banca Sella Spa for the activities carried out by the same with relevance for the activities of the Parent Company as well.

These verifications have the end goal of determining to what degree the rules established in internal regulations are applied, in particular: the adequacy of the deficit cycle process regarding purchasing, verification of the Market Abuse controls process, the process of issuing new products relative to the Macroprocess "Item Collection and Payment", the process to obtain contributions and financing for personnel training, the adequacy of software licenses, the Customer Service Macroprocess, the process relative to "Cash Processing" (Counting Room) and adaptation of the new organisational structure of the Anti-Money Laundering department, as well as verifications regarding proper management of the shared IT archiving system.

The committee also examined the report on the subsidiary Sella Bank AG in relation to the issue of Tax Monitoring and the report containing the follow-ups to the previous analytical and verification reports.

From the verifications carried out, no important anomalies were identified - with the exception of that relative to the adaptation of the new Anti-Money Laundering organisational structure and the verifications regarding proper management of the shared IT archiving system - although in certain cases, issues were noted in order to suggest additions to be made to internal regulations or line control manuals.

With reference to the issues seen in the Report on the new organisational structure of the Anti-Money Laundering department and the verifications regarding proper management of the shared IT archiving system, examined by the Committee in its last meeting in December 2011, the Committee recommended that the report be immediately submitted to the first meeting of the Board of Directors of the Bank as well as recommending that the Anti-Money Laundering service immediately establish the corrective actions suggested therein.

Finally, the Supervisory and Control Committee did not receive, through the specially provided channel, any report of behaviour that was abusive or not in line with regulations on the part of the Bank's employees or anyone collaborating with the bank.

TRANSPARENCY OF TRANSACTIONS AND BANKING SERVICES

In 2011, a new initiative was begun, Consumer Credit Regulations, in order to acknowledge important changes deriving from the process of harmonisation with EU community norms, in commercialisation of financing aimed at consumer clients.
Regulatory innovations were disclosed through:

- the update of internal regulations with the issue by the Parent company of a regulatory circular containing the Service Order on transparency and updating of the related technical rules for the Bank and the Product Catalogue;
- training and informational moments for the sales network: training videos that illustrate the main operational changes introduced by the Consumer Credit regulations, an e-learning course and video-conference training courses to further explore certain operational specifications on the subject.

In addition, to help ensure respect for the Transparency Regulations by reducing the risk of human error, certain financing contracts were automated.

» RESULTS FOR THE YEAR

INCOME DATA

Reclassified income statement *(euro million)*

Item	31/12/2011	31/12/2010	% change over 2010
10 Interest and similar income [1]	444,9	408,7	8,9%
20 Interest and similar expenses [1]	(166,3)	(117,6)	41,4%
70 Dividends and similar income	2,8	2,6	8,1%
NET INTEREST INCOME AND DIVIDENDS	**281,4**	**293,7**	**-4,2%**
40 Fee income [1]	306,9	305,8	0,4%
50 Fee expenses [1]	(85,2)	(83,7)	1,7%
80 Net gains/(losses) on trading activities [1]	32,3	16,7	93,2%
90 Net gains/(losses) on hedging activities	4,7	0,3	-
Net income from service	**258,8**	**239,0**	**8,2%**
150 Net premiums	202,4	443,2	-54,3%
Other costs/income pertaining to insurance activities [1]	29,0	31,8	-8,9%
110 Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	(9,4)	(6,4)	46,1%
160 Balance of other income/expenses from insurance operations	(208,4)	(462,1)	-54,9%
Net income from insurance activities	**13,6**	**6,5**	**108,6%**
NET BANKING AND INSURANCE INCOME	**553,7**	**539,2**	**2,7%**
180 Administrative expenses:			
a) Personnel expenses	(222,0)	(237,0)	-6,3%
IRAP on personnel and seconded personnel expenses [2]	(8,1)	(7,9)	2,3%
b) Other administrative expenses	(151,7)	(150,3)	0,9%
Recovery of stamp duty and other taxes [3]	25,9	23,5	10,3%
200 Value adjustments on tangible assets	(16,5)	(18,3)	-9,6%
210 Value adjustments on intangible assets	(14,5)	(15,3)	-4,7%
220 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	7,3	14,2	-48,4%
Operating costs	**(379,7)**	**(391,2)**	**-2,9%**
OPERATING PROFIT/(LOSS)	**174,1**	**148,1**	**17,6%**
190 Net provisions for risks and charges	(7,8)	(4,9)	57,9%
130 Net value adjustments for impairment on:			
- loans and receivables	(115,9)	(96,4)	20,3%
- financial assets available for sale	(16,6)	(0,3)	-
- other financial transactions	0,4	(0,0)	-
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	(3,2)	(2,7)	20,7%
- financial assets available for sale	(1,0)	10,1	-
- financial liabilities	2,8	(0,3)	-
240 Gains/(losses) on equity investments	(1,1)	(0,2)	-
260 Impairment of goodwill	(0,9)	(0,5)	73,6%
270 Gain/(loss) on disposal of investments	4,7	0,4	-
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**35,5**	**53,3**	**-33,4%**
290 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	(20,6)	(24,0)	-14,3%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**14,9**	**29,3**	**-49,1%**
310 Profit/(losses) on asset disposal groups held for sale after tax	2,4	(9,0)	-
PROFIT/(LOSS) FOR THE YEAR	**17,3**	**20,3**	**-14,9%**
330 Profit/(loss) for the period pertaining to Parent Company	**15,7**	**19,2**	**-18,4%**
340 Profit/(loss) for the period pertaining to minority interests	**1,6**	**1,1**	**47,3%**

(1) *The insurance sector items have been separated from the Income Statement items and brought together in a specific item "Other income pertaining to insurance activities".*

(2) *Separeted from the item "Income taxes for the period on continuing operations".*

(3) *Separated from the item "Other operating expense/income"*

In these financial statements, some items relative to the comparative data at 31 December 2010 are different than in the financial statements published the previous year, due to the application of IAS 8 regarding changes in the accounting principle for severance indemnities and following clarifications sent by the Bank of Italy relative to reclassification of certain components in reference to expenses for personnel, under administrative expenses. For more detail please refer to the Notes to these financial statements, Part A - Accounting Policies.

Income Statement Reclassification Criteria

In order to provide a more easily understandable representation of the income results, an income statement has been prepared using expositional criteria more appropriate to represent the content of the items in accordance with principles of management homogeneity.
Reclassifications involved:

- item 70. “dividends and similar income” which full under interest income totals;
- item 100. “profits (losses) from sales or repurchases of credits, financial assets held for sale, financial assets held to maturity and other financial transaction," which is separated from banking income and considered with item 130. "net value adjustments for impairment losses".
- IRAP on the costs for personnel which is separated from the item "Income taxes for the period; on continuing operations and classified in personnel expenses;
- the item "recovery of stamp duties and other taxes" which is separated from the item "other operating income and expenses."

PROFITABILITY

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

2011 was characterised by moderation in the growth rate of the global economy. In the Euro Area, the continuation of the uncertainty surrounding management of the sovereign debt crisis contributing to increasing worries for economic and financial operators as well establishing the foundation for the slowing in the GDP growth trend, which became clear in particular during the second half of 2011.

In this difficult situation, the Banca Sella Group closed the 2011 financial year with an income of 17,3 million euro, of which 15,7 pertaining to the Parent company. When compared with the previous year, in which profits pertaining to the Parent Company totalled € 19,2 million, a decrease of 18,4% can be seen.

The main factors which determined the performance in financial year 2011 (set out in the analysis of the Reclassified Income Statement) are:

- the growth (+2,7%) in banking income, thanks to the positive contribution from net revenues coming from insurance activities (+108,6%) and net revenues from services (+8,2%);
- the decrease, with an eye to containment and savings, of operating costs
(-2,9%);
- worsening (+20,3%) in value adjustments for impairment losses, mainly due to the difficult external economic scenario;
- net worsening (-16,3 million euro) for value adjustments for impairment of financial assets available for sale due to writedowns of Greek government bonds held in said portfolio;
- the extraordinary event of the sale of Banque BPP to a major European banking counterparty, which led to profits of 10,3 million euro;
- the decision to carry out the redemption in reference to all the goodwill belonging to companies in which a controlling interest is held, which led to an economic benefit of 4,5 million euro due to the recognition of advance taxes net of substitute taxes paid;

- the transfer, on the part of Banca Sella Holding and CBA Vita of their interest in Banca Monte Parma S.p.A. to Intesa San Paolo S.p.A..

A short description of the performance of the main companies of the Group follows (comments refer to the results obtained, applying the accounting standards used to prepare the separate financial statements). For a more detailed analysis of the results of the single companies, see the specific section of this report entitled “Group Companies”.

The parent company Banca Sella Holding recorded negative results, above all due to the effects of the decrease in dividends received and writedowns carried out. The contribution of the Group banks operating in Italy mainly in the retail sector (Banca Sella and Banca Sella Nordest Bovio Calderari) to consolidated profits continued to be affected by the difficult external context which characterised the financial year, proving lower than that of the previous years.

As far as foreign banks are concerned, the Swiss Sella Bank AG confirmed its ability to make profits, although with a slight reduction compared with last year.

Biella Leasing, a company working in the leasing business, once again in 2011 proved to be one of the main sources of income for the Group, however this company also suffered from the continuation of the crisis, recording slightly lower profits in 2011 than seen in the previous year. Consel, a company specialised in consumer credit, despite the sector difficulties, this year also further improved its performance on last year, and Banca Patrimoni Sella & C., the Group's private bank, saw results that were worse than those seen in 2010.

The profits of Sella Gestioni SGR, a company operating in the sectors of assets management, individual management and supplementary welfare, were less than those recorded last year.

In the insurance sector, C.B.A. Vita,a company specialising in the life insurance policy sector, ended 2011 with losses again, mainly deriving from the devaluation of Greek government bonds held in its own portfolio.

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

R.O.E. (1)

Company	31/12/2011	31/12/2010
Banca Patrimoni Sella & C. S.p.A.	2,0%	6,6%
Banca Sella S.p.A.	1,9%	2,5%
Banca Sella Nordest Bovio Calderari S.p.A.	-5,9%	-18,5%
Banca Sella Sud Arditi Galati S.p.A.	-	1,4%
Banque BPP S.A.	-	2,5%
Biella Leasing S.p.A.	9,7%	11,6%
Brosel S.p.A.	17,3%	12,9%
C.B.A. Vita S.p.A.	-18,5%	-12,2%
Consel S.p.A.	3,5%	3,0%
Easy Nolo S.p.A.	25,2%	30,0%
Family Advisory SIM S.p.A. Sella & Partners	-13,9%	-6,6%
Miret S.A.	-32,1%	-21,8%
Selfid S.p.A.	13,5%	9,6%
Selgest S.A.	-9,7%	-15,4%
Selir S.r.l.	35,1%	43,9%
Sella Bank AG	4,3%	4,7%
Sella Servizi Bancari S.C.p.A.	-	-1,5%
Sella Gestioni SGR S.p.A.	-4,4%	2,5%
Sella Life Ltd.	0,3%	0,7%
Sella Synergy India P.Ltd.	0,3%	-29,9%

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

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

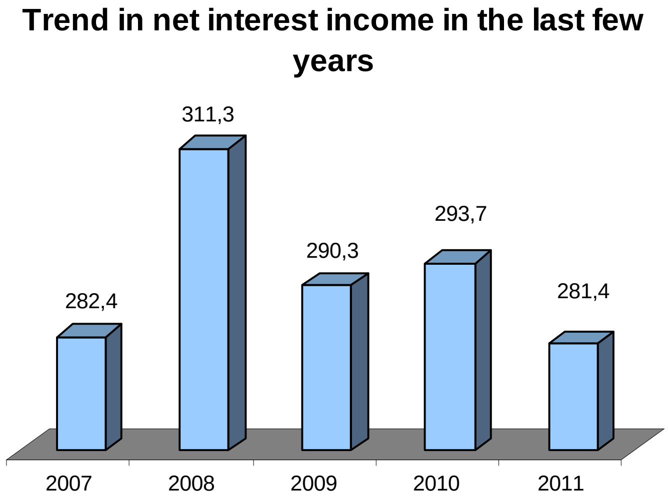
Net interest income and dividends

At 31 December 2011, interest income totalled 281,4 million euro. With the yearly comparison, it registered a 4,2% decrease over the previous year.

This result is due to:

- slowing, in respect to 2010, of turnover in deposits from customers;
- the financial situation, characterised by recovery, although limited, of the spread between earned and paid interest rates and by uncertainty on the financial markets which then determined a decrease in banking income, which was more acute in the second half in the year.

The graph below indicates how interest income declined in a controlled manner in comparison to the previous year.



The details of the items contributing to net interest income shown in the table below highlight how transactions with customers produced net interest totalling 278,6 million euro, a slight decrease with respect to 2010.

The item Dividends and other income, amounting to 2,8 million euro, presents growth of 0,2 million euro on 31 December 2010.

With regards to net interest on insurance activity this decreased by 1,9 million euro, a decrease of 6,1% over last financial year.

Including the insurance component, the total banking income, equal to 310,7 million euro, therefore recorded a 4,4% decrease on the 324,9 million of 2010.

Net interest income and dividends *(euro millions)*

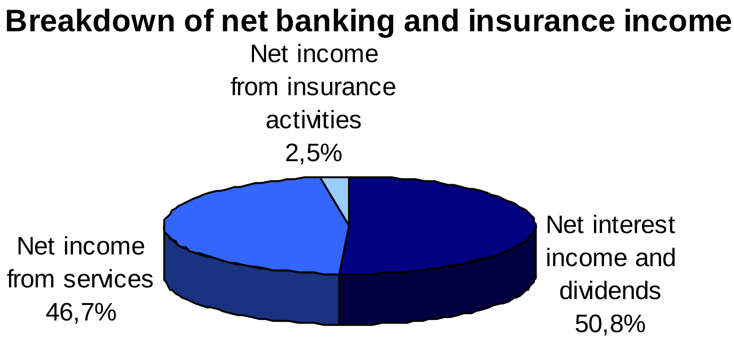
Item	31/12/2011	31/12/2010	Change	
			absolute	%
Net interest with customers	315,5	321,8	(6,2)	-1,9%
- interest income	372,8	356,7	16,1	4,5%
- interest expenses	(57,2)	(34,9)	(22,3)	64,0%
Interest income on financial assets	47,1	40,9	6,2	15,3%
Interest expenses on securities	(49,6)	(32,3)	(17,3)	53,6%
Net interbank interest	(1,7)	2,0	(3,7)	-
- interest income	3,8	5,2	(1,4)	-26,7%
- interest expenses	(5,5)	(3,2)	(2,3)	70,2%
Hedging differences	(33,0)	(41,5)	8,5	-20,6%
Other net interest	0,1	0,2	(0,1)	-37,4%
Total net interest	**278,6**	**291,1**	**(12,5)**	**-4,3%**
Dividends and other income	2,8	2,6	0,2	8,1%
Net interest income and dividends of banking group	**281,4**	**293,7**	**(12,3)**	**-4,2%**
Net interest on insurance activity	29,3	31,2	(1,9)	-6,1%
Total net interest income	**310,7**	**324,9**	**(14,2)**	**-4,4%**

At the end of 2011 net interest income was 50.8% of net banking and insurance income, compared to 54.5% the previous year.

Net banking income

In 2011, consolidated net banking income settled at 553,7 million euro, a 2,7% improvement over the results seen last year.

This trend can be attributed to the different dynamics which characterised the components within net banking income: the excellent performance of the items "net results from trading and hedging activities" which caused net revenues from services to increase by +8,2%, together with the item net revenues from insurance activities, +108,6%, more than compensated for the decrease in interest income (-4,2%).



NET INCOME FROM SERVICES

Total aggregate net income from services amounted to 258,8 million euro, an increase of 8,2% from the previous year, in which it was 239 million euro. This result is the consequence of two forces in opposition to the previous year:

- the increased amount coming from the component relative to trading and hedging activities, which incorporating the excellent results seen in the Finance area and in the management of owned securities during the course of 2009, totalled 32,3 million euro, a 15,6 million euro increase with respect to 2010;
- the trend of commission, which, as shown in the table below, net fees reported a balance of 221,7 million euro, a 0,1% decrease over the 222 million euro of 2010, mainly due to the positive results recorded among collection and payment services and management, broking and advisory services. Please note that considering the portion of insurance companies, this decrease is slightly higher (-0,3%) than the figure pertaining exclusively to the bank group.

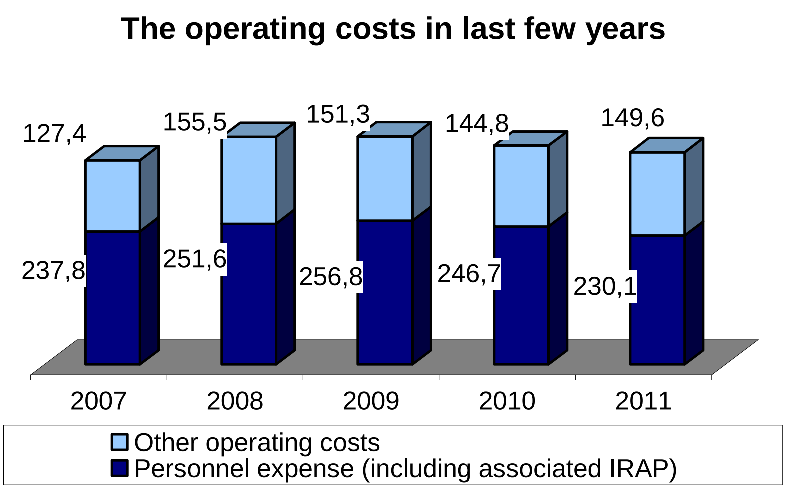
Net fees *(euro millions)*						
Item	**31/12/2011**	**Proportion (%) of total**	**31/12/2010**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Banking and commercial business	57,5	25,8%	56,6	25,3%	0,9	1,6%
- guarantees	3,1	1,4%	3,1	1,4%	-	0,0%
- collection and payment services	54,5	24,4%	53,5	23,9%	1,0	1,9%
Asset management, broking and advisory services	83,5	37,4%	88,1	39,3%	(4,6)	-5,2%
- indirect deposit by customers (asset management, custody and administration of securities, advice, broking and placement of securities)	65,4	29,3%	71,3	31,8%	(5,9)	-8,3%
- currency trading	1,4	0,6%	1,2	0,5%	0,2	16,7%
- custodian bank	-	0,0%	2,1	0,9%	(2,1)	-
- other fees on asset management, broking and advisory services	16,7	7,5%	13,5	6,0%	3,2	23,7%
Other net fees	80,6	36,1%	77,3	34,5%	3,3	4,3%
Total net fees pertaining to banking group	**221,7**	**99,3%**	**222,0**	**99,2%**	**(0,3)**	**-0,1%**
Net fees on insurance activities	1,5	0,7%	1,9	0,8%	(0,4)	-21,1%
TOTAL NET FEES	**223,2**	**100,0%**	**223,9**	**100,0%**	**(0,7)**	**-0,3%**

NET INCOME FROM INSURANCE ACTIVITIES

The total aggregate stood at 13,6 million euro, an increase of 106,6% with respect to the 6,5 million euro in the previous year. This trend is mainly derived from the positive results of financial management.

Operating costs

Total operating costs amounted to 379,7 million euro, a decrease of 2,9% over the previous year.



Administrative expenses (net of the recovery of stamp duty and other taxes and including IRAP on net staff and attached staff costs) amounted to 355,9 million euro, as compared with the 371,7 million euro of last year. Within this aggregate, as can be seen in the table below, the component of expenses for personnel (including IRAP relative to the same), totalling 230,1 million euro represents a 6% decrease with respect to 2010. This result can mainly be explained by a decrease of 108 employees in the Group's workforce, which more than compensated for the increases linked to salary rises which incorporated the effects of promotions and seniority increments.

Personnel expenses *(euro millions)*

Item	31/12/2011	Proportion (%) of total	31/12/2010	Proportion (%) of total	Change	
					absolute	%
Employees	214,2	93,1%	228,8	93,4%	(14,6)	-6,4%
Directors	4,2	1,8%	4,0	1,6%	0,1	3,2%
Statuory auditors	0,9	0,4%	1,2	0,5%	(0,3)	-23,6%
Other	2,7	1,2%	3,0	1,2%	(0,2)	-7,6%
TOTAL PERSONNEL EXPENSES	**222,0**	**96,5%**	**237,0**	**96,8%**	**(15,0)**	**-6,3%**
IRAP on net personnel and seconded personnel expenses	8,1	3,5%	7,9	3,2%	0,2	2,3%
PERSONNEL EXPENSES INCLUDING ASSOCIATED IRAP	**230,1**	**100,0%**	**244,9**	**100,0%**	**(14,8)**	**-6,0%**

Other administrative expenses, net of the recovery of indirect tax, was 0,9% less than 2010, settling at 125,8 million euro as compared with 126,8 million euro. Note that, in the month of February 2012, the Bank of Italy issued a Technical Note containing clarifications relative to financial statements and supervisory reporting.

In this document, the supervisory body also expressed its judgement regarding proper classification of certain financial statement items in the notes to the statements regarding charges functionally connected to personnel. For more detail, please refer to part A - Accounting Policies in the Notes to these financial statements.

Other operating costs are represented by the value adjustments on tangible and intangible fixed assets, are also down -7,4% on last year (31 million euro in 2011 against the 33,6 million euro in 2010) and other operating income and expense, which, having deducted the recovery of indirect taxes settled at 7,3 million euro, a 48,4% decrease with respect to the previous year.

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

NET PROVISIONS FOR RISKS AND CHARGES

New provisions for risks and charges amounted to 7,8 million euro, compared with the figure of 4,9 million euro of the previous year.

NET ADJUSTMENTS FOR IMPAIRMENT OF:

Net value adjustments on credits at the end of the year amounted to 115,9 million euro, as compared with the 96,4 million euro of 2010, showing a 20,3% increase, deriving from the continued negative economic outlook, which affected the quality of the loans portfolio, with the consequent need for greater allocations.

As a consequence of the above, the ratio of net value adjustments and cash commitments went from 1,1% for 2010 to 1,3%.

The item "Net value adjustments for impairment of financial assets available for sale," recorded at 16,6 million euro, includes the devaluations if Greek government bonds with a nominal value of 24,5 million euro held by the Group companies Banca Patrimoni Sella & C. and CBA Vita.

For these positions, high market illiquidity was seen on the market during the second quarter of 2011, further aggravated during the most recent period due to the financial crisis in Greece (the main Greek government bonds market, known as HDAT, saw volumes traded fall dramatically, and on several days not even one trade for any security was concluded). In conformance with that envisaged in the IAS principles, according to which, in the absence of an active market, fair value must be determined by using a valuation technique that uses parameters observable on the market, other than quotations (for greater detail please refer to part A - Accounting Policies, in the Notes to these Financial Statements), this process was hence applied to each security.

GAINS ON SALE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

This item was registered at -1 million euro, in that in the year 2010, in which the item totalled 10,1 million euro, was influenced by the sale of some minority interests.

VALUE ADJUSTMENTS ON GOODWILL

The item, settled a 0,9 million euro, includes the effects of the impairment of goodwill relating to Banca Sella Nord Est Bovio Calderari. For further information on impairment tests on goodwill, please refer to the Notes to the Accounts, part B – Information on the Balance Sheet – Assets.

Income taxes

Income taxes (net of IRAP on staff costs, which increased this item) amounted to 20,6 million euro, compared to 24 million in the previous year, a decrease of 14,3%, resulting from a 33,4% decrease in profit from gross continuing operations.

The tax rate, net of the IRAP component in staff costs, thus fell from 45,1% last year to 57,9% in 2011. This trend is also due to the increase in the IRAP rates for the banking and insurance sectors and the greater impact of value adjustments on loans that are non-deductible for IRAP purposes.

During the course of 2011, a tax redemption envisaged under article 23 paragraphs 12-15 of Decree Law no. 98 of 6 July 2011 was carried out, in regards to the greater values relative to the goodwill included in the calculation value of the interests recorded on the individual financial statements, which in the consolidated financial statements were carried as goodwill. This operation had a positive impact of approximately 4,6 million euro, equal to approximately 12,8 tax rate percentage points.

Profits/(losses) on asset disposal groups held for sale after tax

The item Income(losses) on assets being divested net of taxes includes:

- income and expenses registered by Banque BPP through to the transfer date (20 April 2011) for a net amount of -1,3 million euro;
- the realised income from the sale of Banque BPP for 8 million euro (for more information about the transaction, please refer to the section "Important events during the period");
- expenses relative to the writedown of the stake held in Banca Monte Parma S.p.A. for an amount of 7 million euro.

Consolidated comprehensive income

Consolidated comprehensive income *(euro millions)*				
Items	**31/12/2011**	**31/12/2010**	**Variazioni**	
			assolute	**%**
Net profit/(loss) for the year	**17,3**	**20,3**	**(3,0)**	**-14,8%**
Other income net of tax	(29,9)	(23,4)	(6,5)	27,9%
Comprehensive profit	**(12,6)**	**(3,0)**	(9,6)	320,0%
Consolidated comprehensive profit pertaining to minority interest	(0,3)	(1,6)	1,3	-81,5%
Consolidated comprehensive profit pertaining to Parent company	**(12,3)**	**(1,4)**	**(10,9)**	**778,6%**

Other income items net of taxes include 28,9 million euro in relation to financial assets held for sale. This amount refers to the impact of valuation reserves in relation to this portfolio, the negative trend of which above all refers to the component relating to Italian public debt securities, held by C.B.A. in particular. Vita, Banca Patrimoni Sella & C. and the Italian banks of the Group.

In the analysis of the aggregate trend, it is important to remember that in 2011, especially at the end of the year, great tension was recorded on the financial markets, caused by an intensification of concern on the sustainability of the public debt of some economies of the euro area (for more information, refer to the chapter entitled "Macroeconomic reference scenario" of the Report on Operations). This has resulted in a depreciation of the assets held in the portfolio in relation to debt securities, particularly due to the fact that the above macroeconomic dynamics concerned Italy, with a consequent impact on the spread between the Bund and the Italian securities.

The financial assets held for sale by C.B.A. Vita do not include any capital securities. As such, as already mentioned previously, the capital losses mainly refer to state securities, the vast majority of which are Italian. No impairment has been recorded as this trend has been caused by an increase in rates and expansion of the credit spreads described above, and it is therefore considered that capital losses are temporary in nature.

With regards to exposure towards Italy, on the other hand, also in relation to the Group, which establishes that at least 50% of the portfolio shall be invested in Italian government securities, the Italian banks of the Group have decided not to sell securities whose listing is temporarily compressed by market contexts.

» RESULTS FOR THE YEAR BALANCE SHEET DATA

Reclassified balance sheet *(euro millions)*

Assets	31/12/2011	31/12/2010	% change over 2010
Financial assets [1]	2.973,7	3.220,6	-7,7%
Due from banks	313,5	210,6	48,8%
Cash loans[2] (excluding reverse repurchase agreements)	8.793,1	8.770,7	0,3%
Reverse repurchase agreements	1,3	54,3	-97,6%
Equity investments	12,3	13,0	-5,7%
Reinsurers' share of technical reserves	4,2	4,6	-9,0%
Tangible and intangible fixed assets [3]	284,5	296,5	-4,1%
Tax assets	190,8	191,9	-0,5%
Non current assets and asset groups held for sale[4]	-	56,1	-
Other assets [5]	373,4	347,3	7,5%
TOTAL ASSETS	**12.946,8**	**13.165,7**	**-1,7%**
Liabilities and shareholders' equity			
Due to banks	547,0	294,0	86,0%
Direct deposit [6]	9.717,0	10.040,7	-3,2%
Financial liabilities [7]	602,3	662,1	-9,0%
Tax liabilities	68,0	58,4	16,5%
Other liabilities [8]	447,7	364,6	22,8%
Provisions for specific purposes [9]	79,6	80,2	-0,8%
Technical reserves	808,6	942,1	-14,2%
Liabilities associeted to asset groups held for sale[10]	-	30,5	-
Shareholders' equity [11]	676,6	693,2	-2,4%
- pertaining to the Group	551,9	563,9	-2,1%
- pertaining to minority interests	124,6	129,3	-3,6%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**12.946,8**	**13.165,7**	**-1,7%**

(1) Given by the sum of the following balance sheet asset items: 20 "Financial assets held for trading", 30 "Financial assets at fair value through profit or loss", 40 "Financial assets available for sale" and 50 "Financial asset held to maturity".

(2) Given by the sum of the following balance sheet asset items: 70 "Due from customers" and 90 "Change in value of financial assets subject to macrohedging" and the cash loans component included in the item 150 "Non-current assets and asset groups held for sale".

(3) Given by the sum of the following balance sheet asset items: 120 "Tangible assets" e 130 "Intangible assets".

(4) The item does not include the component referred to Due from customers, wich has been included within the cash loans item.

(5) Given by the sum of the following balance sheet asset items: 10 "Cash and cash equivalents", 80 "Hedging derivatives", e 160 "Other assets".

(6) Given by the sum of the following balance sheet liabilities items: 20 "Due to customers" ,30 "Outstanding securities" and the direct deposit component included in the item 90 "Liabilities associeted to asset groups held for sale".

(7) Given by the sum of the following balance sheet liabilities items: 40 "Financial liabilities held for trading" and 50 "Financial liabilities at fair value through profit or loss".

(8) Given by the sum of the following balance sheet liabilities items: 60 "Hedging derivatives" and 100 "Other liabilities".

(9) Given by the sum of the following balance sheet liabilities items: 110 "Employee severance indemnities" and 120 "Provisions for risks and charges".

(10) The item does not include the component referred to Due to customers, wich has been included within the direct deposit item.

(11) Given by the sum of the following balance sheet liabilities items: 140 "Valuation reserves"; 170 "Reserves", 180 "Share premiums", 190 "Share capital", 210 "Equity pertaining to minority interest" and 220 "Profit for the year".

In these financial statements, some items relative to the comparative data at 31 December 2010 are different than in the financial statements published the previous year, both due to the application of IAS8 regarding the classification of actuarial gains/losses related to severance indemnities, and following the greater clarifications communicated by the Bank of Italy Supervisory Body relative to certain expenses for personnel to be reclassified under administrative expenses. For more detail please refer to the Notes to these financial statements, Part A - Accounting Policies.

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

In 2011 total assets decreased by 1,7%, reaching 12.946,8 million euro, compared with 13.165,7 million euro recorded at the end of 2010.

Banking business with customers, net of repurchase agreements, saw a slight 0,3% increase in cash loans (8.793,1 million euro, in comparison to 8.770,7 million the previous year) testifying to the Group's decision to continue to provide credit despite the difficult external situation and a 8,4% decrease in total deposits when compared to 2010. Within this latter category, as can be seen in the table on the next page, direct deposits totalled 9.659,2 million euro, and indirect totalled 14.500,6 million euro. The two components show a decrease: the first by 3,4% and the second by 11,6%.

The ratio between cash loans and direct deposits (net of repos) went from 87,7% in 2010 to 91% in 2011.

Analysis of the balance sheet shows that the policy used to manage the liquidity portfolio changed during the year. The year 2011 was characterised by a general worsening of the tensions in relation to the banking system's liquidity situation. The process of liquidity management and control made it possible in 2011 to maintain an adequate level of liquidity against the market crisis.

Shareholder's equity, inclusive of the valuation reserves, finally, amounted to 676,6 million euro (124,6 of which pertaining to minority interests), a decrease of 2,4% over the previous year, in which it was 693,2 million.

Banking business with customers

Banking business with customers saw a slight increase in both loans and global deposits. As mentioned previously, the ratio between lending and direct deposits (net of REPOs) came out at 91%, compared with 87,7% in the previous year.

DEPOSITS

At the end of the year total deposits – consisting of all the assets administered on behalf of customers – amounted to 24.217,6 million euro, an 8,4% decrease compared with the previous year. The decline can be attributed both the transfer of the Depositary Bank business unit to an important Italian banking institution, and the sale of the Luxembourg bank Banque BPP and is not compensated for by the performance of total deposits in the main banks of the Group. Total deposits at Banca Sella Holding decreased by 6,5% due to the above-mentioned transfer, Banca Patrimoni Sella & C. dropped by 2,2%, while at Banca Sella it grew by 0,5% (figure adjusted for the contribution of the incorporation of Banca Sella Sud Arditi Galati).

Total deposits *(euro millions)*

Item	31/12/2011	Proportion (%) of total	31/12/2010	Proportion (%) of total	Change	
					absolute	%
Direct deposit (excluding repurchase agreements) [1]	9.659,2	39,9%	10.001,8	37,8%	(342,6)	-3,4%
Repurchase agreements	57,8	0,2%	38,9	0,1%	18,9	48,6%
Indirect deposit	14.500,6	59,9%	16.407,5	62,0%	(1.906,9)	-11,6%
Total deposits	**24.217,6**	**100,0%**	**26.448,1**	**100,0%**	**(2.230,6)**	**-8,4%**

[1] *The aggregate comprehends direct deposit referred to Liabilities associeted to asset groups held for sale*

Direct deposits

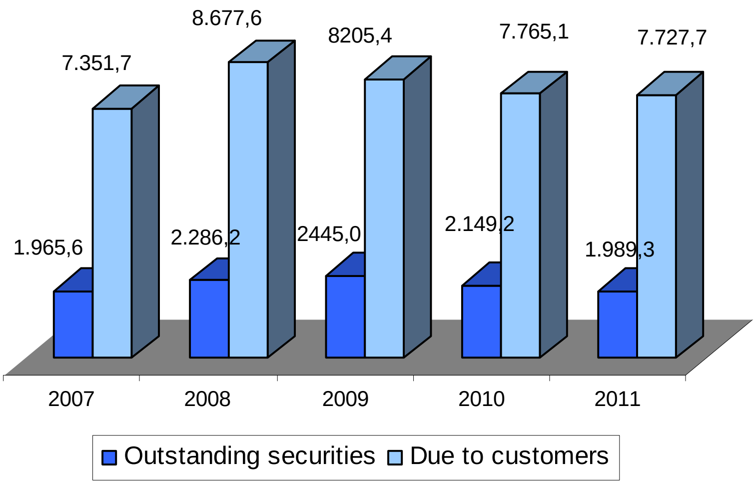
At the end of 2011 direct deposits from customers amounted to 9.659,2 million euro, a decrease of 3,4% compared to the previous year. Considering the figure inclusive of repurchase agreements, the reduction becomes 3,2%.

Analysing the components of direct deposits, it can be noted that amounts due to customers (mainly represented by current accounts and deposits and excluding repurchase agreements), which stood at 7.669,9 million euro, recorded a decrease of 56,3 million euro (-0,7%) with respect to 2010, when they totalled 7.726,2 million. As can be seen from the table below, the most significant item within the aggregate is that of current accounts and free deposits. This recorded a downturn during the year of 4,2% with respect to the previous year, which is partly due to the transfer of stocks and products proposed by the main banks of the Group with different characteristics and is supported by the increase in indirect deposits.

With regards to other components of direct deposits, securities in issue, amounting to 1.989,3 million euro, are down 7,4% on the 2.149,2 million euro recorded in 2010 due to the decision not to renew certain bond securities that had expired during the year, and mainly placed with institutional investors. Repurchase agreements, standing at 57,8 million euro, recorded growth totalling 18,9 million euro on last year.

The chart below shows the trend in the aggregate in the last few years, divided between amounts due to customers and securities in issue.

Trend of direct deposit in last few years

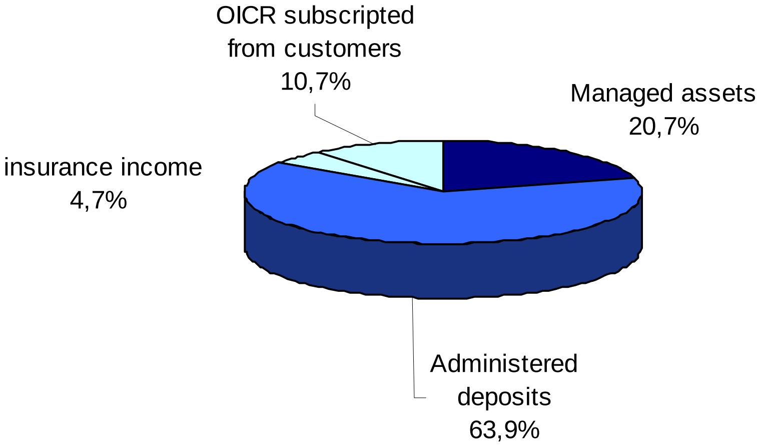


Direct deposit *(euro million)*						
Item	**31/12/2011**	**Proportion (%) of total**	**31/12/2010**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due to customers (excluding repos)	7.669,9	78,9%	7.726,2	76,9%	(56,3)	-0,7%
- Current accounts and demand deposits	6.935,8	71,4%	7.241,8	72,1%	(306,0)	-4,2%
- Term deposits	581,1	6,0%	358,1	3,6%	223,0	62,3%
- Other loans and advances	27,5	0,3%	10,3	0,1%	17,2	167,0%
- Other items	125,4	1,3%	116,0	1,2%	9,4	8,1%
Outstanding securities	1.989,3	20,5%	2.149,2	21,4%	(159,9)	-7,4%
Liabilities associeted to asset groups held for sale: due to customers	-	0,0%	126,4	1,3%	(126,4)	-
TOTAL DIRECT DEPOSIT	**9.659,2**	**99,4%**	**10.001,8**	**99,6%**	**(342,6)**	**-3,4%**
Repurchase agreements	57,8	0,6%	38,9	0,4%	18,9	48,6%
TOTAL DIRECT DEPOSIT (INCLUDING REPURCHASE AGREEMENTS)	**9.717,0**	**100,0%**	**10.040,7**	**100,0%**	**(323,7)**	**-3,2%**

Indirect deposits

Indirect deposits are intended as the sum of the items "Asset Management", "Third party securities on deposit as custodian bank", "Other third party securities held in deposit (net of securities issued by companies included in the consolidation)" of the "Other information" section of the Explanatory Notes to the Balance Sheet and the component relative to income from insurance activities, as indicated in the note at the foot of the table on Management and Broking for third parties. The total stock of indirect deposits at 31 December 2011, was 14.500,6 million euro with a decrease of 11,6% on an annual basis. As can be seen from the graph below the main component of indirect collection consists of the administration, which represents 63,9% of the total. I managed assets represent 20,7% of indirect funding, while the insurance premium is 4,7%, complete the mutual fund shares subscribed by customers with 10,7% of the total.

Breakdown of indirect deposit



The table below shows how in 2011, the main components of indirect deposits recorded different dynamics. Portfolios managed, equal to 2.998,5 million euro, fell with respect to 2010 (-15,5%). Deposits administered are 3,5% greater than last year, going from 8.943,4 million euro recorded at the end of 2010 to 9.259,2 million euro. The component relating to insurance income settled at 686,2 million euro, 17,8% below last year.

Net of the transfer of the depositary bank business unit to an important Italian banking institution and of the Luxembourg bank Banque BPP, indirect deposits were substantially unchanged with respect to the previous year.

Indirect deposits *(euro millions)*

Item	31/12/2011	Proportion (%) of total	31/12/2010	Proportion (%) of total	Change	
					absolute	%
Managed portfolios	2.998,5	20,7%	3.550,4	21,6%	(551,9)	-15,5%
Administered deposits	9.259,2	63,9%	8.943,4	54,5%	315,8	3,5%
Insurance income	686,2	4,7%	835,1	5,1%	(148,9)	-17,8%
OICR subscripted from customers	1.556,7	10,7%	3.078,5	18,8%	(1.521,8)	-49,4%
Total indirect deposits	**14.500,6**	**100,0%**	**16.407,4**	**100,0%**	**(1.906,8)**	**-11,6%**

Bancassurance

As concerns CBA Vita, deposits concentrated on products that can be revalued, including:

- CBA Tuo Valore, a revaluable life assurance product linked to the Conto Tuo Valore current account, a product launched in November 2009 and whose performance is linked to the separate ALFIERE management;
- CBA Valore Capitale Series II and CBA Valore Cedola Series II, life policies with a single premium, the capital of which is revalued (for CBA Valore Cedola Series II, revaluations are liquidated annually in the form of coupons, according to the performance obtained by the separate management CBA Accumulo).

During the first part of the year, a new Multi-Department product was presented to the network, known as Multiple Choice Plus, which offers the possibility of investing up to 70% of deposits in ALFIERE separate management and the remaining portion in the internal funds Torre Dynamic and Torre Ponderato (which have the characteristics of Unit linked products).

In the first half, the number of internal funds relative to the portfolio transferred to CBA VITA by Sella Life at the end of April 2010 was decreased, after having received specific authorisation from ISVAP.

In 2011, Sella Life continued to develop deposits for the product Sella Personal Life, thanks to benefits envisaged in EU regulations.

LOANS

During the course of 2011, exclusive of repurchase agreements, despite the difficulties in the external economic situation, loans continued to achieve acceptable growth rates, totalling 8.793,1 million euro, up 0,3% on 2010.

In an economic situation that is still difficult, the Group's objective was prudent growth directed in particular at supporting the needs of families and SMEs that have demonstrated that they have adequate economic prospectives and changes of profitable future survival.

Relative to technical forms, they can be broken down as follows:

- short-term credit: destined to support businesses in their core business;
- medium/long term: to support families and companies with new investments and to restructure short-term debt.

In regards to investments in businesses, these continued to be financed through Biella Leasing and, in regards to loans to private individuals, they were continued by Consel, the Group's consumer credit company, relative to salary backed loans.

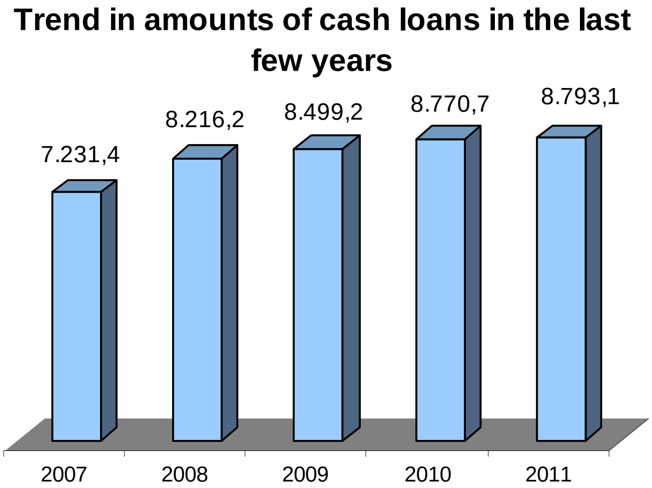
Again in 2011, requests to renegotiate loans to prolong the duration were accepted and the participation of customers in the Abi-Mef and Abi-Associazione Consumatori respites continued, suspending payment of mortgage payments.

During the course of 2011, the Group continued its concrete collaboration with Regional Bodies, Category Associations and Loan Consortia through the review and signing of agreements increasingly in line with customer demands and also made use of the funds made available by the EIB and the national Deposits and Loans Institute.

In consideration of the severe economic situation, training of personnel operating in the credit sector was constantly given importance, as were the evaluation of companies in terms of outlook and new credit monitoring tools that were introduced during the course of the year.

Activities regarding controls over disbursed credit were very important.

In December 2011, actions were taken at Banca Sella to prepare a credit securitization transaction involving performing mortgage loans to private customers, which began on 09 January 2012. The transaction involved 4.958 contracts for an equivalent value of approximately 398 million euro.



By analysing the breakdown of amounts due from customers (see the table below) it can be noted that mortgages fell slightly with respect to the previous year (-1,1%). While credit cards, personal loans and salary-backed loans also showed good trends with an increase of 5,6% over last year, so did current accounts (+7,2% on 2010). Instead, the aggregate relating to financial leasing, which went from 1.008,1 million euro for last year to 1.002,5 million for 2011, was down.

The item "Adjustment of the value of financial assets subject to general hedging" includes the change in *fair value* relative to the loans portfolio as, within the Group, a hedging model has been adopted for fixed rate loans, based on the fair value hedge macro.

Note that cash loans for Banca Sella Holding were separated from the amount of repurchase agreements (1,3 million euro) as they were carried out exclusively with institutional customers and not ordinary ones. As a consequence the comparison period was adjusted, which in 2010 totalled 54,3 million euro.

The company that contributed most to the aggregate was Banca Sella, the main commercial bank of the Group, which accounts for 68,1% of loans. Also significant were the contributions of Biella Leasing and Consel, which account respectively for 11,8% and 10,6% of the aggregate.

Cash loans *(euro millions)*

Item	31/12/2011	Proportion (%) of total	31/12/2010	Proportion (%) of total	Change	
					absolute	%
Total due from customers	**8.668,5**	**98,6%**	**8.664,8**	**98,2%**	**3,7**	**0,0%**
Performing cash loans	8.139,9	92,6%	8.298,0	94,0%	(158,2)	-1,9%
- Current accounts	1.151,8	13,1%	1.074,6	12,2%	77,3	7,2%
- Mortgage loans	3.514,3	40,0%	3.552,5	40,3%	(38,2)	-1,1%
- Credit cards, personal loans, salary-backed loans	1.229,7	14,0%	1.165,0	13,2%	64,7	5,6%
- Financial leasing	1.002,5	11,4%	1.008,1	11,4%	(5,5)	-0,5%
- Other operations	1.236,5	14,1%	1.491,7	16,9%	(255,2)	-17,1%
- Debt securities	5,1	0,1%	6,3	0,1%	(1,2)	-18,8%
Impaired assets	528,6	6,0%	366,8	4,2%	161,8	44,1%
Change in value of financial assets subject to macro-hedging	**124,6**	**1,4%**	**81,7**	**0,9%**	**42,9**	**52,4%**
Positive change	124,6	1,4%	81,7	0,9%	42,9	52,4%
Negative change	-	0,0%	-	0,0%	-	-
Groups of assets held for sale: due from customers	**-**	**0,0%**	**24,1**	**0,3%**	**(24,1)**	**-**
TOTAL CASH LOANS (excluding reverse repurchase agreements)	**8.793,1**	**100,0%**	**8.770,7**	**99,4%**	**22,4**	**0,3%**
Reverse repurchase agreements	1,3	0,0	54,3	0,6%	(53,0)	-97,6%
TOTAL CASH LOANS (including reverse repurchase agreements)	**8.794,4**	**100,0%**	**8.825,0**	**100,0%**	**(30,6)**	**-0,3%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	167,8	1,9%	136,6	1,5%	31,2	22,8%
Banca Sella S.p.A.	5.987,5	68,1%	4.627,4	52,4%	1.360,1	29,4%
Banca Sella Holding S.p.A.	37,1	0,4%	244,2	2,8%	(207,0)	-84,8%
Banca Sella Nordest Bovio Calderari S.p.A.	596,9	6,8%	607,8	6,9%	(10,9)	-1,8%
Banca Sella Sud Arditi Galati S.p.A.	-	0,0%	1.266,3	14,3%	(1.266,3)	-
Biella Leasing S.p.A.	1.040,6	11,8%	1.034,6	11,7%	6,1	0,6%
Consel S.p.A.	934,9	10,6%	854,9	9,7%	79,9	9,3%
Sella Bank A.G.	22,7	0,3%	21,1	0,2%	1,6	7,5%
Other Group companies	6,8	0,1%	32,0	0,4%	(25,2)	-78,6%
Total for Group companies	**8.794,4**	**100,0%**	**8.825,0**	**100,0%**	**(30,6)**	**-0,3%**

Credit quality

Non-performing loans at 31 December 2011 totalled 205,7 million euro, an increase with respect to the 165,4 million euro recorded in 2010. Watchlist loans at the end of the period totalled 266,2 million euro, an 87,4% increase over 2010. Adding to non-performing and watchlist loans restructured loans and past due loans, at 31 December 2011 there was a total of 528,6 million euro in impaired receivables.

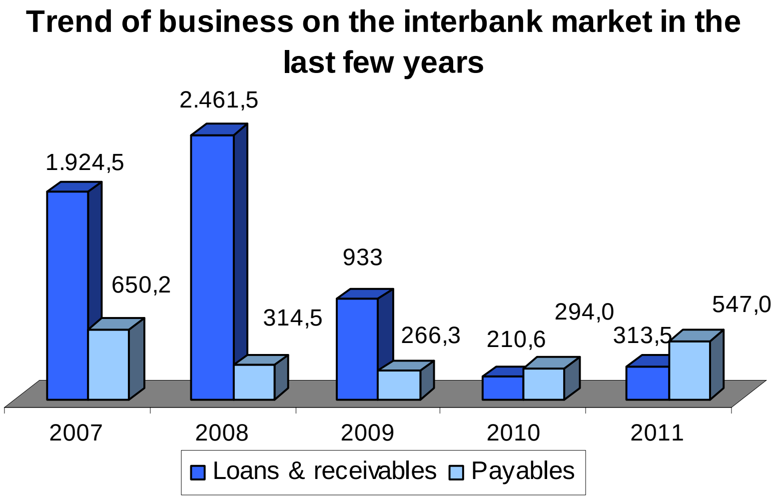
As shown by the table at the foot, impaired loans represent 6,1% of net loans to customers, which have therefore worsened since last year, when the ratio was 4,2%.

Credit quality *(euro millions)*

Item	31/12/2011	Proportion (%) of total	31/12/2010	Proportion (%) of total	Change	
					absolute	%
Due from customers	**8.669,9**	**100,0%**	**8.719,2**	**100,0%**	**(49,3)**	**-0,6%**
Performing loans	8.141,2	93,9%	8.352,4	95,8%	(211,2)	-2,5%
Impaired loans	528,6	6,1%	366,8	4,2%	161,8	44,1%
of which net non-performing	*205,7*	*2,4%*	*165,4*	*1,9%*	*40,3*	*24,4%*
of which net watchlist	*266,2*	*3,1%*	*142,1*	*1,6%*	*124,1*	*87,4%*

Business on the interbank market

At the end of 2011, the Group's business on the interbank market showed total receivables (net of amounts due from banks) of 233,5 million euro, an increase with respect to the total amount due of 83,4 million euro recorded in 2010, but confirming its limited exposure.



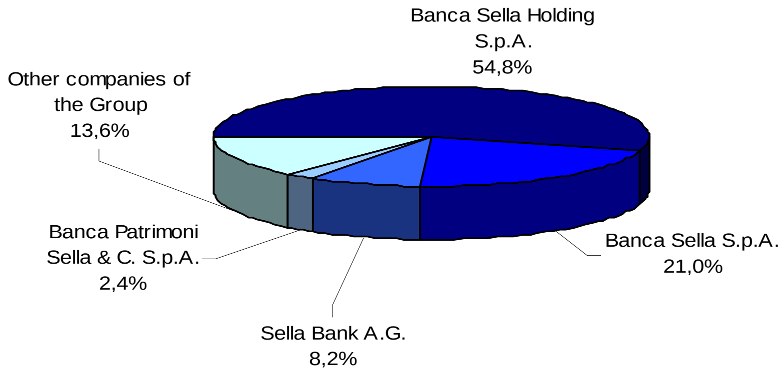
The graph above highlights how this result can be above all attributed to the increase in both the items of which it is composed.

Net interbank position *(euro millions)*				
Item	**31/12/2011**	**31/12/2010**	**Change**	
			absolute	**%**
Due from banks	313,5	210,6	102,9	48,8%
Due to banks	547,0	294,0	253,0	86,0%
Net interbank position	**(233,5)**	**(83,4)**	**(150,1)**	**180,1%**

RECEIVABLES FROM BANKS

At 31 December 2011 amounts due from banks amounted to 313,5 million euro, an increase of 48,8% compared with 2010.

Percentage distribution by company of amounts due from banks



Analysing in detail the Group companies which contributed to the composition of the item, it is evident that most of the amounts due from banks (55,4% of the total) pertain to the Parent Company Banca Sella Holding.

Due from banks *(euro millions)*						
Item	**31/12/2011**	**Proportion (%) of total**	**31/12/2010**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due from central banks	**175,1**	**55,9%**	**63,1**	**30,0%**	**112,0**	**177,5%**
Statutory reserve	70,1	22,4%	63,1	30,0%	7,0	11,1%
Other amounts due from central banks	105,0	33,5%	-	0,0%	105,0	-
Due from banks	**138,3**	**44,1%**	**147,6**	**70,1%**	**(9,3)**	**-6,3%**
Current accounts and demand deposits	60,1	19,2%	55,8	26,5%	4,3	7,7%
Term deposits	26,1	8,3%	28,6	13,6%	(2,5)	-8,7%
Repurchase agreements	7,3	2,3%	13,5	6,4%	(6,2)	-45,9%
Financial leasing	0,8	0,3%	1,0	0,5%	(0,2)	-20,0%
Other loans and advances	11,9	3,8%	16,8	8,0%	(4,9)	-29,2%
Debt securities	32,1	10,2%	31,9	15,1%	0,2	0,6%
Total	**313,5**	**100,0%**	**210,6**	**100,0%**	**102,9**	**48,9%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	7,4	2,4%	7,8	3,7%	(0,4)	-5,1%
Banca Sella S.p.A.	65,9	21,0%	23,3	11,1%	42,6	182,8%
Banca Sella Holding S.p.A.	171,8	54,8%	100,2	47,6%	71,6	71,5%
Banca Sella Nordest Bovio Calderari S.p.A.	7,8	2,5%	9,4	4,5%	(1,6)	-17,0%
Banca Sella Sud Arditi Galati S.p.A.	-	0,0%	24,9	11,8%	(24,9)	-
Sella Bank A.G.	25,8	8,2%	11,8	5,6%	14,0	118,6%
Other companies of the Group	34,8	11,1%	33,2	15,8%	1,6	4,8%
Total	**313,5**	**100,0%**	**210,6**	**100,0%**	**102,9**	**48,9%**

PAYABLES TO BANKS

At 31 December 2011, amounts due to banks totalled 547 million euro, up by 86% compared with the previous year, in which they amounted to 294 million euro.

Due to banks *(euro millions)*						
Item	**31/12/2011**	**Proportion (%) of total**	**31/12/2010**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due to central banks	**350,3**	**64,0%**	**-**	**0,0%**	**350,3**	**-**
Due to banks	**196,7**	**36,0%**	**294,0**	**100,0%**	**(97,3)**	**-33,1%**
Current accounts abd demand deposit	24,5	4,5%	84,1	28,6%	(59,5)	-70,8%
Term deposits	40,3	7,4%	36,3	12,3%	4,0	11,1%
Loans and advances	131,3	24,0%	173,2	58,9%	(41,9)	-24,2%
Others	0,5	0,1%	0,4	0,1%	0,1	19,4%
Total	**547,0**	**100,0%**	**294,0**	**100,0%**	**253,0**	**86,0%**
Details for group companies						
Banca Patrimoni Sella & C. S.p.A.	0,0	0,0%	0,0	0,0%	(0,0)	-75,0%
Banca Sella S.p.A.	7,7	1,4%	6,8	2,3%	0,9	12,9%
Banca Sella Holding S.p.A.	397,7	72,7%	116,8	39,7%	280,9	240,5%
Biella Leasing S.p.A.	118,7	21,7%	143,6	48,8%	(24,9)	-17,4%
Sella Bank A.G.	4,4	0,8%	0,5	0,2%	3,9	785,1%
Altre società del Gruppo	18,4	3,4%	26,2	8,9%	(7,8)	-29,8%
Total	**547,0**	**100,0%**	**294,0**	**100,0%**	**253,0**	**86,0%**

Financial assets

The total financial assets of the Group at 31 December 2011, which came out at 2.973,7 million euro, were down (-7,7%) compared with the previous year, in which they were 3.220,6 million euro.

Considering the figure net of financial liabilities, the aggregate decreased by 7,3%, the total in this case in fact was 2.371,4 million euro, compared with 2.558,5 million euro recorded in 2010.

Financial assets/liabilities of the Group *(euro millions)*						
Item	**31/12/2011**	**Proportion (%) of total**	**31/12/2010**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Finalcial assets						
Financial assets held for trading	462,2	15,5%	925,2	28,7%	(463,0)	-50,0%
Financial assets at fair value through profit or loss	707,1	23,8%	793,7	24,6%	(86,6)	-10,9%
Financial assets available for sale	1.222,8	41,1%	1.173,5	36,4%	49,3	4,2%
Financial assets held to maturity	581,6	19,6%	328,3	10,2%	253,3	77,2%
Total financial assets	**2.973,7**	**100,0%**	**3.220,6**	**100,0%**	**(246,9)**	**-7,7%**
Financial liabilities						
Financial liabilities held for trading	44,2	7,3%	34,5	5,2%	9,8	28,3%
Financial liabilities at fair value through profit or loss	558,1	92,7%	627,6	94,8%	(69,6)	-11,1%
Total financial liabilities	**602,3**	**100,0%**	**662,1**	**100,0%**	**(59,8)**	**-9,0%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES OF THE GROUP	**2.371,4**		**2.558,5**		**(187,1)**	**-7,3%**

As can be seen from the table above, the aggregate relating to financial assets and liabilities records a decrease in the part held for trading and valued at fair value in favour of other portfolios, particularly that of financial assets held to maturity.

FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING

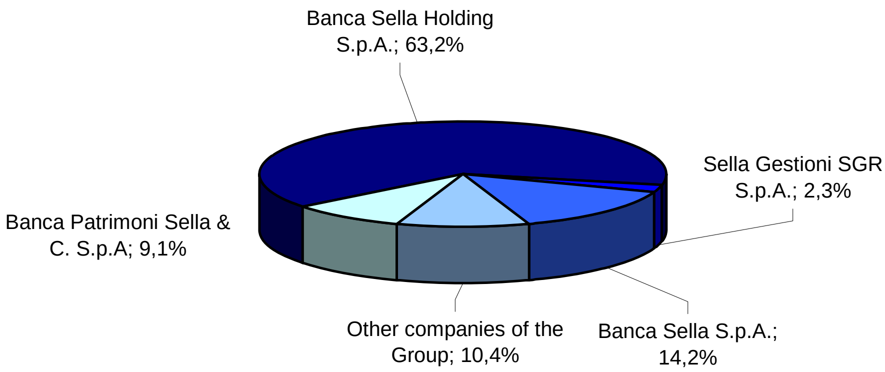
The total at 31 December 2011 of financial assets held for trading (net of financial liabilities) was down by 53,1% compared with the previous year, amounting to 418 million euro, against 890,7 million recorded in 2010.

Financial assets/ liabilities held for trading *(euro millions)*						
Item	**31/12/2011**	**Proportion (%) of total**	**31/12/2010**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Cash assets/liabilities	**428,3**	**102,5%**	**898,7**	**100,9%**	**-470,3**	**-52,3%**
Debt securities	403,3	96,5%	782,1	87,8%	-378,7	-48,4%
Equity securities	0,3	0,1%	2,5	0,3%	-2,2	-87,7%
UCITS units	25,9	6,2%	117,2	13,2%	-91,3	-77,9%
Others	(1,2)	-0,3%	(3,1)	-0,4%	1,9	-60,8%
Derivative instruments	**(10,3)**	**-2,5%**	**(7,9)**	**-0,9%**	**-2,4**	**30,2%**
- of wich financial derivatives	(10,3)	-2,5%	(7,9)	-0,9%	-2,4	30,2%
- of wich credit derivatives	-	0,0%	-	0,0%	0,0	-
TOTAL NET FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	**418,0**	**100,0%**	**890,7**	**100,0%**	**(472,7)**	**-53,1%**
Detail of trading securities for main Group companies						
Banca Patrimoni Sella & C. S.p.A	39,1	9,1%	2,4	0,3%	36,7	1549,8%
Banca Sella S.p.A.	61,0	14,2%	150,5	16,7%	(89,5)	-59,5%
Banca Sella Holding S.p.A.	271,5	63,2%	545,0	60,4%	(273,5)	-50,2%
Banca Sella Nordest Bovio Calderari S.p.A.	3,3	0,8%	3,4	0,4%	(0,1)	-2,0%
Banca Sella Sud Arditi Galati S.p.A.	-	0,0%	52,2	5,8%	(52,2)	-
C.B.A. Vita S.p.A.	0,1	0,0%	90,2	10,0%	(90,1)	-99,9%
Sella Life Ltd	10,1	2,3%	10,2	1,1%	(0,1)	-1,4%
Other Group companies	44,5	10,4%	48,0	5,3%	(3,6)	-7,4%
Total trading securities	**429,6**	**100,0%**	**901,8**	**100,0%**	**(472,3)**	**-52,4%**

As can be seen from the table above, the component of securities held for trading above all refers to the parent company Banca Sella Holding (for 271,5 million euro) and Banca Sella (for 61 million euro). These two companies, together with CBA Vita, are those most responsible for the decline in aggregate, which occurred mainly due to maturity and the sale of government and bank bonds during 2011. This negative change was compensated for by greater use of the category of financial assets available for sale.

The graph below shows how trading securities are mainly held by the parent company Banca Sella Holding (for 63,2%) and Banca Sella (for 14,2%).

Percentage distribution of trading securities by company



FINANCIAL ASSETS AVAILABLE FOR SALE

At the end of the year financial assets available for sale amounted to 1.222,8 million euro compared with the 1.173,5 million euro recorded at 31 December 2010, an increase of 4,2%.

Analysing the breakdown of the aggregate (see the table given on the next page), it can be seen that most of it consists of debt securities, which account for 1.191,3 million euro, or 97,4% of the total. This item was up on the previous year, in which it amounted to 1.146,7 million euro.

The item Debt securities increased during the course of 2011, involving all of the various asset classes in the portfolio. The increase was carried out in accordance with the Bank of Italy provision of 18 May 2010, relative to calculation of Regulatory Capital and treatment of valuation reserves relative to Euro Zone government bonds included in the portfolio of financial assets held for sale. This provision meant privileging this category with respect to that of securities held for trading.

Exposure to interest rate risks was very contained for the entirety of the period in question in that the security with the longest maturity date in the portfolio matures on 15 April 2016.

On the other hand, the item Equity securities totalled 29 million euro, a 4,7% increase over 2010, and consisted mainly of minority interests which were subjected to impairment tests at the end of the period, in accordance with the criteria described in part A of the Notes.

On the other hand, shareholders' equity reserves were subject to changes relative to:

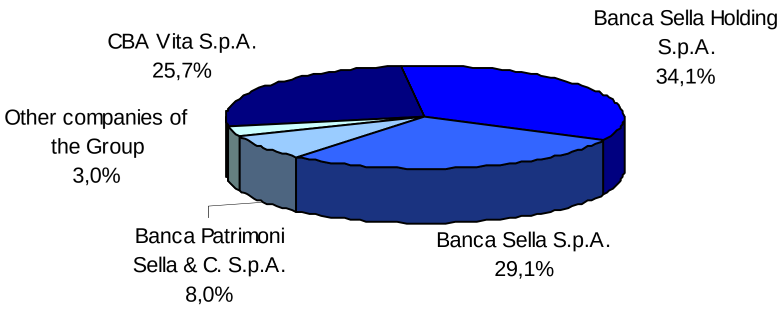
- London Stock Exchange Group (measurement method: market listings): Banca Sella Holding adjusted the positive shareholders' equity reserve to the closing market price at 31/12/2011 for an amount of 541 thousand euro;
- Intesa Sanpaolo (evaluation method: market listings): as the closing market price at 31/12/2011 was lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 556 thousand euro;
- Mutui On Line Group (evaluation method: market listings): as the closing market price at 31/12/2011 was lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 96.000 euro;

It should also be noted that during 2011 the interest in London Stock Exchange Group was partly sold and the interests in Visa Inc. and Agata S.p.A. were entirely sold; on the whole, 2,9 million euro of gross capital gains were realised. On the other hand, during the course of the year the interests in Istituto Centrale delle Banche Popolari Italiane S.p.A. and in Intesa Sanpaolo S.p.A. were increased. In addition, the capital increase operations at Città Studi S.p.A. and Pallacanestro Biella S.p.A. were participated in, for the respective shareholding shares.

Financial assets available for sale *(euro millions)*						
Item	**31/12/2011**	**Proportion (%) of total**	**31/12/2010**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Debt securities	1.191,3	97,4%	1.146,7	97,7%	44,7	3,9%
Equity securities	29,0	2,4%	24,3	2,1%	4,7	19,3%
UCITS units	0,0	0,0%	0,1	0,0%	(0,0)	-25,0%
Loans and advances	2,4	0,2%	2,5	0,2%	(0,0)	-1,9%
Total securities available for sale	**1.222,8**	**100,0%**	**1.173,5**	**100,0%**	**49,3**	**4,2%**
Details for main Group companies						
Banca Patrimoni Sella & C. S.p.A.	98,3	8,0%	151,4	12,9%	(53,1)	-35,1%
Banca Sella S.p.A.	355,7	29,1%	176,9	15,1%	178,7	101,0%
Banca Sella Holding S.p.A.	417,3	34,1%	207,2	17,7%	210,1	101,4%
Banca Sella Nordest Bovio Calderari S.p.A.	30,3	2,5%	32,3	2,8%	(1,9)	-6,0%
Banca Sella Sud Arditi Galati S.p.A.	-	0,0%	51,4	4,4%	(51,4)	-
CBA Vita S.p.A.	314,7	25,7%	551,4	47,0%	(236,7)	-42,9%
Other Group companies	6,5	0,5%	2,9	0,2%	3,6	125,4%
Total securities available for sale	**1.222,8**	**100,0%**	**1.173,5**	**100,0%**	**49,3**	**4,2%**

The chart below shows that the portfolio of financial assets held for sale is held mostly (34,1% of the total) by Banca Sella Holding, followed by Banca Sella (with 29,1% of the total) and CBA Vita (25,7% of the total).

Percentage distribution of financial assets available for sale



FINANCIAL ASSETS HELD TO MATURITY

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

The book value of the aggregate, amounting to 581,6 million euro, increased by 77,2% compared with the 328,3 million euro of the previous year.

Financial assets held to maturity *(euro millions)*						
Item	**31/12/2011**	**Proportion (%) of total**	**31/12/2010**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Book value	581,6	100,0%	328,3	100,0%	253,3	77,2%
Fair value	518,7	100,0%	317,5	100,0%	201,2	63,4%
Details for main Group companies (book value)						
Banca Patrimoni Sella & C.	38,5	6,6%	35,4	10,8%	3,1	8,9%
Banca Sella S.p.A.	165,1	28,4%	90,9	27,7%	74,1	81,5%
Banca Sella Holding S.p.A.	134,8	23,2%	80,0	24,4%	54,7	68,4%
Banca Sella Nordest Bovio Calderari S.p.A.	7,1	1,2%	5,1	1,6%	1,9	37,1%
Banca Sella Sud Arditi Galati S.p.A.	-	0,0%	18,0	5,5%	(18,0)	-
C.B.A. Vita S.p.A.	199,8	34,4%	62,3	19,0%	137,5	220,6%
Sella Bank A.G.	36,4	6,3%	36,4	11,1%	(0,1)	-0,2%
Other Group companies	-	0,0%	-	0,0%	-	-
Total financial assets held to maturity (book value)	**581,6**	**100,0%**	**328,3**	**100,0%**	**253,3**	**77,2%**

FINANCIAL ASSETS/LIABILITIES CARRIED AT FAIR VALUE

Starting from 2007, financial assets carried at fair value include investments on behalf of policy-holders who have taken out Unit and Index-Linked policies and investments arising from managed pension funds in the life assurance field. During 2007 the Group also availed itself of the possibility of stating at fair value financial liabilities relating to the deposit of unit and index-linked insurance contracts, which are measured at the fair value of the assets.

An examination of the aggregates at 31 December 2011 reveals a decrease of 10,9% compared with the previous year in assets, which amounted to 707,1 million euro and a decrease in liabilities (-11,1% compared with 2010) which at the end of the year totalled 558,1 million.

Financial assets/ liabilities at fair value through profit or loss *(euro millions)*

Item	31/12/2011	Proportion (%) of total	31/12/2010	Proportion (%) of total	Change	
					absolute	%
Financial assets at fair value through profit or loss						
Debt securities	392,8	55,6%	413,4	52,1%	(20,6)	-5,0%
Equity securities	17,5	2,5%	22,3	2,8%	(4,8)	-21,7%
UCITS units	251,6	35,6%	335,5	42,3%	(83,9)	-25,0%
Loans and advances	45,3	6,4%	22,5	2,8%	22,8	101,6%
Total	**707,1**	**100,0%**	**793,7**	**100,0%**	**(86,6)**	**-10,9%**
Financial liabilities at fair value through profit or loss						
Due to customers	558,1	100,0%	627,6	100,0%	(69,6)	-11,1%
Total	**558,1**	**100,0%**	**627,6**	**100,0%**	**(69,6)**	**-11,1%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**149,0**		**166,0**		**(17,0)**	**-10,2%**
Net details for Group companies						
C.B.A. Vita S.p.A.	149,0		166,1		(17,0)	-10,3%
Sella Life Ltd	0,0		(0,0)		0,0	-
TOTAL	**149,0**		**166,0**		**(17,0)**	**-10,2%**

Regulatory capital

The regulatory capital and capital ratios at 31 December 2011 have been calculated on the basis of the figures in the balance sheet and income statement determined by applying the IAS/IFRS international accounting standards, in accordance with Circular no 155/91 of the Bank of Italy, containing "Instructions for preparing reports on regulatory capital and prudential ratios".

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

At the end of the period, the Group's consolidated regulatory capital (consisting of Tier 1 capital, Tier 2 capital, elements to be deducted from Tier 1 and 2 capital, and Tier 3 capital) totalled 991,1 million euro, a 16,3 million euro increase with respect to the previous year where it totalled 974,8 million euro (+ 1,7%).

Tier 1 capital totalled 622,1 million euro, a 18,6 million euro increase over the previous period where it totalled 603,5 million euro (equal to +3,1%).

This growth can be attributed to the capitalisation of Group profits which contributed to the decision to not distribute dividends on the part of the Parent Company.

The tier 1 capital does not include financial instruments increasing the capital other than ordinary shares. Consequently, the Group's Tier 1 also represents its Core Tier 1.

As a consequence of the dynamics described above, as of 31 December 2011, the Tier 1 capital ratio, namely the ratio of the Group's tier 1 capital and the total weighted risk assets (which came in at 8.283,9 million euro, slightly below last year), showed a coefficient of 7,51% as compared with the 7,19% of end 2010.

Tier 2 capital also rose slightly, by 2,6 million euro, totalling 400,6 million euro in comparison to 398 million euro in 2010 (equal to +0,6%).

This increase is due to new issues of 2nd level subordinate liabilities that more then compensated for the maturing subordinate liabilities.

From the total of Tier 1 capital plus Tier 2 capital, equal to 1.022,7 million euro (a 21,2 million euro increase with respect to 2010) investments in the Group's insurance companies in the amount of 31,6 million euro were deducted, in comparison to 37,9 million euro at 31 December 2010.

In regards to Tier 3 capital, the subordinate bonds which constituted it matured during the course of 2011 and, as no additional loans were issued, it totalled zero.

As a consequence, at 31 December 2011 the Total capital ratio, namely the ratio between the Group's total regulatory capital and its total risk weighted assets was 11,96%, compared with 11,61% at the end of 2010.

Regulatory capital *(euro mililonis)* and capital adequacy ratios *(%)*				
Item	**31/12/2011**	**31/12/2010**	**Change**	
			absolute	**%**
Tier 1 capital	**622,1**	**603,5**	**18,6**	**3,1%**
Tier 2 capital	400,6	398,0	2,6	0,6%
Tier 1 and Tier 2 capital ineligible items	31,6	37,9	(6,3)	-16,6%
Tier 3 capital	-	11,2	(11,2)	-
Regulatory capital including Tier 3	**991,1**	**974,8**	**16,3**	**1,7%**
Credit and counterparty risk	571,7	576,9	(5,2)	-0,9%
Market risks	9,6	15,7	(6,1)	-38,9%
Operational risk	81,4	79,1	2,3	2,9%
Other capital requirements	-	-	-	-
Total capital requirements	**662,7**	**671,8**	**(9,1)**	**-1,4%**
Risk weighted assets	**8.283,9**	**8.397,0**	**(113,1)**	**-1,3%**
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	**7,51%**	**7,19%**		
Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	**11,96%**	**11,61%**		

Liquidity

The year 2011 was characterised by a general worsening of the tensions in relation to the banking system's liquidity situation. In particular, the increasingly widening yield spread for Italian government bonds seen during the course of the year led to general worsening in the average liquidity situation of Italian banks (which on the other hand had demonstrated relatively good conditions in that sense from 2008-2010). The increase in the spread on BTPs, together with the joint actions on the part of the main ratings agencies regarding the Italian government rating and creditworthiness of many Italian banks, essentially precluded (starting from the second half of 2011) credit institutions in our country having access to medium-long term financing on the institutional interbank market. At the same time, the marginal cost of funds from customers increased significantly. The unsecured interbank market dried up even more, recording exchanges essentially concentrated only for extremely short maturity dates (mostly overnight) and for smaller amounts. Starting in the fall of 2011, the European Central Bank intervened with actions supporting the banking system aimed at reinforcing the general liquidity situation. In particular:

- long-term (up to 3 years) full-allotment collateralised loans were offered to banks;
- the reference rates of the ECB were reduced (in two steps, from 1,5% to 1%);
- the compulsory reserve coefficient was reduced;
- the eligibility criteria for ABS securities were made less stringent.

At the same time, during the last few days of 2011, the Monti Government enacted a series of measures aimed at reinforcing stability in Italian public accounts, to support the national banking system and in general restore trust in the markets. These measures also include an offer by the State to offer guarantees for bonds issued by Italian banks. This initiative was received with a great deal of interest, since it makes it possible to improve collateral holdings that can be used for loans from the ECB.

The year 2011 ended with signs that the liquidity issues are improving for the credit institutions in our country. The mass participation of Italian banks in the first three-year financing operation established by the ECB (regulated by currency 22/12/2011), together with the increase in collateral originating from the guarantee on bonds offered by the State in fact calmed the markets and contributed to returning the overnight unsecured interbank rate exchanged in Italy to levels very close to the lower level of the ECB range and in line with the average rates exchanged in Europe, well represented by the

EONIA parameter (in November and the first part of December the overnight Italian rates had recorded values significantly higher than the EONIA rate, providing evidence of the tensions in terms of own liquidity for the banks in our country).

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

Liquidity monitoring and management operations are formalised in the Banca Sella Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations.

The liquidity management and control process made it possible to maintain an appropriate level of liquidity throughout 2011, in the face of the market crisis which occurred, even if certain early warning indicators declined, mainly traceable to the worsening of the systemic situation.

More information is given on the liquidity risk in section 3 of part E of the Notes to the Accounts.

Information on exposure to "high risk" financial products

BANCA SELLA

SPE (Special Purpose Entities)

At 31 December 2011, Banca Sella was not exposed, nor was it throughout the entire period, to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by sub-prime mortgages, which became a generalised crisis of the global financial system.

Exposures to securitizations at 31 December 2011 are related to the securitization transactions carried out with the vehicle company Mars 2600 S.r.l., fully consolidated and held 10% by Banca Sella Holding.

Sub-prime and Alt-A exposures

At 31 December 2011, and during the entire course of the year, Banca Sella has not had any exposure to structured CDO-type products or other financial instruments perceived by the market as high risk as associated with the sub-prime mortgage and Alt-A crisis.

ABS (CMBS, RMBS)

At 31 December 2011, and during the entire year, Banca Sella had no exposure to ABS connected to sub-prime mortgages.

BANCA SELLA HOLDING

SPE (Special Purpose Entities)

At 31 December 2011, Banca Sella Holding was not exposed, nor was it throughout the entire period, to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by sub-prime mortgages, which became a generalised crisis of the global financial system.

Sub-prime and Alt-A exposures

Banca Sella Holding at 31 December 2011 and throughout the entire period, did not have any exposure to structured CDO-type products or other financial instruments perceived by the market as high risk as associated with the sub-prime mortgage and Alt-A crisis.

ABS (CMBS, RMBS)

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

- *ABSs from third-party securitizations*

  - ABSs issued in securitization of residential and non-residential loans and leasing credits carried out by European banks (Spain and the United Kingdom). The total held at 31 December 2011 amounted to an equivalent value of 2,284 million euro, thus representing a residual part of the whole portfolio, about 0,15%.

Description of Security	Isin	Currency	Nominal Value	Book Value
CAJA MADRID TV 50 LR	ES0359093012	EUR	1.273	1.100
TDAC 8A TV 49 LR	ES0377966009	EUR	0,585	0,421
BUMF 6A2 TV 40 LR	XS0299446103	EUR	1,500	0,763
			Total	**2,284**

Figures in millions
Data at 31/12/2011

- *Units of ABSs present in SICAV segments or units of Hedge Funds*
  - The Banca Sella Holding portfolio contains units of Group SICAVs that invest in ABSs (the investment decisions taken in the segment favoured instruments with medium-high ratings with careful selection of the underlying and excluding investments linked to US subprime mortgages). This is an investment of 4,24 million euro, equal to 0,28% of the portfolio itself. The Hedge Funds in the portfolio, whose equivalent value is 0,699 million euro, represent only 0,05% of the portfolio itself.

» PROFIT DISTRIBUTION POLICY

As regards the policy on the distribution of profits, a method is generally used within the Group whereby the dividend distributed by each company on a yearly basis depends on the risk-free interest rate, on a proportion of the risk premium and on the average equity of investee companies. In any case, the maximum dividend distributable is the profit for the year less the provisions established by the articles of association and allocated to the legal and statutory reserves.

» GROUP COMPANIES

As already mentioned previously, the Banca Sella Group operates through 22 companies (of which one in liquidation) working in many different geographical areas with a vast range of products and services.

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

The first is that of Parent Company which concentrates in a single entity the activities of management, coordination and control, defining the strategic orientations and guidelines for the development of the Group. This activity responds to the need, envisaged under the sector regulations and in the Articles of Association, to guarantee the operation of the banking Group through "sound and prudent management" as well as exerting a strategic control over the evolution of the various areas in which the Group works and the risks related to such operations. Banca Sella Holding also carries out management control activities aimed at ensuring that the economic, financial and equity balance conditions of individual companies and of the Group as a whole are maintained.

The second function is that of a "service provider" in relation to the other Group companies. In fact Banca Sella Holding manages at a centralized level and provides to its subsidiaries various services including:

- Finance (own portfolio trading, management of the own securities portfolio, corporate finance);
- Trading in financial instruments
- Access to financial markets
- Centralized Group treasury (including management of relations and credit lines of Banking Counterparties).

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

The Payment Systems services and access to the interbank networks, Sicav Correspondent Bank and Mutual Funds and Customer Desk were transferred to Banca Sella, which following the merger operation of Sella Servizi Bancari became the main company which provides services to the other companies in the Group, taking over the activities formerly provided by the consortium.

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

- Italian commercial banks:
  - Banca Sella, Banca Sella Nordest Bovio Calderari: Italian banks operating mainly in the retail business;
- Large customers and asset management:
  - Banca Patrimoni Sella & C., a bank whose business is focused on securities asset management, investment advice and increasing its customers' total assets, and which also plays the role of provider of private banking tools, services and products to the entire Group;
  - Sella Bank AG: sole foreign bank in the Group;
  - Selfid: a company whose purpose is to carry on a so-called "static" fiduciary business;
  - Selgest: a company incorporated in Luxembourg which works as the manager of the Group's SICAVs;
  - Sella Gestioni: a company operating in the managed savings sector (in the segment of collective management) and in the sector of individual management and complementary pensions;

- Family Advisory SIM S.p.A. - Sella & Partners: newly-incorporated equity intermediation company, operative only as from 1 January 2011, this is a multi-family office providing a concrete response for families and businesses;

- Leasing
  - Biella Leasing: a company operating in the financial leasing segment;
- Consumer credit
  - Consel: a company which works in the consumer credit sector, providing customers with a wide range of products focused on credit;
- Bancassurance
  - Brosel: a company active in the insurance broking and advice sector;
  - C.B.A. Vita: a company that operates in the sector of life assurance and health and accident insurance;
  - Sella Life: an Irish company specialized in the issue of unit linked policies;
- Banking Services
  - Selir: a Romanian company which operates in the sector of the design and development of software products and in the provision of administrative services exclusively for the Group's banks, Easy Nolo and Consel;
  - Easy Nolo: a company operating in the world of electronic payment systems.
- Other sectors of activity
  - Miret: société anonyme legal company dealing exclusively with administrative activities deriving from transferred management of Sella Bank Luxembourg S.A.;
  - Immobiliare Sella and Immobiliare Lanificio Maurizio Sella:the Group's real estate companies;
  - Finanziaria 2010: the Group's holding company;
  - Sella Capital Management: in liquidation;
  - Sella Synergy India: Indian company, which on 15 February 2010 sold its information activities to Chennai Branch, "permanent establishment abroad" of Banca Sella; the company is active but no longer operative.

For more information about company operations, please refer to that stated at the start of this report on operation, in the section "Evolution of the group structures and investments" in the chapter "Corporate transactions".

For more complete information on the performance of the individual companies listed above, the present section presents a summary comment on the business they carried on and the results they achieved during 2010, describing their operating performance and overall results.

It is specified that the following comments report the results obtained, applying the accounting standards used to prepare the separate financial statements.

Italian commercial banks

BANCA SELLA S.P.A.

The comparison between the figures at 31 December 2011 and at 31 December 2010 are influenced by the following events:

- the merger by incorporation of Banca Sella Sud Arditi Galati into Banca Sella, effective for accounting purposes as of 1 January 2011;

- the merger by incorporation of Sella Servizi Bancari into Banca Sella, effective for accounting purposes as of 29 May 2011;

- the transfer of the Banca Sella Holding business unit consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area, effective for accounting purposes as of 29 May 2011.

The total result for the year was 9 million euro, -3,4% with respect to 31 December 2010. The ROE level was 1,9%.

In a situation with persistent low interest rates, even with a slight recovery, and limited development of loans, as well a increasing cost of funds due in part to the tensions created in certain segments, interest income saw positive growth during the first half of 2011 in comparison to the figure of the previous year. Banking income increased in comparison to the first half of 2010 thanks to the positive inversion in trading results. In terms of costs, actions to contain operating costs continued while the cost of credit continued to heavily influence the results of the half-year.

At 31 December 2011 net interest income amounted to 194,1 million euro, a 32,8% increase compared with the previous year. The impact on net banking income fell from 59,2% in December 2010, to 57,4% in December 2011.

The trend in net income from services, which amounted to a total of 143,8 million euro, showed a rise of 43% compared with 2010, in which it was 100,6 million euro. This component represented 42,6% of net banking and insurance income (40,8% at 31 December 2010).

The notable increase is partially due to the company operation described above. In fact, if the 2010 aggregate data of Banca Sella and the incorporated entities are taken into consideration, growth in 2011 totals 19,7%. In addition, Banca Sella Sud Arditi Galati accounted for 16,3% of net income from services.

The money management margin, together with services management, leads to a total result of 338 million euro, a 36,9% increase over 31 December 2010. If the 2010 aggregate data for Banca Sella and the incorporated entities are taken into consideration, the increase is 12,4%, an improvement over that registered, on average, in the context of the Italian banking system. This is above all thanks to the positive uptake in gains from trading activities, totalling 4,3 million euro in 2011, in respect to -1,4 million euro in 2010 and in hedging, totalling 1,2 million euro in comparison to 0,03 million euro in 2010.

Operating costs, amounting to 224,7 million euro, including the positive contribution of 9,5 million euro of the item “Other operating expenses/income”, increased by 28,3% compared with 2010.

The "One Bank" operation mentioned above also influenced these results, which, in the face of greater revenues, led to an increase in structural costs and costs for personnel. The increase in the component of operating costs is attributable to Sella Servizi Bancari.

As a result, the efficiency indicator known as the cost-to-income ratio, which is the ratio of operating costs (after deducting IRAP on personnel costs), net of losses linked to operational risks and net banking, comes in at 64,3%, an improvement on the 68,9% recorded at 31 December 2010.

Owing to the above trends the operating result amounted to 113,2 million euro, an increase of 57,9% compared with the figure at 31 December 2010. If the aggregate 2010 figures for Banca Sella and the incorporated entities are considered, the increase is +42,1%.

During the year, provisions of 1,5 million euro were set aside for risks and charges. The aggregate increased with respect to 2010.

Net value adjustments to loans totalled 87,6 million euro, a 71,6% increase with respect to Banca Sella's 51,1 million euro in the previous year. If the 2010 aggregate data of Banca Sella and Banca Sella Sud Arditi Galati is considered, then the increase seen in 2011 falls to 48,5%.

This item represents 1,3% of total lending. Despite the slow extension of the general crisis, which began in 2009, value adjustments still had a significant impact on profits for the period.

BANCA SELLA NORDEST BOVIO CALDERARI S.P.A.

Financial year 2011 ended with a net loss of 2,4 million euro, and an R,O,E, which came out at -5,9%. The improvement in the economic result compared with previous years is explained in the comments below, in relation to the items of the reclassified Income Statement.

Interest income, net of dividends, totalled 13,7 million euro, a 14,3% decrease with respect to 2010, following the decline in both net interest (-12,6%) and dividends (-77,8%).

The incidence of the interest margin (including dividends) on the net banking and insurance income is 63% as compared with 68% for 2010.

The result of interest income was determined by a downward trend in both cash loans, which declined by 1,8% with respect to the previous period, and in direct deposits (exclusive of REPOs), a 10,4% decrease only partially compensated for by the limited recovery in the spread between earned and paid interest rates.

In 2011, net income from services settled at 8 million euro as compared with the 7,5 million euro recorded in 2010 (+7,3%). The improvement in the aggregate is entirely due to the positive recovery of the finance sector, which ended the year with gains of +523,1 thousand euro, in comparison to the losses of 509 thousand euro in 2010. The uncertainty in the financial markets led to a decrease in commissions, which worsened in the second half of the year (-4,5% net fees).

The above-described trend in interest income and revenues from services led to banking income for 2011 of 21,7 million euro, a 7,4% decrease over 2010.

Operating costs (including IRAP on personnel costs) amount to 22,4 million euro, showing a significant drop of 6% on 2010, as proof of the continuation of the cost reduction policy adopted by the Bank and the Banca Sella Group in 2011, in harmony with the pressing indications in this sense given by the Supervisory Body.

Operating costs are mainly made up of:

- ✓ Expenses for Personnel: amount to 11,1 million euro (excluding the associated IRAP), falling by 5,1% on 2010;
- ✓ Other administrative expenses: amount to 11,7 million euro (-1,8% compared with 2010);
- ✓ Amortisation and depreciation on tangible and intangible fixed assets: 701,5 thousand euro (-27,6% on 2010).

On the basis of the data illustrated, the efficiency indicator referred to as the "cost-to-income" amounts to 100,8%, showing worsening of 1,7 percentage points as compared with last year, at the end of which the index stood at 99,1%.

Owing to the above trends the operating profit for financial year 2011 amounts to - 0,7 million euro, still negative and worse than the results in 2010, when they totalled -0,4 million euro. During the year provisions of 0,3 million euro were set aside for risks and charges , a decrease of 63,2% compared with 2010. The larger part of this amount is represented by provisions in the face of bankruptcy revocatory actions. In 2011 net value adjustments for impairment of loans amounted to 4,9 million euro, a significant decrease of 43,8% compared with 2010, representing 0,8% of total cash loans at the end of the year (the proportion was 1,4% in 2010). The sizeable decrease was due to the concentrated containment actions regarding credit losses, aimed at making both the disbursement and credit management stages more effective. While the item Adjustments for impairment of financial assets available for sale at 31 December 2011 totalled -0,5 million euro, following the decision to write down the interest in CBA Vita, classified among financial assets available for sale.

As in 2010, in 2011 the Bank continued to buy back own bond issues in order to relist them on the market; an activity previously carried out by the Parent Company Banca Sella Holding.

The repurchases made generated income stated in the item Profits (losses) from sales or repurchases of credits, financial assets held for sale and financial liabilities.

Large customers and asset management:

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

The year ended with net income for 1 million euro, a decline on the income of 3,3 million euro recorded as of 31 December 2010.

As compared with last year, the result as of 31 December 2011 has been determined above all by the following aspects:

- a positive trend in banking income which, totalling 36,1 million euro, recorded an increase of 4,6% over the previous period;
- contained operating costs, which settled at 27,9 million euro, 1,9 million euro below the figure recorded for 31 December 2010;
- the increase in banking income and the reduction in operating costs allowed the Bank to achieve operating results that were 73,9% better than those of the previous year;
- lower allocations to the provisions for risks and charges, which in 2011 amounted to 0,4 million euro, as compared with the 1,2 million euro of last year;
- value recoveries in the amount of 0,02 million against value adjustments for credit impairment totalling 0,3 million euro in 2010;
- the significant worsening of the item "net adjustments for impairment of financial assets", which went from -0,02 million euro to -6,2 million euro. Following the continuing financial difficulties in Greece, an impairment test was carried out on the government bonds from said country held in the Bank's portfolio and classified in the IAS accounting category of available for sale.

As a result of the performance outlined above, income from continuing operations before taxes totalled 2 million euro, with respect to 5 million euro recorded in the previous year.

Interest income amounted to 7,8 million euro, a 4,3% increase over 2010.

Interest expenses increased by 0,5 million euro, mainly due to the increase in rates paid to customers for demand deposits and for repurchase agreements for securities.

The dynamic of interest receivable showed an increase in the aggregate of 0,9 million euro, caused by an increase in volumes and rates applicable to loans to customers and greater interest in the company securities portfolio.

Net income from services totalled 28,3 million euro, an increase of 1,3 million euro (+4,7%) in respect to last year. This result can be traced to the trend in fees, for which the net aggregate was greater than in 2010. The figure for account trading activities and receiving and sending orders on behalf of customers came to 4 million euro, an improvement of 38,9.

Income from management by appointment settled at 2,6 million euro as compared with last year, when the amount was 2,8 million euro, proportional to the decrease in appointments.

Operating costs totalled 27,9 million euro, a 6,2% decrease with respect to the 29,8 million euro recorded the previous period, testifying to the cost savings policy established by both Banca Patrimoni Sella & C. and all the other banks in the Group.

Within the total, expenses for personnel (including IRAP relative to the same) totalled 16,4 million euro, a decrease of 6,3% when compared to 31 December 2010.

Other administrative expenses (net of recovery of stamp duty and other taxes) amounted to 10,2 million euro at the end of the year, thereby coming in lower than in 2010, when they were 11,2 million euro.

Other components of operating costs include an increase of 0,2 million euro of the item Other operating costs, which, having deducted the recovery of stamp duty and other taxes, stood at 0,9 million euro.

As a result of the trends described above, the operating result at 31 December 2011 amounted to 8,1 million euro, a distinct improvement (+73,9%) on the previous year, when it was 4,7 million euro.

SELLA BANK AG

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

During the course of 2011, interest income, totalling 1,7 million euro increased by 79,1% over 2010, mainly thanks to the positive trend in indirect deposits, while net revenues from services, totalling 6,4 million euro, decreased by 16,4% over the previous period.

Net banking income, amounting to 9 million euro, went down by 5,6% over the previous year.

Structural costs, totalling 6 million euro, showed an increase of 4,1%, while the cost to income ratio was 76,9%, a 1% increase with respect to 2010.

The above performance has enabled the Bank to achieve a net profit of 1,6 million euro, a decrease in respect to the 1,9 million euro seen last year.

SELFID S.P.A.

The Company, based in Biella, carries on a so-called "static" fiduciary business (as provided for in Law 1966/39).

Again in 2011 the main activity of Selfid was the fiduciary custody of financial assets and insurance products, and the assumption of fiduciary appointments for the custody of equity interests and shares of companies. The number of fiduciary appointments at 31 December 2011 totalled 774. Assets administrated went from 1.948 million euro in 2010 to 1.859 million euro in 2011. Commission income totalled 1.075 thousand euro, a slight decrease over the 1.118 thousand euro of the previous period. The largest item in costs, costs for services, came to 724 thousand euro (in 2010 it totalled 730 thousand).

Selfid ended the year with a net profit of 199 thousand euro, as compared with the 149 thousand euro recorded in 2010.

SELGEST S.A.

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

The year just ended confirms the dramatic decrease in managed assets. At 31 December 2011 assets managed totalled 104 million euro in comparison to 212 million at 31 December 2010, a decrease of approximately 51%.

During 2011, organisational efforts which had already begun during the previous year intensified, and led to just one employee starting on 15 June 2011.

The year ended with a loss of 230 thousand euro, in any case 38,3% better than the loss recorded last year.

SELLA GESTIONI SGR S.P.A.

The Company, which is based in Milan, has operated in the managed savings sector, in the segment of collective management since 1983 and since 1999 it also operates in the social security sector.

At the end of 2011 the company managed 16 Italian-law mutual funds, a fund of funds made up of 2 segments, a pension fund made up of 5 segments, and, with delegated powers, a Luxembourg-law

SICAV and one Monaco-based fund. For the placing of its products the Company works with banks and security brokerage companies both within and beyond the Banca Sella Group.

As far as collective management is concerned, at year end the assets were invested as follows: 78,80% in bond funds, 8,85% in balanced and flexible funds and 12,35% in equity funds.

At 31 December 2011 total assets managed (net of duplications) amounted to 1.560,7 million euro, a decrease of 22,9% with respect to the end of 2010. This decrease was determined by the trend in deposits, which had a negative (net value between subscriptions and redemption) balance of 418,8 million euro.

The market share held by the company in the sphere of collective management was 0,346% at year end, compared with 0,417% at the end of 2010.

The year ended at 31 December 2011 with net losses of 954 thousand euro, negatively influenced in the amount of 1.094 thousand euro by the devaluation of the interest held in CBA Vita S.p.A.. Without considering this extraordinary item, the results would have been net profit of 140 thousand euro, as compared with the 534 thousand euro recorded in 2010.

Net commissions totalled 6,3 million euro, an 8,2% decrease with respect to the end of 2010 in the presence of lower average assets managed.

Net interest income was 6,1 million euro, a decrease of 8,3% with respect to the figure for 2010, mainly influenced by the decrease in average assets managed.

Structural costs, amounting to 6 million euro decreased by 11,9% compared with the previous financial year. This change was due to careful work aimed at containing costs. In particular, the number of personnel of the Company, including attached staff and collaborators, went down from 53,3 full time equivalent of the end of 2010 to 48,7 full time equivalent of the end of 2011.

For 2012, the plans are to pursue a growth objective of volumes and quality of products managed, in a context that is increasingly attentive to limiting costs.

Leasing

BIELLA LEASING S.P.A.

The company, based in Biella, works in the financial leasing business, in all sectors but in particular: motor vehicles, capital goods, property, boats and photovoltaics. Biella Leasing operates with 9 branches, besides the head office in Biella.

During the period, the Company stipulated 3.213 contracts for a total amount of 263,2 million euro. The number of contracts stipulated was less than the 3.607 contracts stipulated in 2010, while the total value was greater than that in the same period (254,7 million euro).

The market share of the newly-signed contracts was 1,1%, an increase over the previous financial year, when it was 0,9%.

Net banking income, amounting to 23 million euro, decreased when compared with 2010, when it was 26,8 million. Structural costs, inclusive of personnel expenses and other overheads, amounted to a total of 6,6 million euro at 31 December 2011, up by 2% compared with the previous year, in which they were 6,5 million euro.

On 31 December 2011 the staff, including employees and seconded personnel from other companies of the Group, was made up of 67 people (an increase over the 65 in 2010), of which 34 men and 33 women. Seconded personnel was made up of 6 people.

The impact of net non-performing positions on loans remained unchanged from 2010, at 1,6%.

The company thus closed the year with a net profit of 5.5 million euro, 20% down on the figure of 6.9 million euro recorded in 2010.

Consumer credit

CONSEL S.P.A.

The company, which has its operational office in Turin, works in the consumer credit sector, providing its customers with a wide range of credit-based products, in particular financing for hire purchase, credit cards, salary-backed loans and motor vehicle leasing. Consel carries on its business through an operational structure consisting of 276 employees, 26 managed branches, 13 affiliated "Consel Points" and more than 2.800 partner sales points active in 2011 all over Italy.

In 2011, the consumer credit sector continued to suffer the negative effects of the external situation of economic-financial crisis, albeit to a lesser degree than last year. On the basis of the data collected by the "Observatory on consumer credit" by the Assofin Associates, in 2011, the total value financed by Italian consumers and families totalled 51,7 billion euro of loans supplied, with 122,6 million lending transactions concluded. With respect to the constant and more sizeable decreases seen in the previous years (-11,3% in 2009 and -5,3% in 2010) the results in 2011 confirmed the negative trend but with lower intensity (-2,2%).

The dynamic of the number of transactions financed also shows an improvement compared with the past (+2% on the previous year), significantly affected by the trend in the number of uses of revolving credit cards, which account for approximately 95% of the total consumer credit transactions.

The continued weakness of the Italian market, which is not yet able to return to pre-crisis levels is due not only to the tail-end of the economic-financial crisis, but also to the changes in the regulatory context (i.e. the introduction of new regulations for consumer credit, Legislative Decree no. 141) which have required major efforts to adapt, resulting in a significant reorganisation of the business by operators.

Against the trend of the Italian consumer credit market, in 2011 Consel recorded growth of 18,7% in volumes supplied.

With regards to consumer credit products, the Company dealt with 181.012 financing applications (for personal loans, auto and other specific financing, salary-backed loans) for a total amount of 776,7 million euro and liquidated 133.483 transactions for a total of 470,2 million euro.

In reference to the activities carried out through channel of agencies in the Toro group (Alleanza Toro, Augusta Assicurazioni, Lloyd Italico), 2011 was a year of consolidation of the collaboration of the authorised agencies. The work of disbursing consumer credit (auto and other specific financing, personal loans, leasing, and salary-backed loans) through the agencies produced 8.841 new operations, for a total of 92,5 million euro liquidated.

Net interest income amounted to 34,8 million euro, a decrease of 9,4% over 2010, while operating income, amounting to 53,9 million euro, showed an improvement of 2,3% compared with the previous year, thanks also to the increase in total revenue to 24,5 million (up +24%).

At 31 December 2011 operating costs amounted to 31,6 million euro, of which 30,4 million relating to administrative and personnel expenses (an increase compared with the 27,8 million recorded in 2010) and 1,2 million for amortisation and depreciation (in 2010 the figure was 1,3 million). The increase in operating costs is therefore in line with the rate of growth and development of the company.

Net profit, after taxes which amounted to 3,8 million euro, came out at 3,4 million euro compared with 3,0 million euro achieved in the previous year.

Bancassurance

BROSEL S.P.A.

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

In 2011, Brosel brokered a volume of premiums amounting to approximately 26 million euro.

Net commission from insurance broking (totalling 2,3 million euro, a 7% increase with respect to the previous period) in the face of costs which were slightly lower than in the past period, and financial income which increased thanks to increased interest rates, led to results before taxes of 927 thousand euro, a 31,5% increase with respect to the previous year.

Net income came in at 597 thousand euro, a 153 thousand euro increase over the previous year.

In 2011, the Company's business continued to development mainly in the corporate sector, and specifically in that of policies covering construction risks and renewable energies, as well as in the financial institutions and credit institutions sector, where the Company has particular know-how and professionalism.

The main future projects involve both commercial and organizational aspects. With regards to the first aspect, the intention is to continue developing activities in collaboration with the Banca Sella Group network to increase the introduction to customer companies of the Group. As for the latter, a complete review of the business processes will continue, in order to recover productivity.

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

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

During the course of the year, C.B.A. Vita collected total net deposits for 204,4 million euro (a decrease on the 443,2 million euro recorded in 2010), mainly from traditional life policies. Premiums ceded amounted to 2,1 million euro.

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

The net result of financial and insurance operations was -5,3 million euro, compared with 4,7 million euro in the previous year. This decrease is mainly attributable to the lower profits deriving from financial management and impairment carried out on Greek government bonds in the amount of 10,280 million euro.

Structural costs amounted to 3,4 million euro, of which 1,9 million euro relating to personnel and 1,5 million euro relating to other administrative expenses. The aggregate indicates a decrease of 2,2% with respect to 2010.

The number of employees with respect to the previous year remained unchanged, totalling 21 people.

The trend shown brought the Company to close the year with a net loss of 9,3 million euro, as compared with the losses of 4,7 recorded at the end of 2010. The loss mainly derives from the negative result of financial management.

Relative to Vita products, in 2011 deposits concentrated on products that can be revalued, including:

- CBA Tuo Valore, a revaluable life insurance product linked to the Conto Tuo Valore account, a product launched in November 2009, whose performance is linked to the separate ALFIERE management;
- CBA Valore Capitale Series II and CBA Valore Cedola Series II, life policies with a single premium, the capital of which is revalued on an annual basis on the basis of the results achieved by the separate CBA ACCUMULO management, for the CBA Valore Cedola Series II product, revaluations are liquidated annually in the form of coupons.

During the first part of the year, a new Multi-Department product was presented to the network, known as Multiple Choice Plus, which offers the possibility of investing up to 70% of deposits in ALFIERE separate management and the remaining portion in the internal funds Torre Dynamic and Torre Ponderato (which have the characteristics of Unit linked products).

In addition in the first half, the number of internal funds relative to the portfolio transferred to CBA VITA by Sella Life at the end of April 2010 was decreased, after having received specific authorisation from ISVAP. More specifically, the merger transaction involved 26 Internal Funds and was carried out to achieve greater overall management efficiency thanks to the size increase in Internal Funds. As envisaged under the regulations, the merger did not lead to any additional charge attributed to customers.

SELLA LIFE LTD

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

During the year, the company collected premiums worth 75,2 million euro, achieving a total insurance investment of 529,8 million euro. In 2011, net banking income was 1,4 million euro, an increase over last year (1,6 million euro) due to the increase in the investment portfolio managed. Structural costs in 2011 reduced significantly, amounting to 1,4 million euro (last year, these were 1,6 million euro).

The combination of these effects means that the company closed the year with a profit of 0,02 million euro, (0,1 million euro recorded last year).

Bank services

SELIR S.R.L.

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

In 2011, net banking income, amounting to 3,68 million euro, recorded a -8% decrease on 2010 (when it amounted to 3,99 million euro).

Net revenues from services in 2011 (3,72 million euro) a -7% decrease over 2010, following the fall in activities carried out by the Back Office Administrative Services and Call Center structure (-5%) and the turnover linked to Software development (-11%).

Operating costs amounted to 3,21 million euro, a +1% increase over the previous year. Within the component there was an increase in personnel expenses, which amounted to 2,34 million euro (+14% over 2010), while other administrative expenses decreased by -23%.

The Company ended the year with a net profit of 367 thousand euro, a decrease of 313 thousand euro over the previous year.

EASY NOLO S.P.A.

This company, based in Biella, operates in the field of electronic payment systems and specialises in the sector of e-commerce transactions using the Gestpay platform, POS terminals, fidelity solutions and mobile services. Its activities include: developing software for payment acceptance systems on national and international circuits; hiring out, connecting and maintaining POS terminals for businesses and banks; creating and managing added-value services providable via POS terminals (telephone top-ups and customised fidelity services).

The value of production amounted to 8,8 million euro, a decrease of 16,2% compared with the previous year. Production costs amounted to 7,3 million euro, also down of 17,1% on the previous year. Consequently, the difference between production costs and revenues, totalling 1,5 million euro, while it remained positive, it slightly decreased over the previous year, in the amount of 0,2 million euro.

The company closed the year with a net profit of 783 thousand euro, compared with 927 thousand euro in the previous year.

No other important events occurred in 2011.

For 2012 operations, the focus will be on consolidating the current services and developing new products.

Other sectors of activity

MIRET S.A.

During the course of the year, Miret S.A. continued to operate exclusively in managing administrative assets deriving from transferred management.

As these are the results of the first full year of operations for the company, comparison of the data provided below with that of 2010 will not be homogeneous and, therefore, of limited significance.

For the purposes of proper analysis, it should be remembered that Miret S.A. does not have any revenues with the exception of the use of its own liquidity.

Interest income totalled 17,6 thousand euro. At year end, net banking income was 27 thousand euro. With regards to operating costs, personnel expenses stood at 422,8 thousand euro and other administrative expenses totalled 422,2 thousand euro.

Due to the dynamics indicated above, the net economic results for the period was a loss of 985,8 thousand euro.

We note that the operating risks which are referred to briefly below are related to relationships not subject to transfer as of 1 July 2010 to the banking company Banque BPP SA. and hence remain within the equity of the divided company Sella Bank Luxembourg S.A., now "Miret S.A.".

The operational risks of Miret S.A. are only those referring to events that can be entirely attributed to the old management (2001 – 2003), which was dissolved by dismissing the managers in charge and replacing them immediately in November 2003. This subject was already reported on in the financial statements for previous years.

For reasons of clarity and consistency, we are presenting once again the division of risks following the same scheme that appears in the report on the 2010 financial statements, distinguishing therefore between:

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

With reference to litigation sub (a), the action suits by the aforementioned Sicav against Sella Bank Luxembourg (now Miret S.A.) came under the transaction signed on 21 March 2008 and were judged by the Court of Luxembourg on 3 July 2008 - now res judicata.

This transaction was carried out regularly by Sella Bank Luxembourg (now Miret S.A.) through the deposit of 21,8 million euro on 8 August 2008 (deriving from the capital amount of 21,5 million euro plus interest at conventional rate). The agreement envisages, besides a complex mechanism of guarantees given by the liquidation to Sella Bank Luxembourg (now Miret S.A.) for the eventuality of subsequent suits filed by third parties, the settlement states that, in the context of the judicial liquidation procedure, the Liquidators will pay off investors in the Vario Invest product distributed by Amis AG and with which Sella Bank Luxembourg (now Miret S.A.) had dealt, up to 4 March 2004, with the amounts used for investments with the consequent assumption of responsibility as regards their mixing with the assets of the SICAV.

The Liquidators thus undertook, against the payment made by Sella Bank Luxembourg (now Miret S.A.) of the further sum of 4 million euro, to collate by 3 July 2011 the waivers of at least 85% of the Vario Invest investors of all claims against Sella Bank Luxembourg (now Miret S.A.). On 30 March 2010, the liquidators informed that they had collated the waivers of Vario Invest customers in accordance with that required through a transaction in the amount of 18,9 million, equal to 86,50% of the total indicated in the transaction signed on 21 March 2008. As a consequence, on 8 June 2010, Sella Bank Luxembourg (now Miret S.A.) continued the above mentioned transaction, depositing the amount of 3,460 million euro, the full charge of which was sustained by Banca Sella Holding, as in the signed letter of financial support. The conclusion of the condition and the subordinate obligation to pay the remaining amount of 540 thousand euro is, at present, still subject to verification between the parties, as the liquidators communicated on 03 August 2011 that they had completed gathering the waivers of Vario Invest customers, but that the relative documentation had not yet been sent. No investor or third party, subsequent to the transaction, has made any demands of any type of Sella Bank Luxembourg (now Miret S.A.).

With reference to the risks regarding (b), and without prejudice to the disputes from previous years that are still pending, we note that Miret S.A.'s request to suspend the four civil procedures, while awaiting definition of the criminal proceedings brought by Miret S.A. on 07 May 2008, with the deposit of the complaint for the events linked to the previous management (2001 - 2003), was accepted by the Luxembourg Appeals Court on 26 January 2011 for two of the above-mentioned proceedings and, by the Court of Luxembourg on 08 November 2011 for the two remaining proceedings. In the proceedings brought by a sub-management company operating under BVI law aimed obtaining the payment of sub-management commissions for the period of 2003 - 2006, on 31 March 2011 the Court of Luxembourg declared the request unfounded. On 12 August 2011 the above-cited sub-management company appealed the sentence.

Other cases with BVI funds and directly or indirectly related parties did not see any significant changes, as negotiations between parties are still under way and decisions have not yet been made as regards the preliminary ruling procedures introduced by Miret S.A. for all pending civil trials.

As a whole, having carried out the transaction with the judicial winding-up of Sicav Amis Fund and Top Ten Multifonds including as regards the Vario Invest investors (section a above), operating risk for Miret S.A. is being modified as to the rights claimed. Nonetheless, while the results of the cases referred here are found to be comforting, at present it is held to be prudent to not make quantitative changes to the risk estimates calculated in the 2010 financial statements.

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

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

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

During the course of 2011, work to contain costs which had already begun in previous years, specifically in September 2008, continued to move forward. The company no longer has employees of its own and the Liquidator is assisted by a resource partially seconded from another Group company.

The year 2011 ended with losses of 167,5 thousand euro (in the face of losses of 240,9 thousand euro in the previous year), caused by the performance of the financial markets which in their turn influenced the performance of the SICAV sector in which most of the Company's equity is invested. Note that the results of investment of the company's assets represent the sole potential source of revenue of the Company, given its status of liquidation with the consequent sale of all assets and in the face of costs which have already been decreased as much as possible.

SELLA SYNERGY INDIA LTD

Sella Synergy India, based in Chennai (Madras – India), until 14 February 2010 operated in the sector of design and development of software products for the Group companies and banks. On 15 February 2010 the Company transferred its IT assets to Servizi Bancari S.C.p.A. Chennai Branch, a "permanent establishment abroad" of Sella Servizi Bancari. Sella Synergy India pursues its business, despite no longer being operative, in order to allow for the resolution of administrative issues. Non-operational status will continue until a decision is received from the relevant authorities. Currently, Sella Synergy India has no employees.

During the year 2011, the company earned 0,1 million euro as interest on deposits at the banks, while having 0,05 million euro in administrative expenses. The net margin over the course of the year was therefore 0,004 million euro net of taxes.

» OWN SHARES

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

» OUTLOOK

The scenario

The expected changes in the global macroeconomic situation in 2012 are heavily conditioned by the development of the sovereign debt crisis in the Euro Zone and the implications which the tax austerity policies adopted by the main advanced countries will have for economic growth.

In the United States the slow recovery of the employment market and the critical issues which still characterise the residential real estate market justify the forecast of limited growth below potential. The reduced possibilities for expansive tax policies represent an additional hindrance to the recovery of internal demand in the US. The growth of gross domestic product in the Euro Zone will be penalised by the restrictive tax policies adopted in various countries. The developments in the sovereign debt crisis will continue to be a determining factor in the evolution of the economic situation for the area. Growth trends in the individual countries will continue to be unbalanced, with countries that are more vulnerable in terms of public accounts continuing to be weaker. The framework for the emerging areas will likely be less dynamic than in 2011. The wide spaces in which the tax and monetary policy authorities can operate in the main countries should, nonetheless, make it possible to limit slowing of internal demand.

In terms of consumer prices, the situation of moderate growth will likely justify a return of inflationist tension, even if risks connected to the impact of indirect taxes must be noted in various countries. In reference to the interest rate trends in the USA and the Euro Zone, management of monetary policy on the part of the Federal Reserve and the European Central Bank will remain relaxed. The spaces for recovery of US and German long-term interest rates may be limited due to the persistence of tensions related to government bonds for countries which have critical public account situations.

Trends in banking amounts in 2012 will be heavily influenced by the changes in sovereign debt tensions. Loans are expected to continue to decline due to the weakness of the Italian economy. Consumption trends, weighed down by the restrictive tax orientation, may impact short-term loans while those with a longer maturity date may be negatively impacted by the climate of uncertainty surrounding investments. Direct deposits, after initial weakness, should return to positive growth rates as national political/institutional structures become definitive once again. Bond deposits should see volatile growth, due to their connection to the return of a decrease in the perceived risk for the sector and non-standard initiatives from the European Central Bank. Direct deposits should start growing again during the course of the year as the climate of faith improves, however a lack of resolution in the European sovereign debt crisis could cause volatility in the financial markets to continue.

In a situation where development of loans continues to be limited, due to weak economic growth, low official interest rates and cost of funds trending upwards, it is unlikely that the recovery seen in interest income during the second half of 2011 will continue. This trend could be mitigated through the extension of a selective outlook on credit by banks and extraordinary support for system liquidity provided by central banks. In terms of commissions, expectations are decreased due to the diminished savings capacity of Italian families, possible volatility in the financial markets and the worsened outlook for macroeconomic growth due to a situation of restrictive tax policies. The greater fiscal transparency promised by the reforms could, in any case, reduce these unfavourable effects, at least partially.

The unfavourable macroeconomic situation for 2012 could cause the cost of funding to remain high, even if the forecast for the entire year is in any case one of slight improvement.

In this situation which predicts serious threats in terms of revenues, also in light of the increased capital requirement for banks, sustainability of banking activities continues to appear tightly linked to maintaining strict discipline in terms of costs while working towards better operating efficiency.

Business continuity, strategy and profitability for the Group

The directors state that they have examined the assumptions of business continuity with care and attention. In the report on operations the results for the year are described. The performance, activities, capital management processes and financial position of the Group testify to the policy of extreme prudence maintained throughout the year. Liquidity, which was kept at a more than adequate level despite the continuation of the crisis during the whole financial year, and the risk management processes and objectives, with particular focus on the riskiest financial instruments, are commented on in detail both in the report on operations and in Part E of the notes to the financial statements.

» SIGNIFICANT EVENTS AFTER YEAR END

In January 2012, the Bank carried out its 5th securitization. The transaction was completed at two subsequent moments: on 9 January 2012 the agreement to purchase the loans was entered into by the special purpose vehicle Mars 2600 S.r.l., while the securities financing the acquisition of the credit were issued on 14 March 2012. The portfolio which was transferred without recourse consists of performing residential mortgage loans granted by Banca Sella (and Banca Sella Sud Arditi Galati before it was incorporated into Banca Sella) to residents of Italy. In exchange for these transactions Mars 2600 S.r.l. issued Class A1 notes amounting to 112,9 million euro, Class A2 notes amounting to 235,4 million euro, and Class D notes amounting to 48 million euro, which were repurchased by the Bank.

On 18 January 2012, in the context of ordinary supervisory activities, Bank of Italy began an inspection of Banca Sella with the subject of: “Adequacy of the Group's strategic planning and control process as well as the methods of risk governance, management and controls at Banca Sella."

In February 2012, the Boards of Directors of Banca Sella Nord Est Bovio Calderari and Banca Sella approved the start-up of the second stage of the "One Bank" program, which will lead to the merger by incorporation of Banca Sella Nord Est Bovio Calderari in Banca Sella. This operation, subordinate to the approval of the Merger Project planned for the March meeting of the Board of Directors, as well as obtaining the necessary authorisations for the Supervisory Authority and the Shareholders' Meetings, is expected to be effective for legal purposes as of 01 October 2012. The union of the two banks will create a new structure able to offer customers the possibility to act carry out transactions freely throughout the network of branches which covers almost the entire country.

On 2 February 2012, the Bank of Italy's general inspection of Banca Sella Nord Est Bovio Calderari ended, which had begun on 24 October 2011. Currently, the report with the results of said inspection is awaited.

On 24 February 2012, the Greek government announced an exchange offer for Greek government bonds held in private investors' portfolios. For every 100 euro of nominal value, the swap envisaged the exchange of 20 new bonds issued by Greece with maturities between 2023 and 2042 for a value of 31,5 euro, two zero-coupon bonds from the European Stability Fund with maturity of 12/03/2013 and 12/03/2014 for a value of 15 euro, a 6-month zero-coupon security for the equivalent of the accrued interest matured on the old bonds up to the date of 24/02/2012, and a warrant indexed to the GDP of Greece that would pay an additional coupon from 2015 to 2042. In nominal terms, the swap structured as above leads to a decrease in the initial value of 53,5%. It is estimated that the current value of all the new bonds issued will be equal to approximately 25% of the nominal value of the old bonds held. The Banca Sella Group decided to accept the above swap offer for the entirety of the Greek government bonds held in the portfolio. The sign up period ended on 08 March 2012 and the offer ended with 85,6% of private creditors voluntarily accepting it. Hence, the threshold of 75% was met, which allowed the Greek government to activate the collective action clauses (CAC) which obligate holders of bonds governed by Greek law to accept the swap. In this way, acceptance of the swap should reach 95,7%.

On 12 March 2012, in the context of ordinary supervisory activities, Bank of Italy began an inspection of Sella Gestioni.

» STATEMENT OF RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT PERTAINING TO PARENT COMPANY

Statement of reconciliation between shareholders' equity and net profit of the parent company and consolidated shareholders' equity and profit pertaining to parent company		
(euro thousand)	**Profit for the year 31 December 2011**	**Shareholders' equity at 31 December 2011**
Balances as per parent company financial statements	**-18.131**	**498.826**
Own shares deducted	-	-
Equity pertaining to group of companies consolidated with line-by-line and net equity methods	-	71.934
Profit/(loss) for the period of consolidated investee companies, net of proportion pertaining to minority interests	13.652	13.652
Profit/(loss) for the period of investee companies measured with net equity method pertaining to the Group	542	542
Elimination of intragroup dividends collected in the period	-9.405	-
Consolidation adjustments:		
Reversal of writedowns of consolidated investee companies	28.157	90.644
Assessment of goodwill	-920	-50.879
Reversal of gains on sales made between group companies	-	-71.264
Other adjustments	1.797	-1.517
Balances as per consolidated financial statements	**15.692**	**551.938**

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

Biella, 27 March 2012

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

Maurizio Sella

REPORT OF THE BOARD OF STATUTORY AUDITORS

BOARD OF AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING

ON THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2011

Dear Shareholders,
during financial year 2011, the Board monitored, among other things, the most significant operations, on the basis of the information provided *pursuant to* Art. 2381, paragraph 5, of the Civil Code, among which of particular importance were:

- completion of the transfer into Italy of the Holland company SELLA HOLDING N.V. which at the same time changed its name to FINANZIARIA 2010 S.p.A.;
- the sale of the entirety of the capital of BANQUE BPP by BANCA SELLA HOLDING and SELLA HOLDING NV to an important European banking counterparty;
- continuation of activities aimed at the creation of "One Bank" through the aggregation into BANCA SELLA of BANCA SELLA SUD ARDITI GALATI and SELLA SERVIZI BANCARI and the transfer to BANCA SELLA, of the BANCA SELLA HOLDING business unit consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area;
- the liquidation of SECURSEL S.r.l.;
- the adoption of the New Commercial Model, aimed at improving the structure of banking services;
- the transfer by BANCA SELLA HOLDING and CBA VITA of their interest in BANCA MONTE PARMA S.p.A. to INTESASANPAOLO S.p.A.

* * *

The consolidated financial statements at 31st December 2011 – consisting of the balance sheet, income statement, statement of changes in shareholders' equity, cash flow report, statement of comprehensive income and notes to the statements, accompanied by the report on operations – show a total profit of 15.692 thousand euro.

The total shareholders' equity amounted to 676.584 thousand euro, of which 124.646 thousand pertaining to minority interests.

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

On these accounts and information, and also on the consolidated financial statements of BANCA SELLA HOLDING, the Board of Statutory Auditors – in accordance with the provisions of law, the legal certification of the accounts being the responsibility of the external auditing firm – has therefore not carried out any checks.

* * *

Given that DELOITTE & TOUCHE has already informed us today of its opinion without observations regarding the financial statements, additional considerations regarding the document do not appear necessary to us.

Biella, 11 April 2012

The Board of Statutory Auditors

Alessandro Rayneri   Paolo Piccatti   Alberto Rizzo

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

» CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

CONSOLIDATED BALANCE SHEET - ASSETS

	Assets *(euro thousand)*	**31/12/2011**	**31/12/2010**	**Differences %**
10.	Cash and available liquidity	140.733	105.362	33,57%
20.	Financial assets held for trading	462.226	925.212	-50,04%
30.	Financial assets at fair value through profit or loss	707.103	793.666	-10,91%
40.	Financial assets available for sale	1.222.786	1.173.488	4,20%
50.	Financial assets held to maturity	581.579	328.258	77,17%
60.	Due from banks	313.500	210.631	48,84%
70.	Due from customers	8.669.853	8.719.159	-0,57%
80.	Hedging derivatives	26.633	6.793	292,07%
90.	Change in value of financial assets subject to macro-hedging (+/-)	124.588	81.738	52,42%
100.	Equity investment	12.262	12.997	-5,66%
110.	Reinsurers' share of technical reserves	4.216	4.635	-9,04%
120.	Tangible assets	206.221	210.028	-1,81%
130.	Intangible assets	78.242	86.520	-9,57%
	of wich:			
	- goodwill	45.977	48.169	-4,55%
140.	Tax assets	190.819	191.855	-0,54%
	a) current	61.029	101.685	-39,98%
	b) deferred	129.790	90.170	43,94%
150.	Non-current assets and asset groups held for sale	-	80.255	-100,00%
160.	Other assets	206.008	235.129	-12,39%
Total assets		**12.946.769**	**13.165.726**	**-1,66%**

CONSOLIDATED BALANCE SHEET – LIABILITIES

Liabilities and shareholders' equity *(euro thousand)*	31/12/2011	31/12/2010	Differences %
10. Due to banks	546.967	293.991	86,05%
20. Due to customers	7.727.680	7.765.097	-0,48%
30. Outstanding securities	1.989.301	2.149.180	-7,44%
40. Financial liabilities held for trading	44.217	34.464	28,30%
50. Financial liabilities at fair value through profit or loss	558.085	627.638	-11,08%
60. Hedging derivatives	128.917	91.042	41,60%
80. Tax liabilities	68.003	58.375	16,49%
a) current	54.307	48.052	13,02%
b) deferred	13.696	10.323	32,67%
90. Liabilities associated to asset groups held for sale	-	156.853	-100,00%
100. Other liabilities	318.768	273.526	16,54%
110. Employee severance indemnities	35.850	35.980	-0,36%
120. Provisions for risks and charges:	43.752	44.250	-1,13%
a) retirement and similar obligations	-	-	-
b) other provisions	43.752	44.250	-1,13%
130. Technical reserves	808.645	942.136	-14,17%
140. Valuation reserves	(34.949)	(6.460)	441,01%
170. Reserves	421.281	401.260	4,99%
180. Share premiums	49.414	49.414	0,00%
190. Share capital	100.500	100.500	0,00%
210. Capital pertaining to minority interests (+/-)	124.646	129.257	-3,57%
220. Profit for the year	15.692	19.223	-18,37%
Total liabilities	**12.946.769**	**13.165.726**	**-1,66%**

CONSOLIDATED INCOME STATEMENT

ITEM (euro thousand)		31/12/2011		31/12/2010		Differences %
10. Interest receivable and similar income		475.217		440.627		7,85%
20. Interest payable and similar expense		(167.347)		(118.364)		41,38%
30. Net interest income		**307.870**		**322.263**		**-4,47%**
40. Fee income		308.729		307.984		0,24%
50. Fee expenses		(85.564)		(84.061)		1,79%
60. Net fees		**223.165**		**223.923**		**-0,34%**
70. Dividends and similar income		2.802		2.593		8,06%
80. Net gains/(losses) on trading activities		30.571		15.487		97,40%
90. Net gains/(losses) on hedging activities		4.732		261		-
100. Gains/(losses) on sale or repurchase of:		(1.430)		7.140		-120,03%
a) loans & receivables	(3.235)		(2.680)		20,71%	
b) financial assets available for sale	(1.016)		10.079		-110,08%	
c) financial assets held to maturity	-		6		-100,00%	
d) financial liabilities	2.821		(265)		-1164,53%	
110. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		(9.391)		(6.429)		46,07%
120. Net interest and other banking income		**558.319**		**565.238**		**-1,22%**
130. Net value adjustments for impairment on:		(132.149)		(96.740)		36,60%
a) loans & receivables	(115.946)		(96.408)		20,27%	
b) financial assets available for sale	(16.561)		(294)		5532,99%	
c) financial assets held to maturity	-		-		-	
d) other financial transactions	358		(38)		-1042,11%	
140. Net gains/(losses) on financial operations		**426.170**		**468.498**		**-9,03%**
150. Net premiums		202.432		443.216		-54,33%
160. Balance of other income/expenses from insurance operations		(208.438)		(462.082)		-54,89%
170. Net gains/(losses) on financial and insurance operations		**420.164**		**449.632**		**-6,55%**
180. Administrative expenses		(373.650)		(387.310)		-3,53%
a) personnel expenses	(221.990)		(236.983)		-6,33%	
b) other administrative expenses	(151.660)		(150.327)		0,89%	
190. Net provisions for risks and charges		(7.756)		(4.911)		57,93%
200. Net value adjustments on tangible assets		(16.530)		(18.284)		-9,59%
210. Net value adjustments on intangible assets		(14.537)		(15.254)		-4,70%
220. Other operating expenses/income		33.170		37.621		-11,83%
230. Operating costs		**(379.303)**		**(388.138)**		**-2,28%**
240. Gains/(losses) on equity investments		(1.081)		(193)		460,10%
250. Net gains/(losses) on measurement at fair value of tangible and intangible assets		-		-		-
260. Impairment of goodwill		(920)		(530)		73,58%
270. Gains/(losses) on sale of investments		4.734		438		980,82%
280. Profit/(losses) from continuing operations before taxes		**43.594**		**61.209**		**-28,78%**
290. Income taxes for the period on continuing operations		(28.674)		(31.911)		-10,14%
300. Profit/(losses) from continuing operations after taxes		**14.920**		**29.298**		**-49,08%**
310. Profit/(losses) on asset disposal groups held for sale after taxes		2.360		(8.997)		-126,23%
320. Profit/(Loss) for the year		**17.280**		**20.301**		**-14,88%**
330. Profit/(loss) for the year pertaining to minority interests		1.588		1.078		47,31%
340. Profit/(Loss) for the period pertaining to Parent Company		**15.692**		**19.223**		**-18,37%**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Items *(amount on thousand euro)*	31/12/2011	31/12/2010
10.	**Net profit/(loss) for the year**	**17.280**	**20.301**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	(28.850)	(22.972)
30.	Tangible assets	-	(78)
40.	Intangible assets	-	-
50.	Hedges of foreign investments	-	-
60.	Cash flow hedges	-	-
70.	Foreign exchange differences	-	-
80.	Non-current assets held for sale	-	-
90.	Actuarial gains (losses) on defined benefit plans	(956)	86
100.	Share of valuation reserves connected with investments meaured with net equity method	(91)	(327)
110.	**Total other comprehensive income (net of tax)**	**(29.897)**	**(23.291)**
120.	**Total comprehensive income (item 10+110)**	**(12.617)**	**(2.990)**
130.	Total consolidated comprehensive income pertaining to minority interests	(333)	(1.594)
140.	**Total consolidated comprehensive income pertaining to the parent company**	**(12.284)**	**(1.396)**

STATEMENT OF CHANGES IN SHAREOLDERS' EQUITY 2010

Statement of changes in consolidated sharholders' equity 2010 *(euro thousands)*															
				Allocation of profit of previous year		**Changes in the period**									
							Operations on shareholders' equity								
	Balance at 31/12/2009	**Changes to opening balance**	**Balance at 01/01/2010**	**Group reserves**	**Dividends and other uses**	**Changes to reserves**	**Issue of new shares**	**Purchase of own shares**	**Distribution of extrahordinary dividends**	**Change in equity instruments**	**Derivatives of own shares**	**Stock options**	**Total comprehensive income for the period at 31/12/2010**	**Group shareholders' equity 31/12/2010**	**Minority interest shareholders' equity 31/12/2010**
Share capital:															
a) ordinary shares	153.353	-	153.353	-	-	78	100	-	-	-	-	-	-	**100.500**	**53.031**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	98.021	-	98.021	-	-	(1.463)	-	-	-	-	-	-	-	**49.414**	**47.144**
Reserves:															
a) profit reserves	401.325	(2.223)	399.102	25.189	-	6.873	-	-	(249)	-	-	-	-	**401.260**	**29.655**
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	10.861	3.419	14.280	-	-	900	-	-	-	-	-	-	(23.291)	**(6.460)**	**(1.651)**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (loss) for the year	29.082	-	29.082	(25.189)	(3.893)	-	-	-	-	-	-	-	20.301	**19.223**	**1.078**
Group Shareholders' equity	561.169	1.084	562.253		(2.562)	5.642	-	-	-	-	-	-	(1.396)	**563.937**	
Minority interest Shareholders' equity	131.473	112	131.585		(1.331)	746	100	-	(249)	-	-	-	(1.594)		**129.257**

STATEMENT OF CHANGES IN SHAREOLDERS’ EQUITY 2011

Statement of changes in consolidated sharholders' equity 2011 *(euro thousands)*

	Balance at 31/12/2010	Changes to opening balance	Balance at 01/01/2011	Allocation of profit of previous year: Group reserves	Allocation of profit of previous year: Dividends and other uses	Changes in the period: Changes to reserves	Changes in the period – Operations on shareholders' equity: Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives of own shares	Stock options	Total comprehensive income for the period at 31/12/2011	Group shareholders' equity 31/12/2011	Minority interest shareholders' equity 31/12/2011
Share capital:															
a) ordinary shares	153.531	-	153.531	-	-	1.900	-	-	-	-	-	-	-	**100.500**	**54.931**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	96.558	-	96.558	-	-	2.171	-	-	-	-	-	-	-	**49.414**	**49.315**
Reserves:															
a) profit reserves	433.138	(2.223)	430.915	16.945	-	(4.855)	-	-	-	-	-	-	-	**421.281**	**21.724**
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	(11.616)	3.505	(8.111)	-	-	147	-	-	-	-	-	-	(29.897)	**(34.949)**	**(2.912)**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (loss) for the year	20.062	239	20.301	(16.945)	(3.356)	-	-	-	-	-	-	-	17.280	**15.692**	**1.588**
Group Shareholders' equity	562.559	1.378	563.937	-	(1.945)	2.230	-	-	-	-	-	-	(12.284)	**551.938**	
Minority interest Shareholders' equity	129.114	143	129.257	-	(1.411)	(2.867)	-	-		-	-	-	(333)		**124.646**

CONSOLIDATED CASH FLOW STATEMENT – Direct Method

(euro thousand)

A. OPERATING ACTIVITIES	31/12/2011	31/12/2010
1. Operations	**162.460**	**149.198**
Interest income collected (+)	475.217	440.627
Interest expense paid (-)	(167.347)	(118.364)
Dividends and similar income	2.802	2.593
Net fees (+/-)	223.165	223.923
Personnel expenses	(221.028)	(237.595)
Net premiums collected (+)	202.432	443.216
Other insurance income/expenses (+/-)	(208.438)	(462.082)
Other costs (-)	(151.660)	(148.919)
Other revenues (+)	35.991	37.622
Taxes and duties (-)	(28.674)	(31.823)
2. Cash provided (used) by financial assets	**265.522**	**208.283**
Financial assets held for trading	493.557	620.331
Financial assets at fair value throguh profit or loss	77.172	(132.025)
Financial assets available for sale	(158.188)	(499.521)
Due from customers	(112.725)	(400.822)
Due from banks	(102.869)	722.395
Other assets	68.575	(102.075)
3. Cash provided (used) by financial liabilities	**(251.227)**	**(276.559)**
Due to banks	252.976	27.688
Due to customers	(37.417)	(440.333)
Outstanding securities	(159.879)	(296.076)
Financial liabilities held for trading	9.753	(11.795)
Financial liabilities at fair value through profit or loss	(69.553)	142.697
Other liabilities	(247.107)	301.260
Net cash provided (used) by operating activities	**176.755**	**80.922**

B. INVESTING ACTIVITIES	31/12/2011	31/12/2010
1. Cash provided by:	**6.735**	**52.337**
Sales of equity investments	758	4.851
Dividends collected on equity investments	121	121
Sales/redemptions of financial assets held to maturity	1.405	46.531
Sales of tangible assets	4.451	694
Sales of intangible assets	-	140
Sales of subsidiaries and company divisions	-	-
2. Cash used by:	**(144.763)**	**(146.327)**
Purchase of equity investments	(1.225)	(243)
Purchase of financial assets held to maturity	(117.263)	(91.529)
Purchase of tangible assets	(19.635)	(41.490)
Purchase of intangible assets	(6.640)	(13.065)
Sales of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**138.028**	**(93.990)**

C. FUNDING ACTIVITIES	31/12/2011	31/12/2010
Issue/purchase of own shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(3.356)	(3.893)
Net cash provided (used) by funding activities	**(3.356)**	**(3.893)**
NET CASH PROVIDED (USED) IN THE PERIOD	**35.371**	**(16.961)**

RECONCILIATION	31/12/2011	31/12/2010
Cash and cash equivalents at start of year	**105.362**	**122.323**
Total net cash provided (used) in the period	35.371	(16.961)
Cash and cash equivalents at end of year	**140.733**	**105.362**

NOTES TO THE FINANCIAL STATEMENTS

PART A ACCOUNTING POLICIES

» A 1 GENERAL SECTION

Section 1 - Declaration of conformity to international accounting standards

The present consolidated financial statements were prepared in accordance with the international accounting standards (IAS/IFRS – including the interpretative documents SIC and IFRIC) issued by the International Accounting Standards Board (IASB) and approved by the European Union up to 31 December 2011, as laid down in Community Regulation 1606 of 19 July 2002. As regards the tables and the explanatory notes, the financial statements were prepared applying all the rules set out by the Bank of Italy, exercising its powers pursuant to Art. 9 of Lgs. Dec. 38/2005, in its Order of 18 November 2009 with which it issued the first amendment to Circular No. 262/05.

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

The Consolidated Financial Statements, therefore, are clearly set out and give a true and fair picture of the economic and financial situation of the companies in the Banca Sella Group.

Section 2 – General drafting principles

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, and the present Notes to the Financial Statements, and are accompanied by the Directors' Report on Operations, in total continuity with respect to 31 December 2010, with the exception of that noted in the following section; the notes to the financial statements are stated in thousands of euro.

The financial statements are presented in a clear manner and represent a true and fair view of the Company's assets, liabilities and earnings and its economic result in the period.

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

If the information required under international accounting standards and by the instructions in the first amendment to the Bank of Italy Circular No. 262 dated 18 November 2009 are not sufficient to give a true and fair view, the notes to the financial statements provide the complementary information necessary in order to do so.

If, in exceptional cases, the application of one of the provisions of the international accounting standards is incompatible with providing a true and fair view of the assets, liabilities, earnings and the economic result, the provision is not applied. The reasons for any exception and its impact on the presentation of the assets and liabilities, financial position and earnings are explained in the Notes to the Financial Statements.

These financial statements were prepared taking into account Bank of Italy/CONSOB/ISVAP Document no. 4 of *3 March 2010* which, while not introducing any new obligations with respect to those already set forth in the international accounting standards, emphasises the need to ensure adequate financial reporting and a high degree of transparency, recommending the prompt and exhaustive application of these standards particularly *as regards impairment tests, contractual clauses on financial debt, recovery of distressed debts and the "fair value hierarchy"*.

During the course of 2011, the following accounting principles and interpretations entered into effect, as approved by the European Commission:

- Regulation no. 574/2010 - Amendments to IFRS 1 and IFRS 7;
- Regulation no. 1293/2009 - Amendments to IAS 32;
- Regulation no. 632/2010 - IAS 24; Transactions with related parties;
- Regulation no. 633/2010 – IFRIC 14: limit relative to assets in the service of a defined-benefit plan;

- Regulation no. 632/2010 - Amendments to IAS 24 and IFRS 8;
- Regulation no. 662/2010 – IFRIC 19: termination of liabilities with capital instruments;
- Regulation no. 149/2011 - Improvements to IAS/IFRS.

In particular, with Regulation no. 632, the European Commission approved the updated version of IAS 24 - Transactions with related parties disclosures. The text of the new principle changes the definition of "related party" and lists the cases in which a person/entity can be qualified as a "related party" to the entity that is preparing the financial statements. The new version of the principle, which was applicable starting from 1 January 2011, specified that companies controlled by related parties must also be considered as related parties.

Disclosure on changes to accounting principles (IAS 8)

The accounting principle in effect that regulates the treatment of severance indemnities for employees (TFR) is IAS 19, with reference to "defined-benefit plans". On the subject of indicating annual changes driving from actuarial calculations of the components of these "defined-benefit plans", IAS 19 envisages two possibilities:

i) carrying on the Income Statement (as indicated in § 61) or
ii) carrying in Shareholders' Equity (Comprehensive Income) as indicated in § 93).

At present, Banca Sella Group has applied that envisaged in § 61, annually carrying on the Income Statement all those changes in the severance indemnity, including changes to the actuarial components.

This decision nonetheless determines a certain "volatility" in the results deriving from the impact that the actuarial components have on the income statement which would instead by reduced in the case that these components were represented in the Statement of Changes to Shareholders' Equity. To that end, it is also important to note that, on 16 June 2011, the IASB issued a modified version of IAS 19 “Employee benefits” changes the accounting methods for defined-benefit plans and defined-contribution plans.

The most important change, summarised, is that the possibility to choose between two accounting options for changes in the actuarial components of the plans is no longer envisaged. Instead, a sole option is envisaged for the accounting of the actuarial gains and losses, which must be represented in the Statement of Comprehensive Income.

The new version of IAS 19, once accepted by the European Union, will envisage the application of the changed made to financial statements for years beginning from 1 January 2013 and successively, allowing early adoption in any case, as normally occurs. Under an EU and national regulatory profile, approval of the new edition of IAS accounting principle 19 is expected shortly.

This change will lead to a transfer of the particular "volatility", which may derive from the impact of actuarial gains and losses, from the Income Statement to the items of Shareholders' Equity. In any case, said impacts will be highlighted in the Statement of Comprehensive Income.

On the basis of the above, and taking into account the directives of the IASB expressed in the new version of the IAS 19 (even if said is not yet applicable) the Board of Directors of the Parent Company, approved the principle change on 22 December 2011 and, in the context of the same, of the parameter used to determine the severance indemnity in the individual and consolidated financial statements, as follows:

- **accounting principle change:** passage, in the context of the current version of IAS 19, from the option that envisages carrying the losses of actuarial gains or losses on the Income Statement (§ 61) to the option that allows carrying said changes directly to Shareholders' Equity (§ 93), for the Financial Statements at 31 December 2011. After said change, the Group's accounting behaviour is already in line with the future application of the new modified version of IAS 19, issued on 16 June 2011 by the IASB and expected to be approved shortly by the EU;
- **parameter change:** adoption of a different discount rate through the application of the AA Composite Curve instead of the Euroswap Curve, in order to adapt the methods used to best market practices and in the belief that the AA Composite Curve is the best representation of the curve of the rates to which the profitability of the assets and the cost items are normally indexed correlated to the characteristic liability items of the bank financial statements.

Balance Sheets	31/12/2010 before Ias 8	Impact of Ias 8		31/12/2010 recalculated
		on balance as of 01/01/2010	on year 2010	
Assets				
140.Tax assets	191.873	-11	-7	191.855
b) current	*90.188*	*-11*	*-7*	*90.170*
Liabilities				
080. Tax liabilities	57.817	443	115	58.375
a) current	*47.495*	*443*	*114*	*48.052*
b) deferred	*10.322*		*1*	*10.323*
110.Employee severance indemnities	38.077	-1.650	-447	35.980
140. Valuation reserves	-9.672	3.122	90	-6.460
170. Reserves	403.298	-2.038		401.260
210. Capital pertaining to minority interests (+/-)	129.114	112	31	129.257
220. Profit for the year	19.019		204	19.223

Items	31/12/2010 before Ias 8	Impact of Ias 8 on year 2010	2010 recalculated
180. Administrative expenses	-387.638	327	-387.311
a) personnel expenses	*-238.719*	327	*-238.392*
b) other administrative expenses	*-148.919*		*-148.919*
230. Operating costs	**-388.465**	327	**-388.138**
280. Profit/(losses) from continuing operations before taxes	**60.882**	327	**61.209**
290. Income taxes for the period on continuing operations	-31.823	-88	-31.911
300. Profit/(losses) from continuing operations after taxes	**29.059**	239	**29.298**
320, Profit/(Loss) for the year	**20.062**	239	**20.301**
300. Profit/(loss) for the year pertaining to minority interests	**1.043**	35	**1.078**
340. Profit/(Loss) for the period pertaining to Parent Company	**19.019**	204	**19.223**

Items of comprehensive income	31/12/2010 before Ias 8	Impact of Ias 8 on year 2010	2010 recalculated
10. Net profit/(Loss) for the year	*20.062*	239	*20.301*
Other income net of tax			-
90. Actuarial Gains (Losses) on defined benefit plans	-	86	*86*
110. Total other comprehensive income (net of tax)	*-23.377*	86	*-23.291*
120. Total comprehensive income	*-3.315*	*325*	*-2.990*
130. Total consolidated comprehensive profit pertaining to minority ionterest	*-1.625*	31	*-1.594*
140. Total consolidated comprehensive income pertaining to the Parent Company	*-1.690*	294	*-1.396*

Taking into account the limited impact on the financial statement items, it is was determined that the presuppositions that would require directly representing the changes made to the financial statement tables, through an additional column, were not in place, and they were represented directly taking into account the changes explained above.

Section 3 - Consolidation area and methods

The Consolidated Financial Statements are the Group's financial statements presented as though they were the financial statements of a single economic entity. They comprise the Balance Sheet and Income Statement of the parent company and of its directly and indirectly controlled companies.

In preparing the Consolidated Financial Statements, the draft financial statements for 2011 were used of the parent company and other companies of the Group subject to full consolidation. The latter, where necessary, are appropriately reclassified and adjusted to meet the needs relating to the representation in the bank financial statements and the need for standardisation in the use of IAS/IFRS accounting standards.

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

- Balance Sheet assets and liabilities are translated at the exchange rate obtaining at the balance sheet date;
- revenues and costs in the Income Statement are translated at the average exchange rate for the year;

all exchange differences arising from the translation are recognized in a specific and separate shareholders' equity reserve. The above reserve is eliminated at the moment of any sale of the equity interest, and the amounts are added to or subtracted from the Income Statement at the same time.

Subsidiaries

All companies in which, directly or indirectly, another company possesses more than half the voting rights, are considered subsidiaries, unless, in exceptional cases, it can be clearly shown that this possession does not constitute control. Or when, in holding a share in the voting rights that is less than half, the party concerned has:

- the power to determine the financial and operational policies of the company in question;
- the power to appoint or remove from office the majority of the members of the board of directors or equivalent organisation of corporate governance, and the control of the entity is held by that board or organisation; or
- the power to exercise the majority of voting rights in meetings of the board of directors or equivalent organisation of corporate governance, and the control of the entity is held by that board or organisation.

Subsidiaries are consolidated using the line-by-line method. Full consolidation consists of acquiring the Balance Sheet and Income Statement aggregates of the controlled companies "line by line". After attributing to minority interests, under a separate item, the portions pertaining to them of shareholders' equity and profit, the value of the equity interest is derecognized, offsetting the residual value of the subsidiary's equity. The differences resulting from this operation, if positive, are recognized – after any allocation to the assets or liabilities of the subsidiary – as goodwill under item 130 "Intangible assets" of the Assets section of the Consolidated Balance Sheet at the date of first consolidation.

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

Subsidiaries include the special purpose entity (SPE) incorporated for the securitisation transactions involving financial assets, as established by SIC 12. This latter requires the consolidation of not only the SPEs controlled by a company of the Group, but also those for which a company of the Group maintains the majority of risks and benefits deriving from activities implemented or those controlled by the company. In this regard, the existence of a shareholding in the capital of these special purpose entities is not relevant.

The profits or losses of a subsidiary acquired during the period are included in the Consolidated Financial Statements starting from the date of its acquisition. On the contrary, the profits or losses of a subsidiary sold are included in the Consolidated Financial Statements up to the date on which control ceased. The difference between the selling price and the book value at the disposal date (including any exchange differences recognized each time in shareholders' equity at the moment of consolidation), is recognized in item 270 "Profits (losses) on disposals of investments" of the Consolidated Income Statement, except when the subsidiary has already been accounted for in item 150. "Non-current assets and asset groups held for sale" in section 15 of assets. In this case, the difference is indicated in item 310. "Profits/(losses) on asset disposal groups held for sale after tax" of the Consolidated Income Statement.

Associated companies

Associated companies are those over which a company has considerable influence (the set of so-called "associated companies"), that is companies over which it exercises the power to determine the financial and management policies without however controlling or having joint control over them, and are neither subsidiaries nor jointly-controlled companies.

This type of company is measured using the equity method.

Significant influence is assumed when the investor directly or indirectly holds at least 20% of voting rights. By contrast, if the investor directly or indirectly holds a share of less than 20%, it is assumed that the investor does not exert any significant influence, unless said influence can be clearly demonstrated by one or more of the following criteria being met:

- representation of the investor in the Board of Directors or equivalent organisation;
- participation in the decision-making process, including participation in decisions relating to dividends or other types of profit allocation;
- onset of significant transactions between investor and investee;
- interchange of managerial staff; or

- the supply of essential technical information.

The net equity method entails initial recognition of the equity interest at cost and its subsequent adjustment on the basis of the percentage stake in the shareholders' equity of the investee company. Differences between the value of the equity interest and the shareholders' equity of the investee company are treated in the same way as the full consolidation differences.

In the measurement of the equity proportion any potential voting rights are not considered. The relevant proportion of profits or losses for the period of the investee company is recognized under the specific item 240 "Profits (losses) from equity investments" of the Consolidated Income Statement.

Any distribution of dividends is taken to reduce the book value of the shareholding.

The pro quota change in the valuation reserves of the subsidiary is noted in item 140 "Valuation reserves" of the liabilities section of the Consolidated Balance Sheet.

1. Exclusive equity interests in subsidiaries

	Name of company	Head office	Type of relationship	Shareholding relationship		Voting rights %
				Investor	Stake %	
A.	**Companies**					
A.1	**Line by line consolidation**					
1	BANCA SELLA HOLDING S.p.A.	Biella	1			
2	BANCA SELLA S.p.A.	Biella	1	A.1 1	94,801%	94,801%
3	BANCA SELLA NORDEST BOVIO CALDERARI S.p.A.	Trento	1	A.1 1	56,752%	56,752%
4	BANCA PATRIMONI SELLA & C. S.p.A.	Turin	1	A.1 1	71,731%	71,731%
5	SELLA BANK AG	Switzerland	1	A.1 20	90,000%	90,000%
6	MIRET S.A.	Luxembourg	1	A.1 20	76,333%	76,333%
				A.1 1	23,667%	23,667%
7	BIELLA LEASING S.p.A.	Biella	1	A.1 1	77,136%	77,136%
8	CONSEL S.p.A.	Turin	1	A.1 1	52,079%	52,079%
9	SELLA GESTIONI SGR S.p.A.	Milan	1	A.1 1	85,452%	85,452%
				A.1 4	0,898%	0,898%
10	SELLA CAPITAL MANAGEMENT SGR S.p.A. *in liquidation*	Milan	1	A.1 1	96,342%	96,342%
				A.1 4	2,500%	2,500%
11	SELGEST SA	Luxembourg	1	A.1 1	100,000%	100,000%
12	EASY NOLO S.p.A.	Biella	1	A.1 1	89,790%	89,790%
13	SELFID S.p.A.	Biella	1	A.1 1	88,000%	88,000%
14	C.B.A. VITA S.p.A.	Milan	1	A.1 1	83,137%	83,137%
				A.1 3	4,432%	4,432%
				A.1 9	8,000%	8,000%
15	SELLA LIFE Ltd.	Ireland	1	A.1 14	100,000%	100,000%
16	BROSEL S.p.A.	Biella	1	A.1 1	71,500%	71,500%
17	SELIR S.r.l.	Romania	1	A.1 20	99,902%	99,902%
18	SELLA SYNERGY INDIA P.Ltd.	India	1	A.1 20	99,999%	99,999%
19	IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
20	FINANZIARIA 2010 S.p.A.	Milano	1	A.1 1	100,000%	100,000%
21	IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
22	FAMILY ADVISORY SIM S.p.A.- SELLA & PARTNERS	Turin	1	A.1. 4	80,000%	66,667%
23	MARS 2600 S.r.l.(1)	Treviso	4	A.1 1	10,000%	10,000%

(2) The company is the special purpose vehicle for the Group's securitization transactions.

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

The company Mars 2600 S.r.l. used as special vehicle for securitisation transactions of financial assets, was consolidated line by line, although without holding majority voting rights, as it fulfilled the conditions envisaged by the IAS/IFRS (SIC 12) principles in relation to "special purpose entities".

2. Other Informations

Equity investments in companies subject to significant influence (accounted for with equity method)					
Name of company	Head office	Type of relationship	Shareholding relationship		Voting rights %
			Investor	Stake %	
B. Companies					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	Subj. to sig. influence	Sella Holding N.V.	45,0000%	
IN CHIARO ASSICURAZIONI S.P.A.	Rome	Subj. to sig. influence	CBA Vita S.p.A.	49,0000%	
S.C.P. VDP1	Principality of Monaco	Subj. to sig. influence	Banca Sella Holding S.p.A.	29,0000%	
HI-MTF SIM S.P.A.	Milan	Subj. to sig. influence	Banca Sella Holding S.p.A.	20,0000%	
ENERSEL S.P.A.	Biella	Subj. to sig. influence	Banca Sella Holding S.p.A.	18,2982%	

Section 4 - Events subsequent to the balance sheet date

In January 2012, the Bank carried out its 5th securitization. The transaction was completed at two subsequent moments: on 9 January 2012 the agreement to purchase the loans was entered into by the special purpose vehicle Mars 2600 S.r.l., while the securities financing the acquisition of the credit were issued on 14 March 2012. The portfolio which was transferred without recourse consists of performing residential mortgage loans granted by Banca Sella (and Banca Sella Sud Arditi Galati before it was incorporated into Banca Sella) to residents of Italy. In exchange for these transactions Mars 2600 S.r.l. issued Class A1 notes amounting to 112,9 million euro, Class A2 notes amounting to 235,4 million euro, and Class D notes amounting to 48 million euro, which were repurchased by the Bank.

Section 5 – Other issues

In the month of February 2012, the Bank of Italy issued a Technical Note containing clarifications relative to financial statements and supervisory reporting.

In this document, the supervisory body also expressed its judgement regarding proper classification of certain financial statement items in the notes to the statements regarding charges functionally connected to personnel.

These charges were already the subject of an informational letter sent by said Bank of Italy in February 2011. This communication clearly indicated the need to reclassify under the item "Administrative expenses: personnel expenses - Other employee benefits" certain expenses that had previously been mainly inserted under item "180. b) other administrative expenses".

To that end, the clarifications contained in the new communication from the Bank of Italy are summarised in the table below.

TYPE OF CHARGES/CLASSIFICATION	Classification in item 150 a) Expenses for personnel	Classification in item 150 b) Other administrative expenses
- Lump sum costs for employee food and lodging. - Costs that represent analytical and documented reimbursement of expenses sustained by employees.	Lump sum costs for generic reimbursement of food and housing expenses sustained by employees travelling for business, transfer indemnities and lump sum indemnities for "prize vacations".	Analytical and documented reimbursement of costs for food and housing sustained by employees travelling for business.
- Costs for lump sum reimbursements of mileage indemnities - Analytical reimbursements determined on the basis of tariffs recognised as valid (e.g. ACI) and for mileage effectively driven	The payment of a lump sum mileage indemnity, the value of which does not rest on quantification of miles drive and the use of valid tariffs (e.g. ACI).	Analytical and documented reimbursements calculated on the basis of tariffs recognised as valid (e.g. ACI) and for mileage effectively driven.
- Costs for check-up visits carried out at the time personnel is hired - Costs for obligatory visits for personnel as required by the law (e.g. optician visits for video workers)		Both the costs for check-up visits carried out at the time personnel is hired and costs for obligatory visits for personnel as required by the law (e.g. optician visits for video workers) are indicated under the item 150 b) Other administrative expenses.

In the light of the above, the comparison period was adapted as summarised below:

Items	31/12/2010 after Ias 8	Impact of recalculation	2010 recalculated
180. Administrative expenses	-387.311	1	-387.310
a) personnel expenses	*-238.392*	1.409	*-236.983*
b) other administrative expenses	*-148.919*	-1.408	*-150.327*
220. Other operating expenses/income	37.622	-1	37.621

» A.2 MAIN ACCOUNTING ITEMS

1 – Financial assets held for trading

Classification criteria

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

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

In the presence of events that are unusual and highly unlikely to recur in the near term debt securities and equities not held for trading may be reclassified in other categories established by IAS 39 if the conditions for their recognition applies (Investments held to maturity, Financial assets available for sale, Loans and Receivables). The transfer value is the fair value at the time of the reclassification. Upon reclassification, the presence of any embedded derivative contracts, that have to be separated, is assessed. For further details, please refer to paragraph A.3 of this section.

Recognition criteria

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

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

Assessment criteria

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

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

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

Derecognition criteria

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

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

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

2 – Financial assets available for sale

Classification criteria

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

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

In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity, unless there is an event that is unusual or highly unlikely to recur in the near term. In such cases, debt securities may be reclassified in the categories, established by IAS 39, Investments held to maturity and Loans and Receivables if the conditions for their recognition apply. The transfer value is the fair value at the time of the reclassification. For further details, please refer to paragraph A.3 of this section.

Recognition criteria

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

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

Assessment criteria

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

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

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

According to the provisions of IAS 39, paragraph 58, at each reference date of the financial statements or interim report, the company shall verify if there is any objective evidence that a financial assets or group of financial assets has suffered a reduction in value.

More specifically, for debt instruments, evidence of a lasting loss of value consists of the quality and quantity information indicative of financial difficulties such as to prejudice to the collection of capital or interest, as indicated by the provisions of IAS 39, paragraph 59.

For capital instruments, a significant or prolonged decrease of the fair value of the financial asset concerned to below its cost shall also be considered objective evidence of a reduction in value.

More specifically, the significance of the impairment (so-called "Severity") should be measured both in absolute terms, as a negative performance of the financial asset, and in relative terms in connection with the trends of markets/sectors pertaining to the company analysed in this document; a reduction in the fair value of more than 50% is considered significant.

The persistence of the impairment over time (so-called "Durability") is measured in connection with the time span during which such impairment was permanently and univocally maintained for a period longer than 15 months.

Severity, Durability and Relativity parameters should be regarded as alternative: it is sufficient for one of the three criteria to indicate a depreciation for the impairment of the investment to take place.

As a consequence, if the impairment of the carrying cost of an investment is higher or more prolonged than Severity or Durability limits, or if Relativity elements are invalid, the loss is recognized in the income statement.

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

Derecognition criteria

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

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

3 – Financial assets at fair value through profit or loss

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

4 – Financial assets held to maturity

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

5 – Loans and Receivables

Classification criteria

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

Recognition criteria

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

Assessment criteria

After initial recognition, receivables are measured at their amortized cost, which is equivalent to their value on initial recognition reduced/increased by repayments of principal, writedowns/writebacks and amortization – calculated with the effective interest rate method – of the difference between the amount disbursed and the amount repayable at maturity, attributable typically to the costs/revenues booked directly to the single receivable. The effective interest rate is found by calculating the rate that makes the present value of future flows of the receivable, for principal and interest, equal to the amount disbursed inclusive of the costs/revenues associated with the receivable. This accounting method, using a financial formula, makes it possible to distribute the economic effect of the costs/revenues along the expected residual life of the receivable. The amortized cost method is not used for receivables whose short life makes it likely that the effect of application of the discounting formula will be negligible. These receivables are measured at their historical cost and the costs/revenues attributable to them are recognized in the Income Statement. The same valuation technique is adopted for receivables with no defined maturity or valid until revoked.
At every annual or interim balance sheet date all loans and receivables are examined to identify those that, following events that occurred after their recognition, show objective evidence of a possible impairment loss.
Loans classified as non-performing, watchlist or restructured in accordance with the current Bank of Italy rules, in line with IAS regulations, are the subject of an analytical evaluation process that is continually updated to verify any new elements that may determine possible changes in recoverability.
The amount of adjustment of each loan is the difference between the carrying value at the moment of the valuation (amortized cost) and the present value of the expected future cash flows, calculated by applying the original effective interest rate. The expected cash flows take into account expected recovery times, the presumable realization value of any guarantees, and costs likely to be incurred for recovery of the loan exposure. The cash flows of receivables which are expected to be recovered in a short time are not discounted. The original effective interest rate of each loan remains unchanged over time even if the position has been rescheduled entailing a change in the contractual interest rate and even if the position, in practice, no longer earns contractual interest.
The valuation parameters are connected to the following classes of non-performing or watchlist loans:

- Senior loans (backed by real guarantees)
- Unsecured loans to property-owning private individuals/companies (main debtor and/or guarantors)
- Unsecured loans to non-property-owning private individuals/companies
- Other Loans divided into amount bands

The discount rate for disputed loans is determined on the basis of the time expected for credit recovery taking into account any guarantees and recovery actions to be activated.
The valuation times are:

- Valuation at the moment of default with transfer to the watchlist
- Valuation at the moment of classification of the loans as non-performing

Valuation carried out during the stages of credit recovery management which by way of example can be summarised as acquisition of new real/personal guarantees, formalization and verification of observance of repayment schedules, adverse events, state of attachment and settlements proceedings etc..

The writedown is recognized in the Income Statement. The original value of the receivables is reinstated in subsequent years to the extent that the reasons which determined the writedown no longer apply, provided that this assessment can objectively be associated with an event that occurred after the writedown was made. The writeback is recognized in the Income Statement and it may not in any case exceed the amortized cost that the instrument would have had in the absence of the previous writedowns.
Loans for which no specific objective evidence of loss has been found, which are normally performing loans, undergo collective valuation. Under the terms of the International Accounting Standards (IAS/IFRS), the

definition of the generic reserve for performing loans should follow a model based on incurred losses. The term incurred loss means a loss for which the fact that it has already happened is clearly identifiable, although it has not yet become manifest (loss “incurred” but not “recognized”). On the basis of its business and its own historical experience in the management and monitoring of exposure to credit risk, the Banca Sella Group has identified as the method of determination of incurred loss an approach based on the concept of expected loss. The term expected loss means the loss that a bank expects to suffer on average in a certain time frame.
The collective valuation of performing loans takes place by subdividing the clientèle into homogeneous segments in terms of credit risk. The relative loss percentages are estimated by taking into account the probability of insolvency (PD – Probability of Default) and the loss rate in the case of insolvency (LGD - Loss Given Default). Determination of the probability of insolvency and the recovery rate in the case of insolvency takes place, for each Group bank, using the same methodology on the basis of their individual customer portfolio. Specifically in reference to the PD variable, it is determined on the basis of the internal rating model for the business segment and on the basis of historic data of transition to default for the other customer segments.
As regards LGD, the Banca Sella Group adopted a regulatory LGD of 45% as laid down in the IRB Foundation method for the calculation of the capital absorption to cover credit risk (Bank of Italy Circular 263/2006).The method described above enables an estimate of the so-called "latent loss" for each category of receivables. Value adjustments determined collectively are recognized in the Income Statement. At every annual or interim balance sheet date any additional writedowns or writebacks are recalculated in a differential manner with reference to the entire portfolio of performing loans.

Derecognition criteria

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

6 – Hedging transactions

Classification criteria: types of hedging

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

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

IAS 39 describes the following types of hedges:

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

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

Recognition criteria

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

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

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

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

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

Assessment criteria

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

The fair value measurement of hedged fixed-rate loans requires financial consistency between hedged assets and the IRSs agreed upon for the hedge. At every measurement of the fair value, the cumulative stock of hedging IRSs and the cumulative stock of hedged loans are prepared, making sure that the amortization profile of the IRSs corresponds to the amortization profile of the loans hedged;

Subsequently, the weighted average fixed rate of hedging IRSs is calculated. Said rate represents the average effective market rate at the time of the agreement of the various IRSs and reflects the interest that was meant to be hedged at the time of loan hedging. In other words, such rate represents the part of interest hedged by the IRS, distinguishing it from the part of interest that is not hedged and corresponds to the spread (expressing customer risk rather than rate risk).

At this point, it is appropriate to prepare, beginning from the residual amoritization plan of the principal of all loans hedged, the loan amortization plan to be used for measuring the fair value. This plan shall be made up of loan principal flows (the difference between the residual debt of a period and the residual debt of the previous period according to the contractual amortization plan) and the interest obtained applying the weighted average rate of hedging IRSs (expressing the hedged interest) to the residual debt for that period.

The instalments obtained can then be discounted back adopting the same yield curve used for measuring the fair value of hedging IRSs, and brought down in proportion to the actual hedging percentage at the date of the valuation (ratio between the "surfaces" – i.e. the summation of remaining principals by respective duration days – of amortization plans for the remaining IRS amount divided by the remaining loan credit), so as to obtain the current value of hedged loans. The remaining credit (multiplied by the hedging percentage) at the date of the loan valuation shall be deducted from this value.

According to this procedure (current value of instalments minus residual debt brought down according to hedging percentage) it is necessary to calculate the fair value at the end of financial year T and the fair value at the end of financial year T-1. The difference between these two values will be the loan fair value delta to be compared with the IRS fair value delta.

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

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

7 – Equity investments

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

8 – Tangible assets

Classification criteria

Property, plant and equipment includes technical systems, furniture and fittings and equipment of all kinds. These are tangible assets held to be used in the production or supply of goods and services or for administrative purposes, or to be rented out to third parties, and which are likely to be used for more than one period. Improvements made to third party assets included in these items are improvements and extra costs in relation to identifiable and separable property, plant and equipment. These investments are usually made to ensure that the property rented from third parties is suitable for use.

Improvements and incremental costs in relation to identifiable and non-separable property, plant and equipment are instead included under item 160 “Other assets”.

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

9 – Intangible Assets

Classification criteria

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

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

Classification criteria

Non-current assets and asset/liability groups held for sale are classified under these items.

More specifically, paragraph 7 of IFRS 5 specifies that in order to be allocated to the item specified, the asset must be available for immediate sale in its current condition, subject to conditions applicable to the standard use and custom for the sale of said assets. The sale must also be *highly probable*.

In relation to this latter aspect, the next paragraph of IFRS 5 indicates that for the sale to be highly probable, the following conditions must be met:

- the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, save specific exceptions;
- the actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assessment criteria

In particular, these assets/liabilities are measured at the lower of their carrying value and their fair value net of selling costs. The relevant income and expenses are recognized in the Income Statement in a separate item net of the tax effect.

11 – Current and deferred taxation

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

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

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

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

12 – Provisions for risks and charges

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

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

Provisions are set aside for risks and chargest only when:

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

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

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

The congruity of these amounts is also reviewed regularly.

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

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

13 – Payables and outstanding securities

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

14 – Financial liabilities held for trading

Classification criteria

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

It also includes embedded derivatives which, in accordance with IAS 39, have been separated from the hybrid financial instruments hosting them are also included, subject to separate accounting because:

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

Recognition criteria

Initial recognition of financial liabilities occurs on the date that the derivative contracts are signed.

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

Assessment criteria

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

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

Derecognition criteria

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

15 – Financial liabilities at fair value through profit or loss

Classification criteria

Financial liabilities carried at fair value charged to the income statement are part of the present item, on the basis of the right given to companies (the so-called “fair value option”) by IAS 39, in respect of the cases envisaged under the laws of reference.

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

This method of calculation is not only based on the efficiency of information on financial markets but is also the best approximation of the estimate of the future cash flows of the related policies. The effects arising from initial recognition on the Balance Sheet of the fair value of these liabilities are recognized in the Income Statement.

Recognition criteria

These liabilities are recognised on the issue date in an amount equal to their fair value, including the value of any embedded derivative and net of placement fees paid.

Assessment criteria

These liabilities are carried at fair value with allocation of the results of the valuation in the income statement.

Derecognition criteria

Financial liabilities carried at fair value are derecognised from the financial statements when the contractual rights over the relative financial flows expire or when the financial liability is sold, with the substantial transfer of all the risks and benefits deriving from ownership of the same.

16 – Foreign currency transactions

Initial recognition

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

Following recognition

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

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

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

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

17 – Insurance assets and liabilities

IFRS 4 defines an insurance contract as a contract under which one party (the insurer) accepts a significant insurance risk from another party (the policyholder) agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policy-holder.

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

The financial risk is in turn defined as the risk of a possible future variation of one or more of the following variables: specific interest rates, prices of financial instruments, prices of goods, exchange rates, price or rate indices, credit ratings and any other variable, provided that, in the case of a nonfinancial variable, it is not specific to one of the contractual counterparties.

An insurance risk is significant if, and only if, the insured event can entail the payment by the insurer of additional significant compensation on the occurrence of any circumstance having economic substance (excluding, that is, events with no identifiable effect on the economic aspects of the transaction).

On the basis of the analysis carried out on the policies in the portfolio, all contracts of the nonlife and life business that have significant components of insurance risk fall within the scope of IFRS 4 (insurance contracts).

In accordance with the definition of insurance contract supplied by IFRS 4, contracts that present a non-significant insurance risk therefore fall within the scope of IAS 39 (Financial instruments: recognition and evaluation) and IAS 18 (Revenues).

Technical reserves – Non-life insurance

The premium reserve for losses was calculated following the principles of ISVAP Regulation No. 16 of 4 March 2008 and, to be precise, calculating analytically with the pro-rata temporis method the proportion of the gross premiums written accruing to the future period, deducting from the latter the related acquisition fees. The same method was also applied to determine the premium reserves charged to reinsurers.

For the aging reserve the 10% minimum rate was applied to premiums for the financial year as per the provision of Article 45 of ISVAP Regulation No. 16 of 4 March 2008.

The damage reserve is determined analytically through the valuation of all outstanding claims for damages at the end of the financial year and on the basis of technically prudent estimates which ensure that the amount reserved is sufficient to pay the outstanding claims. This damage reserve also includes provisions for late claims.

The share of the damage reserve charged to reinsurers reflects the recovery on the amounts reserved, as envisaged in the existing agreements.

Technical reserves – Life assurance

The mathematical reserves of life assurance policies, determined according to actuarial criteria, are in line with the provisions of Art. 36 of Lgs. Dec. 209/2005. They are sufficient to cover the commitments assumed towards the interested parties, as stated in the technical report prepared and signed by the actuary appointed by the company. In particular this calculation took into account the provisions of the rules on the subject of adjustment of the technical basis for annuity benefits, and of ISVAP Regulation No. 21 of 28 March 2008 on the establishment of additional reserves against foreseeable returns on the funds managed separately.

L.A.T. (Liability Adequacy Test)

In order to ascertain the congruity of the technical reserves it is envisaged that companies will carry out a sufficiency test on them, the so-called “Liability Adequacy Test”, on the basis of the present values of future cash flows. If from this assessment it emerges that the book value of the insurance liabilities, net of the associated capitalized purchase costs and intangible assets, is insufficient, the difference must be recognized in the Income Statement.

Shadow accounting

Contracts with revaluation of the benefits linked to profits on a separate management are classified as insurance or investment contracts with discretionary participation features (DPF). The DPF component derives from the existence of unrealized capital gains and losses from valuation. IFRS 4 (par. 30) permits changes to the accounting standards, so that a capital gain or loss recognised but not realized on an asset reflects in measurements of the insurance liabilities, of the associated deferred purchase costs and of the related intangible assets, as if it were a realized component.

The adjustment that follows is recognized in shareholders’ equity only if the same treatment is adopted for realized gains or losses.

On the contrary, latent capital gains or losses on assets recognized directly in the Income Statement (including adjustments for lasting impairment) entail a corresponding writedown of insurance liabilities recognized directly in the Income Statement.

The Shadow Accounting calculation is performed every year.

Other liabilities

This item includes, among other things, the management fees of CBA Vita contracts classified as investments, which are recognised as revenues, in accordance with IAS 18, when the service is rendered.

This implies that the service component is deferred and recognized in the Income Statement on a straight line basis over the entire term of the contract so as to offset the costs of providing the services borne by the company. The estimate of the term of the policy takes into account the propensity for liquidations on the part of policyholders, for well-tested products on which the Group has acquired experience, and of expectations assessed in the development stage, for new products. Recurrent components, such as fees received, commissions paid and portfolio management costs, are booked to the Income Statement of the period in which they are generated.

Aspects of the Income Statement related to the insurance business

As regards insurance contracts, in accordance with IFRS 4, the following are to be recognized in the Income Statement: premiums, which include amounts for the year deriving from the issuance of contracts, net of cancellations; changes in technical reserves, which represent the change in future commitments towards policyholders deriving from insurance contracts; fees for the accounting period payable to intermediaries; and the cost of damages, redemptions and expiries for the accounting period.

18 – Other information

Securitizations

In financial year 2001 the Company completed two securitizations with which Banca Sella S.p.A. and Biella Leasing S.p.A. sold, respectively, a portfolio of performing loans and the flows deriving from a portfolio of leasing contracts to the vehicle company Secursel S.r.l. For both the securitization transactions described above the company took advantage of the optional exemption provided for in IFRS 1, which permits it not to re-recognize financial assets/liabilities sold or derecognized before 1st January 2004.

On 31 October 2010, the securitisation completed with Secursel S.r.l. in 2000, was concluded. Banca Sella has reacquired the mortgages of the special purpose vehicle, which has refunded the securities that still existed, early as a consequence the company Secursel was liquidated and closed in November 2011.

During 2005, 2008 and 2009 Banca Sella completed a further sale of a portfolios of performing loans to the special purpose vehicle Mars 2600 S.r.l.

The loans involved in this latest securitization transaction were re-recognized in the Consolidated Financial Statements because it was not possible to derecognize them in accordance with the provisions of IAS 39 and with the interpretation provided by SIC 12.

Employee benefits

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

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

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

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

Recognition of revenues and costs

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

- interest received is recognized pro rata temporis on the basis of the contractual or effective interest rate in the case of application of the amortized cost;
- any contractually envisaged default interest is accounted for in the income statement only at the moment in which it is actually collected;
- dividends are recognized in the income statement during the period in which their distribution is approved;

- fees received for services are recognized, on the basis of the existence of contractual agreements, in the period in which these services are rendered;
- gains and losses deriving from the trading of financial instruments are recognized in the income statement at the moment of conclusion of the sale, on the basis of the difference between the price paid or collected and the carrying amount of the instruments themselves;
- revenues deriving from the sale of non-financial assets are recognized at the moment of conclusion of the sale, unless most of the risks and benefits associated with the assets are maintained.

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

Own shares

Any own shares held are deducted from shareholders' equity.

Similarly, the initial cost of these shares and the gains or losses deriving from their subsequent sale are accounted for as changes in shareholders' equity.

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

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

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

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

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

- for the reduction of the value of loans and other financial assets, the determination of losses;
- in determining the fair value of financial instruments not quoted on active markets, the use of valuation models;
- for goodwill and other intangible assets, the estimate of the congruity of the value;
- for provisions for personnel and for risks and liabilities, estimates of their value;
- for deferred tax assets, estimates and assumptions on their recoverability.
- in developing insurance products and defining the basis of calculation of the supplementary reserves, demographic assumptions (linked to the prospective mortality of the insured population) and financial assumptions (deriving from the possible evolution of the financial markets).

Fair value measurement method

IAS 39 defines Fair Value as the "amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction" while IFRS 7 introduces the definition of "Fair Value hierarchy". This standard envisages that each valuation made is classified on the basis of a three-level hierarchy in connection with the significance of the inputs used for such valuation. The purpose is to fix the price at which the asset may be sold. In this connection, three fair value levels have been established and they should be applied in hierarchical order, and more precisely:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

Below is an explanation of the methods adopted for determining the fair value:

Financial instruments

(L1) Instruments whose fair value corresponds to the market value (instruments quoted on an active market):

- Securities quoted on a regulated market or an Italian funds market and whose price reflects market information.
- Securities quoted on Bloomberg provided that the amount issued is higher than or equal to 500 million euro and at least one market maker with regularly available prices exists.
- Funds for which the daily NAV or daily quotation are available.
- Investments in an active market.
- Derivatives quoted on regulated markets.

(L2) Instruments whose fair value is determined using inputs differing from the prices quoted in an active market, which are directly (as prices) or indirectly (derived from prices) observable in the market:

- Securities for which Bloomberg gives a quotation featuring an issued amount lower than 500 million euro or securities for which, although they feature issued amounts higher than 500 million euro, there is no Bloomberg market maker with regularly available prices.
- Bonds issued by the Banca Sella Group, needing the application of a specific Fair Value Policy for their valuation.
- Securities defined as illiquid and listed under Addendum 2 of the Fair Value Policy, excluding those unequivocally evaluated according to the model (which are included under L3).
- Funds for which no daily NAV or daily quotation is available, but which periodically express a NAV or a reliable quotation.
- Investments that do not have an active market, for which a limited yet recurring number of transactions are known.
- OTC derivatives.

The asset swap spread model is used for the valuation of fixed-rate bonds, while the discount margin model is adopted for floating rate bonds. Having recourse to said models is motivated by the consideration that they represent the market standard for these types of securities in Europe.

The Euro swap rate curve used as the pricing input for fixed-rate bonds derives from the info-providers used in the Bank, while the spread levels used derive from the elaboration of variables connected with credit spread reported by info-providers. The purpose of such elaboration is to consider various variables that may affect pricing processes.

If the bonds contain an optional component, the Bloomberg pricing model is used, when possible, so as to guarantee an estimate based on the most widely used method in the market. For this purpose, similarly to the previous cases, the option-adjusted-spread (OAS) used is the spread level deduced from the elaboration of variables connected with credit spreads reported by info-providers.

The bonds with a structure that cannot be priced with Bloomberg models are priced by dividing their structure into simpler components.

The valuation of said components is carried out using some valuations deduced from those provided by counterparties for the hedging instrument or, if they are not available, Monte Carlo simulations, using as inputs the values of the variables reported by the main info-providers.

The OTC derivatives that can typically be found in the financial statements concern swap, rate option and exchange option categories.

Swaps are evaluated according to the discounted-cash-flow (DCF) method which represents the market standard and uses as input data the swap rate curve relative to the contract currency. This curve is periodically drawn from the curve published by the main info-providers in the Bank. If the swap structure is more complex, and such as to prevent a reasonable certainty in the estimate of the contract value, a valuation of the contract is requested to the counterparty of the transaction.

The rate options are represented by cap and floor, and are priced according to the Black model. This choice is based on the consideration that alternative models would present the problem of adjusting pricing parameters and would not provide significant improvement to the price estimate. Further elements supporting this choice are connected with the consideration that a wide amount of implicit volatility is reported by the main info-providers, together with the price of options themselves for standard maturity dates.

Both “plain vanilla” and “exotic” exchange options (European or American barrier options) are evaluated according to the Black&Scholes model. The necessary volatility curves for the calculation of implicit volatility for each option as well as the market rate and exchange quotations used for contract valuations are taken from the main info-providers in the Bank (Bloomberg). In the case of more complex exotic option structures that do not allow having reasonable certainty about the contract value, the valuation of the contract is requested to the counterparty of the transaction.

(L3) Instruments whose fair value is determined using input data that are not based on observable market values:

- Default or delisted securities, should the price communicated by the reference provider for the single security be above 0. If the price is equal to 0, said securities are regarded as “not measured at fair value”.
- Securities deriving from Mars 2600 and Secursel and other ABS securization.
- Funds or Sicav specializing in ABS.
- Unquoted closed-end funds.
- Private equity funds.
- Investments that do not have an active market for which single transactions are carried out or for which valuation methods are used.

The fair value of ABS securities in the portfolio is measured according to Bloomberg pricing models. These models are based on a DCF (Discounted Cash Flow) method, using as input data the latest data provided by the company in charge of the securitization.

The discount margin level used is deduced from the one reported by research, according to secondary market spreads for similar securities as to underlying security, country and rating. This level may be rectified to take into consideration external factors (and typical factors of the security) such as the different quality of assets, the performance of the underlying security, etc.

The techniques adopted for evaluating AFS investments each time are:

- the income approach, which determines the value of the Company on the basis of its ability to yield income; to that end, the value of the Company is calculated by discounting the expected income back to a present value: average future earnings are estimated on the basis of corporate data (financial statements, interim reports, budgets, industrial plans); in addition to risk-free securities, the discount rate considers a premium for investments in business activities;
- the equity method, which determines the Company value on the basis of the zero balance between assets and liabilities; the analysis is based on historical data that can be gathered on the basis of corporate data; financial statements, interim reports, budgets, industrial plans;
- Multiple of earnings, which determines the Company value on the basis of specific indicators relating market prices to financial statement values; multiple of earnings are expressed by a sample of quoted companies as similar as possible to the Company to be evaluated. A number of factors are taken into account to establish sample homogeneity: the belonging to the same economic sector, the size of the company, financial risks deriving from the corporate financial structure, market shares, geographical diversification, and so on.

Unquoted close-end funds and private equity funds are evaluated on the basis of the data provided by the issuer or, if these data are not provided, according to the amount appropriated to the fund.

<u>Receivables: hedged fixed-rate loans</u>

The fair value measurement of hedged fixed-rate loans requires financial consistency between hedged assets and the IRSs agreed upon for the hedge. At every measurement of the fair value, the cumulative stock of hedging IRSs and the cumulative stock of hedged loans are prepared, making sure that the amortization profile of the IRSs corresponds to the amortization profile of the hedged loans;

Subsequently, the weighted average fixed rate of hedging IRSs is calculated. Said rate represents the average effective market rate at the time of the agreement of the various IRSs and reflects the interest that was meant to be hedged at the time of loan hedging. In other words, such rate represents the actual part of interest hedged by the IRS, distinguishing it from the part of interest that is not hedged and corresponds to the spread (expressing customer risk rather than rate risk).

At this point, it is appropriate to prepare, beginning from the residual amoritization plan of the principal of all loans hedged, the amortization plan of loans to be used for measuring the fair value. This plan shall be made up of loan principal flows (the difference between the residual debt of a period and the residual debt of the previous period according to the contractual amortization plan) and the interest obtained applying the weighted average rate of hedging IRSs (expressing the hedged interest) to the residual debt for the period.

The instalments obtained can then be updated adopting the same yield curve used for measuring the fair value of hedging IRSs, and brought down in proportion to the actual hedging percentage at the date of the valuation (ratio between the "surfaces" – i.e. the sum of remaining principals for the respective duration days – of amortization plans for the remaining IRS amount divided by the remaining loan credit), so as to obtain the current value of hedged loans. The remaining credit (multiplied by the hedging percentage) at the date of loan valuation shall be deducted from this value.

According to this procedure (current value of instalments minus residual debt brought down according to hedging percentage) it is necessary to calculate the fair value at the end of financial year T and the fair value at the end of financial year T-1. The difference between these two values will be the loan fair value delta to be compared with the IRS fair value delta.

» A.3 INFORMATION ON FAIR VALUE

A.3.1. Transfers between portfolios

A.3.1.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

Type of financial instrument (1)	Previous portfolio (2)	New portfolio (3)	Book value at 31/12/2011 (4)	Fair Value at 31/12/2011 (5)	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities			**274.204**	**239.872**	**1.816**	**(195)**	**1.173**	**(3.782)**
	HFT	AFS	43.149	43.149	1.173	(135)	1.173	(58)
	HFT	Due from banks	10.889	10.100	556	-	-	(88)
	HFT	Due from customers	4.888	4.583	87	-	-	(20)
	AFS	Due from banks	15.493	13.808	-	(69)	-	(87)
	AFS	HTM	199.785	168.232	-	9	-	(3.529)
Total			**274.204**	**239.872**	**1.816**	**(195)**	**1.173**	**(3.782)**

Key:
HFT = Financial assets held for trading
AFS = Financial assets available for sale
HTM = Financial assets held to maturity

For the financial statements at 31st December 2008, some companies of the Group took advantage of the right to reclassify part of their securities portfolio.

Additionally, in the second half of 2011, CBA Vita reclassified some securities held for sale to those held to maturity, for an amount of € 140 million at nominal value, as permitted by ISVAP Regulation no. 37 of 15 March 2011, as the company has assessed its capacity to hold investments until the time of repayment, in line with the due dates of the policy portfolio.

If the Group had not used the possibility of reclassifying the aforementioned financial assets, the income statement (6) would have seen higher negative evaluation components for 1.816 thousand euro and other income (7) for 195 thousand euro, while in the shareholders' equity (8) there would have been negative components for 1.173 thousand euro and other income (9) for 3.782 thousand euro.

A.3.1.2 Reclassified financial assets: effects on comprehensive income before the reclassify

Type of financial instrument (1)	Previous portfolio (2)	New portfolio (3)	Plus/minus on income statement		Plus/ minus on shareholders' equity	
			31/12/2011 (4)	31/12/2010 (5)	31/12/2011 (6)	31/12/2010 (7)
A. Debt securities			**- -**	**2.867**	**- 26.002**	**- 37**
	AFS	Due from banks	-	-	- 1.546	- 37
	AFS	HTM	- -	2.867	- 24.456	-
Total			**- -**	**2.867**	**- 26.002**	**- 37**

Key:
AFS = Financial assets available for sale
HTM = Financial assets held to maturity

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets				
Company performing the reclassification	**Description**	**Isin**	**Rate**	**Expected cash flow**
Banca Sella Holding S.p.A.	BUMF 6A2 TV 40 LR	XS0299446103	4,31%	1.004
Banca Sella Holding S.p.A.	TDAC 8A TV 49 LR	ES0377966009	3,85%	647
Banca Sella Holding S.p.A.	CAJA MADRID TV 50 LR	ES0359093012	5,26%	1.450
Banca Sella Holding S.p.A.	INTESA TV EUR 12 LR	XS0218339835	4,01%	5.066
Banca Sella Holding S.p.A.	AGRILEASING TV 12 LR	XS0220543762	2,04%	1.513
Banca Sella Holding S.p.A.	BPU TV EUR 16 LR	XS0248693854	2,63%	3.788
Banca Sella Holding S.p.A.	C R BOLZANO TV 12 LR	XS0210355219	2,34%	1.005
Banca Sella Holding S.p.A.	GEN ELECT TV 12 LR	XS0219927802	2,02%	2.015
Banca Sella Holding S.p.A.	GOLDMAN S ZC 12 LR	XS0256281527	6,79%	300
Banca Sella Holding S.p.A.	BPU TV EUR 16 LR2	XS0248693854	3,36%	1.625
Banca Sella S.p.A.	CCT 01/07/13 TV	IT0004101447	5,31%	18.949
Banca Sella S.p.A.	CCT 01/03/14 TV	IT0004224041	6,54%	24.504
Banca Sella Nord Est Bovio Calderari S.p.A.	CCT 01/03/14 TV	IT0004224041	6,54%	5.373
Cba Vita Spa	BTP 01/03/20 4.25%	IT0004536949	6,49%	25.183
Cba Vita Spa	BTP 01/09/19 4,25%	IT0004489610	6,54%	6.700
Cba Vita Spa	BTP 01/09/20 4%	IT0004594930	6,57%	48.280
Cba Vita Spa	BTP 3.75% 01.03.21	IT0004634132	6,44%	17.631
Cba Vita Spa	BTP 4.5% 01.02.20	IT0003644769	6,57%	22.811
Cba Vita Spa	BTP 4.75% 01.09.21	IT0004695075	6,81%	16.963
Cba Vita Spa	BTP I/L 2.1% 15.09.1	IT0004682107	5,48%	8.138
Cba Vita Spa	BTP I/L 2.1% 15.09.2	IT0004604671	5,88%	13.111
Cba Vita Spa	CCT 01/07/16	IT0004518715	5,69%	53.997
Cba Vita Spa	CCT EU 15.10.17	IT0004652175	6,84%	17.096
Cba Vita Spa	CCT EU 15.12.15	IT0004620305	6,50%	23.532
Cba Vita Spa	BANCA . INT. 2/12/15	XS0236477377	8,20%	2.870
Cba Vita Spa	BPU IM FLOAT 03/16	XS0248693854	7,82%	3.239
Cba Vita Spa	GS DOPPIA PROSP. II	XS0256281527	6,75%	500
Cba Vita Spa	MPS 4.875% 05/16	XS0255820804	9,18%	7.338
Cba Vita Spa	MPS CMS 01.04.15	XS0215079202	6,22%	2.187
Cba Vita Spa	UNICREDITO Float 26.	XS0226191798	3,98%	3.095

A.3.2 Hierarchy of fair value

A.3.2.1 Accounting portfolios: fair value by level						
Financial assets/liabilities at fair value	**31/12/2011**			**31/12/2010**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	324.527	132.128	5.571	764.404	156.125	4.683
2. Financial assets at fair value through profit or loss	451.116	255.987	-	338.293	454.401	972
3. Financial assets available for sale	1.126.021	69.914	26.851	1.134.327	23.379	15.782
4. Hedging derivatives	-	26.633	-	-	6.793	-
Total	**1.901.664**	**484.662**	**32.422**	**2.237.024**	**640.698**	**21.437**
1. Financial liabilities held for trading	1.232	42.985	-	4.678	29.786	-
2. Financial liabilities at fair value through profit or loss	453.562	104.523	-	338.032	288.634	972
3. Hedging derivatives	-	128.917	-	-	91.042	-
Total	**454.794**	**276.425**	**-**	**342.710**	**409.462**	**972**

IFRS principle 7 envisages classification of instruments subject to valuation at fair value as a function of the degree to which the input used for pricing is observable. Specifically, three levels are envisaged:

- Level 1: the fair value of instruments classified at this level is determined on the basis of listed prices observed on active markets;
- Level 2: the fair value of instruments classified at this level is determined on the basis of evaluative models that use input observable on the market;
- Level 3: the fair value of instruments classified at this level is determined on the basis of evaluative models that mainly use input not observable on the market.

At the time the Interim Report at 30 June 2011 was approved, for the Greek government securities held by the Banca Sella Group for which it was held that an active market no longer existed, in conformance with IAS principles, fair value was determined using an evaluative model. On 21 July 2011, the European Union Council approved the second government economic aid plan for Greece, which was to be accompanied by a assistance plan aimed at the private sector, with voluntary participation (Private Sector Involvement or PSI). The proposal which received the greatest amount of support from political authorities and financial institutions was that published on the same date by *The Institute of International Finance* (IIF). This model was hence considered by the Banca Sella Group to be the most appropriate for the purposes of evaluating Greek government securities with maturity dates by 2020 for which it was held that the market was no longer active, and which were assigned level 3, in accordance with the fair value hierarchy envisaged in IFRS 7. The other Greek government securities held, with maturity dates by 2020, were valued at fair value according to level 1. The only Greek security with maturity after 2020, not subject to conversion on the basis of the terms of the *Private Sector Involvement*, was not subjected to impairment.
The macroeconomic and financial situation of Greece, and consequently of Greek government securities, substantially deteriorated during the course of the second half of 2011, with respect to that which was hypothesised in July, 2011. Hence, at 31 December 2011 it became necessary to update the valuation of the positions in Greek government securities classified as assets available for sale. The seriousness of the financial crisis in Greece had a notable impact on the government securities market over the final months of the year, to the extent that at present, there is not longer any active market where said securities are traded. The principle market for Greek government securities (HDAT) has been inactive since September 2011 and, consequently, since September 2011 the Greek Central Bank no longer publishes even statistics on trading of government securities, which must hence be presumed to be non-existent. With the impossibility of obtaining quotes from an active wholesale market, a second level fair value was therefore determined on the basis of evaluative models using input observable on the market.
Various sources were used which were chosen on the basis of the availability of prices for trades on the final working day of 2011, or on the basis of the quality/reliability of the contributor.
Specifically, relative to the various securities held, the prices considered (when available) were as follows:

- the last price traded on the retail government securities market EUROMOT on 30/12/2011 (the last working day of 2011)
- the last price traded on the retail market EUROTLX on 30/12/2011 (the last working day of 2011)
- the last price calculated by Bloomberg (BGN), determined in accordance with their own calculation method which "*uses the various prices contributed on Bloomberg and any other information held relevant for the purposes of determining a definitive consensus price*"
- the last official significant price for 30/12/2011 (the last working day of 2011) published by the Bank Of Greece
- the best applicable price in the case of sales associated with a minimum quantity viewable on Bloomberg (Best bid) relative to 30/12/2011 (the last working day of 2011) .

From the above prices a simple mathematical average was obtained between the EUROMOT, EUROTLX, official Bank of Greece price and the BGN (in the case the BGN was not available, the Best Bid served as a replacement).
The value determined using this methodology was used for second level fair value valuation for Greek securities held by the Banca Sella Group.

Below is a detailed analysis of the positions held by the Banca Sella Group, divided by company.

Greek securities in the CBA portfolio at 31/12/2011.

1) GR0114020457 - GGB FXD 20/08/2012 4,1% for 10.000.000 euro

The security is no longer traded on the main reference wholesale market for Greek securities, HDAT, as of September 2011 and was not traded in the entire month of December, including on Greece MTS.
Hence, it can be stated that at 31/12/2011 no listing prices on active markets existed which could be used as the basis for estimating a first level fair value.
Determination of second level fair value price:

- last price traded on the EUROMOT retail market on 30/12/2011: no trade;
- last price traded on the EUROTLX retail market on 30/12/2011: 39,80;
- last price calculated by Bloomberg (BGN): 32,755;
- last official significant price relative to 30/12/2011 published by the Bank Of Greece: 35,50;

Average calculated price: 36,018.

2) GR0114021463 GGB FXD 20/08/2013 4,0% for 2.500.000 euro

The security is no longer traded on the main reference wholesale market for Greek securities, HDAT, as of September 2011 and was not traded in the entire month of December, including on Greece MTS.
Hence, it can be stated that at 31/12/2011 no listing prices on active markets existed which could be used as the basis for estimating a first level fair value.
Determination of second level fair value price:

- last price traded on the EUROMOT retail market on 30/12/2011: no trade;
- last price traded on the EUROTLX retail market on 30/12/2011: 30,98;
- last price calculated by Bloomberg (BGN): 28,628;
- last official significant price relative to 30/12/2011 published by the Bank Of Greece: 35,00;

Average calculated price: 31,536.

3) GR0124024580 GGB FXD 20/05/2014 4,5% for 1.000.000 euro

The security is no longer traded on the main reference wholesale market for Greek securities, HDAT, as of September 2011 and was not traded in the entire month of December, including on Greece MTS.
Hence, it can be stated that at 31/12/2011 no listing prices on active markets existed which could be used as the basis for estimating a first level fair value.
Determination of second level fair value price:

- last price traded on the EUROMOT retail market on 30/12/2011: no trade;
- last price traded on the EUROTLX retail market on 30/12/2011: 27,24;
- last price calculated by Bloomberg (BGN): 24,413;
- last official significant price relative to 30/12/2011 published by the Bank Of Greece: 34,70;

Average calculated price: 28,784.

4) GR0133004177 GGB FXD 20/03/2026 5,3% for 2.000.000 euro

The security is no longer traded on the main reference wholesale market for Greek securities, HDAT, as of September 2011 and was not traded in the entire month of December, including on Greece MTS.
Hence, it can be stated that at 31/12/2011 no listing prices on active markets existed which could be used as the basis for estimating a first level fair value.
Determination of second level fair value price:

- last price traded on the EUROMOT retail market on 30/12/2011: 22,06;
- last price traded on the EUROTLX retail market on 30/12/2011: no trade;
- last price calculated by Bloomberg (BGN): 23,002;
- last official significant price relative to 30/12/2011 published by the Bank Of Greece: 32,00;

Average calculated price: 25,687.

Greek securities in the Banca Patrimoni Sella & C portfolio at 31/12/2011.

1) GR0124026601 GGB FXD 20/07/2015 3,7% for 5.000.000 euro

The security is no longer traded on the main reference wholesale market for Greek securities, HDAT, as of September 2011 and was not traded in the entire month of December, including on Greece MTS.

Hence, it can be stated that at 31/12/2011 no listing prices on active markets existed which could be used as the basis for estimating a first level fair value.

Determination of second level fair value price:

- last price traded on the EUROMOT retail market on 30/12/2011: no trade;
- last price traded on the EUROTLX retail market on 30/12/2011: 22,85;
- last price calculated by Bloomberg (BGN): 23,515;
- last official significant price relative to 30/12/2011 published by the Bank Of Greece: 34,60;

Average calculated price: 26,988.

2) GR0528002315 GGB FL 04/04/2017 for 4.000.000 euro

The security is no longer traded on the main reference wholesale market for Greek securities, HDAT, as of September 2011 and was not traded in the entire month of December, including on Greece MTS.

Hence, it can be stated that at 31/12/2011 no listing prices on active markets existed which could be used as the basis for estimating a first level fair value.

Determination of second level fair value price:

- last price traded on the EUROMOT retail market on 30/12/2011: no trade;
- last price traded on the EUROTLX retail market on 30/12/2011: no trade;
- last official significant price relative to 30/12/2011 published by the Bank Of Greece: 40,00;
- best applicable price in the case of sales associated with a minimum quantity viewable on Bloomberg (Best bid) relative to 30/12/2011; 25,00;

Average calculated price: 32,500.

Summarising the results of the detailed analysis indicated above, the Greek securities held by the Banca Sella Group are hence valued as follows:

Company	Description	ISIN	maturity	nominal	Market price 31/12/2011 (average of last reliable prices)
CBA Vita	REP HELLENIC 4,1% EUR 12 5Y	GR0114020457	20/08/2012	10.000.000	36,018
CBA Vita	REP HELLENIC 4% EUR 13	GR0114021463	20/08/2013	2.500.000	31,536
	REP HELLENIC 4,5% EUR 14	GR0124024580	20/05/2014	1.000.000	28,784
	REP HELLENIC 5,3% EUR 26	GR0133004177	20/03/2026	2.000.000	25,687
Banca Patrimoni Sella & C.	REP HELLENIC 3,7% EUR 15	GR0124026601	20/07/2015	5.000.000	26,988
	REP HELLENIC TV EUR 17	GR0528002315	04/04/2017	4.000.000	32,5

A.3.2.2 Annual changes to financial assets carried at fair value (level 3)				
Type of transaction/Amount	Financial assets			
	held for trading	at fair value through profit or loss	available for sale	hedging
1. Opening balance	**4.683**	**972**	**15.782**	**-**
2. Increases	**50.486**	**-**	**11.400**	**-**
2.1. Purchases	50.056	-	11.391	-
2.2. Profits allocated to:				
2.2.1. Income Statement	306	-	-	-
- of which capital gains	5	-	-	-
2.2.2. Shareholders' Equity	X	X	-	-
2.3. Transfers from other levels	124	-	-	-
2.4. Other increases	-	-	9	-
3. Decreases	**49.598**	**972**	**331**	**-**
3.1 Sales	47.485	-	160	-
3.2. Repayments	-	-	-	-
3.3. Losses allocated to:				
3.3.1. Income Statement	2.113	-	128	-
- of which capital losses	968	-	56	-
3.3.2. Shareholders' Equity	X	X	-	-
3.4. Transfers to other levels	-	-	42	-
3.5. Other decreases	-	972	1	-
4. Closing balance	**5.571**	**-**	**26.851**	**-**

A.3.2.3 Annual changes to financial liabilities carried at fair value (level 3)			
Type of transaction/Amount	Financial liabilities		
	held for trading	at fair value through profit or loss	hedging
1. Opening balance	**-**	**972**	**-**
2. Increases	**-**	**-**	**-**
2.1. Issues	-	-	-
2.2. Losses allocated to:			
2.2.1. Income Statement	-	-	-
- of which capital losses	-	-	-
2.2.2. Shareholders' Equity	X	X	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**- -**	**972**	**-**
3.1 Repayments	-	-	-
3.2. Repurchases	-	-	-
3.3. Losses allocated to:			
3.3.1. Income Statement	-	-	-
- of which capital losses	-	-	-
3.3.2. Shareholders' Equity	X	X	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	- -	972	-
4. Closing balance	**-**	**-**	**-**

PART B INFORMATION ON THE CONSOLIDATED BALANCE SHEET

» ASSETS

Section 1 - Cash and available liquidity - Item 10

1.1 Cash and available liquidity: breakdown		
	31/12/2011	**31/12/2010**
a) Cash on hand	128.418	94.592
b) Demand deposits at central banks	12.315	10.770
Total	**140.733**	**105.362**

1.1.1 attributable to the banking group		
	31/12/2011	**31/12/2010**
a) Cash on hand	128.416	94.592
b) Demand deposits at central banks	12.315	10.770
Total	**140.731**	**105.362**

1.1.2 attributable to insurance companies		
	31/12/2011	**31/12/2010**
a) Cash on hand	2	-
b) Demand deposits at central banks	-	-
Total	**2**	**-**

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type						
Item/Amount	**31/12/2011**			**31/12/2010**		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
A. Cash assets						
1. Debt securities	311.583	91.749	-	655.596	126.474	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	311.583	91.749	-	655.596	126.474	-
2. Equity securities	295	8	6	2.516	-	2
3. UCITS units	12.575	7.789	5.565	104.547	8.007	4.681
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**324.453**	**99.546**	**5.571**	**762.659**	**134.481**	**4.683**
B. Derivative instruments						
1. Financial derivatives:	74	32.582	-	1.745	21.644	-
1.1 for trading	74	32.523	-	1.745	21.578	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	59	-	-	66	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**74**	**32.582**	**-**	**1.745**	**21.644**	**-**
Total A+B	**324.527**	**132.128**	**5.571**	**764.404**	**156.125**	**4.683**

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

2.1.1 attributable to the banking group						
Item/Amount	**31/12/2011**			**31/12/2010**		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
A. Cash assets						
1. Debt securities	311.583	91.749	-	653.615	126.474	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	311.583	91.749	-	653.615	126.474	-
2. Equity securities	179	8	6	2.339	-	2
3. UCITS units	12.575	7.789	5.565	14.509	8.007	4.681
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**324.337**	**99.546**	**5.571**	**670.463**	**134.481**	**4.683**
B. Derivative instruments						
1. Financial derivatives:	74	32.581	-	1.745	21.618	-
1.1 for trading	74	32.522	-	1.745	21.552	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	59	-	-	66	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**74**	**32.581**	**-**	**1.745**	**21.618**	**-**
Total A+B	**324.411**	**132.127**	**5.571**	**672.208**	**156.099**	**4.683**

The component of securities held for trading above all refers to the parent company Banca Sella Holding (for 271,5 million euro) and Banca Sella (for 61 million euro). The decrease in the aggregate is mainly due to the expiry and sale of government securities and bank bonds in 2011.
Trading securities are mainly held by the parent company Banca Sella Holding (for 63,2%) and Banca Sella (for 14,2%).

2.1.2 attributable to insurance companies						
Item/Amount	**31/12/2011**			**31/12/2010**		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
A. Cash assets						
1. Debt securities	-	-	-	1.981	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	1.981	-	-
2. Equity securities	116	-	-	177	-	-
3. UCITS units	-	-	-	90.038	-	-
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**116**	**-**	**-**	**92.196**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives:	-	1	-	-	26	-
1.1 for trading	-	1	-	-	26	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**-**	**1**	**-**	**-**	**26**	**-**
Total A+B	**116**	**1**	**-**	**92.196**	**26**	**-**

During the course of 2011, the company CBA Vita sold all the UCIT units in the HFT portfolio, hence the item went from 90 million euro to zero.

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

Item/Amount	31/12/2011	31/12/2010
A. Cash assets		
1. Debt securities	**403.332**	**782.070**
a) Governments and Central Banks	79.480	273.535
b) Other public bodies	116	9
c) Banks	297.679	454.417
d) Other issuers	26.057	54.109
2. Equity securities	**309**	**2.518**
a) Banks	135	157
b) Other issuers:	174	2.361
- insurance companies	86	1.484
- financial companies	12	10
- non-financial companies	24	766
- others	52	101
3. UCITS units	**25.929**	**117.235**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**429.570**	**901.823**
B. Derivative instruments		
a) Banks		
- *fair value*	9.741	13.616
b) Customers		
- *fair value*	22.915	9.773
Total B	**32.656**	**23.389**
Total A+B	**462.226**	**925.212**

2.2.1 attributable to the banking group		
Item/Amount	**31/12/2011**	**31/12/2010**
A. Cash assets		
1. Debt securities	**403.332**	**780.089**
a) Governments and Central Banks	79.480	271.554
b) Other public bodies	116	9
c) Banks	297.679	454.417
d) Other issuers	26.057	54.109
2. Equity securities	**193**	**2.341**
a) Banks	123	145
b) Other issuers:	70	2.196
- insurance companies	34	1.420
- financial companies	12	10
- non-financial companies	24	766
- others	-	-
3. UCITS units	**25.929**	**27.197**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**429.454**	**809.627**
B. Derivative instruments		
a) Banks		
- fair value	9.740	13.590
b) Customers		
- fair value	22.915	9.773
Total B	**32.655**	**23.363**
Total A+B	**462.109**	**832.990**

2.2.2 attributable to insurance companies

Item/Amount	31/12/2011	31/12/2010
A. Cash assets		
1. Debt securities	**-**	**1.981**
a) Governments and Central Banks	-	1.981
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity securities	**116**	**177**
a) Banks	12	12
b) Other issuers:	104	165
- insurance companies	52	64
- financial companies	-	-
- non-financial companies	-	-
- others	52	101
3. UCITS units	**-**	**90.038**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**116**	**92.196**
B. Derivative instruments		
a) Banks		
- fair value	1	26
b) Customers		
- fair value	-	-
Total B	**1**	**26**
Total A+B	**117**	**92.222**

Futher details on the "UCITS units" item breakdown are provided below:

Financial assets held for trading: details on the item "UCITS units"	
Description	**31/12/2011**
Bond	7.869
Equity	-
Monetary	7.296
Balanced	-
Other	10.764
Total "UCITS units"	**25.929**

Futher details on equity securities issued by subjects classified as non performing or wachlist exposures are provided below:

Details on the item "Equity securities"	
	31/12/2011
Equity securities	309
- of wich: issued by subjects classified as non performing	-
- of wich: issued by subjects classified as wachlist exposures	-

2.3 Cash financial assets held for trading: annual changes					
	Debt securities	**Equity securities**	**UCITS units**	**Loans and advances**	**Total**
A. Opening balance	**782.070**	**2.518**	**117.235**	**-**	**901.823**
B. Increases	**64.976.616**	**1.079.858**	**778.640**	**-**	**66.835.114**
B.1 Purchases	64.930.569	1.077.683	778.610	-	66.786.862
B.2 Increases in fair value	1.827	29	5	-	1.861
B.3 Other changes	44.220	2.146	25	-	46.391
C. Decreases	**65.355.354**	**1.082.067**	**869.946**	**-**	**67.307.367**
C.1 Sales	64.797.115	1.076.346	868.526	-	66.741.987
C.2 Redemptions	530.350	-	-	-	530.350
C.3 Reductions in fair value	6.916	177	1.329	-	8.422
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	20.973	5.544	91	-	26.608
D. Closing balance	**403.332**	**309**	**25.929**	**-**	**429.570**

2.3.1 attributable to the banking group					
	Debt securities	**Equity securities**	**UCITS units**	**Loans and advances**	**Total**
A. Opening balance	**780.089**	**2.341**	**27.197**	**-**	**809.627**
B. Increases	**64.976.616**	**1.079.858**	**9.557**	**-**	**66.066.031**
B.1 Purchases	64.930.569	1.077.683	9.527	-	66.017.779
B.2 Increases in fair value	1.827	29	5	-	1.861
B.3 Other changes	44.220	2.146	25	-	46.391
C. Decreases	**65.353.373**	**1.082.006**	**10.825**	**-**	**66.446.204**
C.1 Sales	64.797.115	1.076.346	9.405	-	65.882.866
C.2 Redemptions	528.369	-	-	-	528.369
C.3 Reductions in fair value	6.916	116	1.329	-	8.361
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	20.973	5.544	91	-	26.608
D. Closing balance	**403.332**	**193**	**25.929**	**-**	**429.454**

2.3.2 attributable to insurance companies					
	Debt securities	**Equity securities**	**UCITS units**	**Loans and advances**	**Total**
A. Opening balance	**1.981**	**177**	**90.038**	**-**	**92.196**
B. Increases	**-**	**-**	**769.083**	**-**	**769.083**
B.1 Purchases	-	-	769.083	-	769.083
B.2 Increases in fair value	-	-	-	-	-
B.3 Other changes	-	-	-	-	-
C. Decreases	**1.981**	**61**	**859.121**	**-**	**861.163**
C.1 Sales	-	-	859.121	-	859.121
C.2 Redemptions	1.981	-	-	-	1.981
C.3 Reductions in fair value	-	61	-	-	61
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	-	-	-	-	-
D. Closing balance	**-**	**116**	**-**	**-**	**116**

Section 3 - Financial assets at fair value through profit or loss - Item 30

Financial assets at fair value through profit or loss are entirely attributable to the insurance companies. Starting from the financial year 2007, Financial asset at fair value through profit or loss include investments on behalf of policy-holders who have taken out unit and index-linked policies and investments arising from managed pension funds in the life assurance field.

3.1 Financial assets at fair value through profit or loss: breakdown by type

Item/Amount	31/12/2011			31/12/2010		
	L1	L2	L3	L1	L2	L3
1. Debt securities	222.679	170.126	-	189.289	224.142	-
1.1 Structured securities	-	83	-	-	-	-
1.2 Other debt securities	222.679	170.043	-	189.289	224.142	-
2. Equity securities	17.336	123	-	21.284	1.012	-
3. UCITS units	165.817	85.738	-	127.720	206.781	972
4. Loans and advances	45.284	-	-	-	22.466	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	45.284	-	-	-	22.466	-
Total	**451.116**	**255.987**	**-**	**338.293**	**454.401**	**972**
Cost	**428.364**	**272.001**	**-**	**324.727**	**497.893**	**931**

The following chart displays the purpose of use of the "fair value option":

Financial assets at fair value through profit or loss: purpose of use of the "fair value option"

	31/12/2011			
	L1	L2	L3	Total
"Natural hedgings"	-	-	-	-
Structured financial instruments	-	-	-	-
Portfolios of financial assets managed internally on a fair value basis	451.116	255.987	-	707.103
Total	**451.116**	**255.987**	**-**	**707.103**

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

Financial assets vary as a function of reserves and financial liabilities: if during the year there were more policy liquidations with respect to premiums collected, then the reserves decrease, as do the assets, and vice versa in the opposite case. Hence, the performance of this item is linked to normal operations.

3.2 Financial assets at fair value through profit or loss: breakdown by borrowers/issuers		
Item/Amount	**31/12/2011**	**31/12/2010**
1. Debt securities	**392.805**	**413.431**
a) Governments and central banks	157.225	62.790
b) Other public bodies	-	-
c) Banks	170.241	221.966
d) Other issuers	65.339	128.675
2. Equity securities	**17.459**	**22.296**
a) Banks	537	5.677
b) Other issuers:	16.922	16.619
- insurance companies	1.921	104
- financial companies	4.110	68
- non-financial companies	10.891	16.447
- others	-	-
3. UCITS units	**251.555**	**335.473**
4. Loans and advances	**45.284**	**22.466**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	45.284	22.466
d) Other issuers	-	-
Total	**707.103**	**793.666**

Futher details on the "UCITS units" item breakdown are provided below:

Financial assets at fair value through profit or loss: details on the item "UCITS units"	
Description	**31/12/2011**
Bond	65.284
Equity	126.282
Monetary	4.501
Balanced	1.676
Other	53.812
Total "UCITS units"	**251.555**

Futher details on equity securities issued by subjects classified as non performing or wachlist exposures are provided below:

Details on the item "Equity securities"	
	31/12/2011
Equity securities	17.459
- of wich: issued by subjects classified as non performing	-
- of wich: issued by subjects classified as wachlist exposures	-

3.3 Financial assets at fair value through profit or loss: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**413.431**	**22.296**	**335.473**	**22.466**	**793.666**
B. Increases	**224.681**	**49.349**	**401.722**	**75.117**	**750.869**
B.1 Purchases	212.766	47.842	399.438	50.857	710.903
B.2 Increases in fair value	2.490	309	2.284	-	5.083
B.3 Other changes	9.425	1.198	-	24.260	34.883
C. Decreases	**245.307**	**54.186**	**485.640**	**52.299**	**837.432**
C.1 Sales	188.662	50.356	313.836	50.863	603.717
C.2 Redemptions	33.323	205	146.828	-	180.356
C.3 Reductions in fair value	22.260	3.275	16.422	-	41.957
C.4 Other changes	1.062	350	8.554	1.436	11.402
D. Closing balance	**392.805**	**17.459**	**251.555**	**45.284**	**707.103**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type						
Item/Amount	31/12/2011			31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1.121.417	69.914	-	1.123.248	23.379	42
1.1 Structured securities	-	6.009	-	-	10.930	-
1.2 Other debt securities	1.121.417	63.905	-	1.123.248	12.449	42
2. Equity securities	4.562	-	24.427	11.023	-	13.270
2.1 Carried at fair value	4.562	-	245	11.023	-	245
2.2 Carried at cost	-	-	24.182	-	-	13.025
3. UCITS units	42	-	-	56	-	-
4. Loans and advances	-	-	2.424	-	-	2.470
Total	**1.126.021**	**69.914**	**26.851**	**1.134.327**	**23.379**	**15.782**

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

4.1.1 attributable to the banking group						
Item/Amount	31/12/2011			31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	829.084	43.836	-	593.187	2.009	42
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	829.084	43.836	-	593.187	2.009	42
2. Equity securities	4.562	-	24.426	11.023	-	13.270
2.1 Carried at fair value	4.562	-	245	11.023	-	245
2.2 Carried at cost	-	-	24.181	-	-	13.025
3. UCITS units	42	-	-	56	-	-
4. Loans and advances	-	-	2.424	-	-	2.470
Total	**833.688**	**43.836**	**26.850**	**604.266**	**2.009**	**15.782**

Analysing the breakdown of the aggregate, it can be seen that most of it consists of debt securities, which account for 97,4% of the total. This item increased with respect to the previous year.

The item Debt securities increased during the course of 2011, involving all of the various asset classes in the portfolio. The increase was carried out in accordance with the Bank of Italy provision of 18 May 2010, relative to calculation of Regulatory Capital and treatment of valuation reserves relative to Euro Zone government bonds included in the portfolio of financial assets held for sale. This provision meant privileging this category with respect to that of securities held for trading.

Exposure to interest rate risks was very contained for the entirety of the period in question. The security with the longest maturity date in the portfolio matures on 15 April 2016.

On the other hand, the item Equity securities totalled 29 million euro, a 4,7% increase over 2010, and consisted mainly of minority interests which were subjected to impairment tests at the end of the period.

On the other hand, shareholders' equity reserves were subject to changes relative to:

- London Stock Exchange Group (measurement method: market listings): Banca Sella Holding adjusted the positive shareholders’ equity reserve to the closing market price at 31/12/2011 for an amount of 541.217 euro;
- Intesa Sanpaolo (evaluation method: market listings): as the closing market price at 31/12/2011 was lower than the security book value, Banca Sella Holding posted a negative shareholders’ equity reserve for 556.123 euro;
- Mutui On Line Group (evaluation method: market listings): as the closing market price at 31/12/2011 was lower than the security book value, Banca Sella Holding posted a negative shareholders’ equity reserve for 96.000 euro;

It should also be noted that during 2011 the interest in London Stock Exchange Group was partly sold and the interests in Visa Inc. and Agata S.p.A. were entirely sold; on the whole, 2.874.771,67 euro of gross capital gains were realised. On the other hand, during the course of the year the interests in Istituto Centrale delle Banche Popolari Italiane S.p.A. and in Intesa Sanpaolo S.p.A. were increased. In addition, the capital increase operations at Città Studi S.p.A. and Pallacanestro Biella S.p.A. were participated in, for the respective shareholding shares.

4.1.2 attributable to insurance companies

Item/Amount	31/12/2011			31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	292.333	26.078	-	530.061	21.370	-
1.1 Structured securities	-	6.009	-	-	10.930	-
1.2 Other debt securities	292.333	20.069	-	530.061	10.440	-
2. Equity securities	-	-	1	-	-	-
2.1 Carried at fair value	-	-	-	-	-	-
2.2 Carried at cost	-	-	1	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
Total	**292.333**	**26.078**	**1**	**530.061**	**21.370**	**-**

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

Item/Amount	31/12/2011	31/12/2010
1. Debt securities	**1.191.331**	**1.146.669**
a) Governments and central banks	873.573	1.010.369
b) Other public bodies	2.166	2.467
c) Banks	249.476	96.938
d) Other issuers	66.116	36.895
2. Equity securities	**28.989**	**24.293**
a) Banks	18.510	9.614
b) Other issuers:	10.479	14.679
- insurance companies	-	-
- financial companies	10.063	14.265
- non-financial companies	416	414
- others	-	-
3. UCITS units	**42**	**56**
4. Loans and advances	**2.424**	**2.470**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.424	2.470
Total	**1.222.786**	**1.173.488**

4.2.1 attributable to the banking group

Item/Amount	31/12/2011	31/12/2010
1. Debt securities	**872.920**	**595.238**
a) Governments and central banks	646.923	564.408
b) Other public bodies	-	-
c) Banks	185.494	28.558
d) Other issuers	40.503	2.272
2. Equity securities	**28.988**	**24.293**
a) Banks	18.510	9.614
b) Other issuers:	10.478	14.679
- insurance companies	-	-
- financial companies	10.063	14.265
- non-financial companies	415	414
- others	-	-
3. UCITS units	**42**	**56**
4. Loans and advances	**2.424**	**2.470**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.424	2.470
Total	**904.374**	**622.057**

4.2.2 attributable to insurance companies		
Item/Amount	**31/12/2011**	**31/12/2010**
1. Debt securities	**318.411**	**551.431**
a) Governments and central banks	226.650	445.961
b) Other public bodies	2.166	2.467
c) Banks	63.982	68.380
d) Other issuers	25.613	34.623
2. Equity securities	**1**	**-**
a) Banks	-	-
b) Other issuers:	1	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	1	-
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**318.412**	**551.431**

Futher details on the "UCITS units" item breakdown are provided below:

Financial assets available for sale: details on the item "UCITS units"	
Description	**31/12/2011**
Bond	-
Equity	-
Monetary	-
Balanced	-
Other	42
Total "UCITS units"	**42**

Futher details on equity securities issued by subjects classified as non performing or wachlist exposures are provided below:

Details on the item "Equity securities"	
	31/12/2011
Equity securities	28.989
- of wich: issued by subjects classified as non performing	-
- of wich: issued by subjects classified as wachlist exposures	-

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**1.146.669**	**24.293**	**56**	**2.470**	**1.173.488**
B. Increases	**793.481**	**14.103**	**2**	**-**	**807.586**
B.1 Purchases	771.514	11.606	-	-	783.120
B.2 Increases in fair value	13.794	51	-	-	13.845
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	8.173	2.446	2	-	10.621
C. Decreases	**748.819**	**9.407**	**16**	**46**	**758.288**
C.1 Sales	472.664	5.851	-	-	478.515
C.2 Redemptions	65.193	-	16	-	65.209
C.3 Reductions in fair value	54.333	3.484	-	-	57.817
C.4 Impairment losses	16.443	72	-	46	16.561
- charged to the income statement	16.443	72	-	46	16.561
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	137.463	-	-	-	137.463
C.6 Other changes	2.723	-	-	-	2.723
D. Closing balance	**1.191.331**	**28.989**	**42**	**2.424**	**1.222.786**

4.4.1 attributable to the banking group

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**595.238**	**24.293**	**56**	**2.470**	**622.057**
B. Increases	**582.256**	**14.102**	**2**	**-**	**596.360**
B.1 Purchases	573.217	11.605	-	-	584.822
B.2 Increases in fair value	866	51	-	-	917
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	8.173	2.446	2	-	10.621
C. Decreases	**304.574**	**9.407**	**16**	**46**	**314.043**
C.1 Sales	197.714	5.851	-	-	203.565
C.2 Redemptions	65.193	-	16	-	65.209
C.3 Reductions in fair value	32.782	3.484	-	-	36.266
C.4 Impairment losses	6.162	72	-	46	6.280
- charged to the income statement	6.162	72	-	46	6.280
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	2.723	-	-	-	2.723
D. Closing balance	**872.920**	**28.988**	**42**	**2.424**	**904.374**

4.4.2 attributable to insurance companies					
	Debt securities	**Equity securities**	**UCITS units**	**Loans and advances**	**Total**
A. Opening balance	**551.431**	**-**	**-**	**-**	**551.431**
B. Increases	**211.225**	**1**	**-**	**-**	**211.226**
B.1 Purchases	198.297	1	-	-	198.298
B.2 Increases in fair value	12.928	-	-	-	12.928
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	-	-	-	-	-
C. Decreases	**444.245**	**-**	**-**	**-**	**444.245**
C.1 Sales	274.950	-	-	-	274.950
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	21.551	-	-	-	21.551
C.4 Impairment losses	10.281	-	-	-	10.281
- charged to the income statement	10.281	-	-	-	10.281
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	137.463	-	-	-	137.463
C.6 Other changes	-	-	-	-	-
D. Closing balance	**318.411**	**1**	**-**	**-**	**318.412**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type								
	Total 31/12/2011				Total 31/12/2010			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	581.579	492.277	26.454	-	328.258	317.524	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	581.579	492.277	26.454	-	328.258	317.524	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

The item Financial assets held to maturity includes debt securities of the Group companies, for which the respective Boards of Directors have formalized the decision to hold them until their natural maturity.
The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

5.1.1 attributable to the banking group								
	Total 31/12/2011				Total 31/12/2010			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	381.794	324.045	26.454	-	265.936	259.041	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	381.794	324.045	26.454	-	265.936	259.041	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

5.1.2 attributable to insurance companies								
	Total 31/12/2011				Total 31/12/2010			
	Book value	*Fair value*			Book value	*Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	199.785	168.232	-	-	62.322	58.483	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	199.785	168.232	-	-	62.322	58.483	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

The increase in the item is due to CBA Vita having transferred securities for a nominal value of 140 million from the category of available for sale to the category of held to maturity.

5.2 Financial assets held to maturity: borrowers/issuers		
Type of transaction/Amount	**31/12/2011**	**31/12/2010**
1. Debt securities	**581.579**	**328.258**
a) Governments and central banks	581.579	328.258
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**581.579**	**328.258**
Total *fair value*	**518.731**	**317.524**

5.2.1 attributable to the banking group		
Type of transaction/Amount	**31/12/2011**	**31/12/2010**
1. Debt securities	**381.794**	**265.936**
a) Governments and central banks	381.794	265.936
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**381.794**	**265.936**
Total *fair value*	**350.499**	**259.041**

5.2.2 attributable to insurance companies		
Type of transaction/Amount	**31/12/2011**	**31/12/2010**
1. Debt securities	**199.785**	**62.322**
a) Governments and central banks	199.785	62.322
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**199.785**	**62.322**
Total *fair value*	**168.232**	**58.483**

5.4 Financial assets held to maturity: annual changes

	Debt securities	**Loans and advances**	**Total**
A. Opening balance	**328.258**	**-**	**328.258**
B. Increases	**257.421**	**-**	**257.421**
B.1 Purchases	117.263	-	117.263
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	137.463	-	137.463
B.4 Other changes	2.695	-	2.695
C. Decreases	**4.100**	**-**	**4.100**
C.1 Sales	-	-	-
C.2 Redemptions	1.645	-	1.645
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	2.455	-	2.455
D. Closing balance	**581.579**	**-**	**581.579**

5.4.1 attributable to the banking group			
	Debt securities	**Loans and advances**	**Total**
A. Opening balance	**265.936**	**-**	**265.936**
B. Increases	**119.958**	**-**	**119.958**
B.1 Purchases	117.263	-	117.263
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	2.695	-	2.695
C. Decreases	**4.100**	**-**	**4.100**
C.1 Sales	-	-	-
C.2 Redemptions	1.645	-	1.645
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	2.455	-	2.455
D. Closing balance	**381.794**	**-**	**381.794**

5.4.2 attributable to insurance companies			
	Debt securities	**Loans and advances**	**Total**
A. Opening balance	**62.322**	**-**	**62.322**
B. Increases	**137.463**	**-**	**137.463**
B.1 Purchases	-	-	-
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	137.463	-	137.463
B.4 Other changes	-	-	-
C. Decreases	**-**	**-**	**-**
C.1 Sales	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	-	-	-
D. Closing balance	**199.785**	**-**	**199.785**

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by type

Type of transaction/Amount	31/12/2011	31/12/2010
A) Due from central banks	**175.077**	**63.105**
1. Term deposits	105.001	-
2. Statutory reserve	70.076	63.105
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**138.423**	**147.526**
1. Current accounts and demand deposits	60.344	55.771
2. Term deposits	26.125	28.591
3. Other loans and advances	20.097	31.312
3.1 reverse repurchase agreements	7.338	13.525
3.2 financial leasing	827	1.020
3.3 others	11.932	16.767
4. Debt securities	31.857	31.852
4.1 structured	9.449	9.327
4.2 others	22.408	22.525
Total (book value)	**313.500**	**210.631**
Total (fair value)	**310.713**	**210.406**

At the end of the period no impaired assets were included under the Due from banks item.

6.1.1 attributable to the banking group

Type of transaction/Amount	31/12/2011	31/12/2010
A) Due from central banks	**175.077**	**63.105**
1. Term deposits	105.001	-
2. Statutory reserve	70.076	63.105
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**119.852**	**130.815**
1. Current accounts and demand deposits	57.266	54.304
2. Term deposits	26.125	28.591
3. Other loans and advances	20.097	31.312
3.1 reverse repurchase agreements	7.338	13.525
3.2 financial leasing	827	1.020
3.3 others	11.932	16.767
4. Debt securities	16.364	16.608
4.1 structured	-	-
4.2 others	16.364	16.608
Total (book value)	**294.929**	**193.920**
Total (fair value)	**293.586**	**193.352**

Most of receivables from banks (54,8% of the total) pertain to the Parent Company, Banca Sella Holding, the largest component consists of debt securities, mainly ordinary and subordinate bonds issued by the banks of the Group.

Banca Sella accounted for 21,0% of the total, while the remaining 24,2% is made up of minor companies in the Group.

6.1.2 attributable to insurance companies		
Type of transaction/Amount	**31/12/2011**	**31/12/2010**
A) Due from central banks	**-**	**-**
1. Term deposits	-	-
2. Statutory reserve	-	-
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**18.571**	**16.711**
1. Current accounts and demand deposits	3.078	1.467
2. Term deposits	-	-
3. Other loans and advances	-	-
3.1 reverse repurchase agreements	-	-
3.2 financial leasing	-	-
3.3 others	-	-
4. Debt securities	15.493	15.244
4.1 structured	9.449	9.327
4.2 others	6.044	5.917
Total (book value)	**18.571**	**16.711**
Total (fair value)	**17.127**	**17.054**

6.3 Due from Banks: financial leasing						
		Minimum payments			**Gross investment**	
		Capital share				
Time-bands	**Impaired loans**		*of which residual value guaranteed*	**Interest share**		*of which residual value guaranteed*
Within 1 year	-	202	-	33	235	-
From 1 to 5 years	-	625	-	29	654	360
More than 5 years	-	-	-	-	-	-
Total	**-**	**827**	**-**	**62**	**889**	**360**

The data relating to the financial lease are entirely related to the bank group and, in particular, to the company Biella Leasing.

For a general description of significant leasing agreements of the lessor, please refer to that stated at the foot of table 7.4 Amounts due from customers: financial leasing of the Assets of the Balance Sheet.

Section 7 - Due from customers - Item 70

7.1 Due from customers: breakdown by type				
Type of transaction/Amount	31/12/2011		31/12/2010	
	Performing	Impaired	Performing	Impaired
1. Current accounts	1.151.823	120.641	1.074.551	88.459
2. Repurchase agreements	1.326	-	54.313	-
3. Mortgage loans	3.514.265	184.803	3.552.466	100.915
4. Credit cards, personal loans, salary-backed loans	1.229.680	54.641	1.164.995	54.215
5. Financial leasing	1.002.534	53.923	1.008.059	47.391
6. Factoring	-	-	-	-
7. Other operations	1.236.490	114.639	1.491.696	75.836
8. Debt securities	5.088	-	6.263	-
8.1 Structured	-	-	-	-
8.2 Others	5.088	-	6.263	-
Total (Book value)	**8.141.206**	**528.647**	**8.352.343**	**366.816**
Total (fair value)	**8.280.219**	**528.647**	**8.448.858**	**366.816**

The company that contributed most to the aggregate was Banca Sella, the main bank of the Group, which accounts for 68,1% of loans. Also significant were the contributions of Biella Leasing and Consel, which account respectively for 11,8% and 10,6% of the aggregate.

7.1.1 attributable to the banking group				
Type of transaction/Amount	31/12/2011		31/12/2010	
	Performing	Impaired	Performing	Impaired
1. Current accounts	1.151.823	120.641	1.074.551	88.459
2. Repurchase agreements	1.326	-	54.313	-
3. Mortgage loans	3.514.265	184.803	3.552.466	100.915
4. Credit cards, personal loans, salary-backed loans	1.229.680	54.641	1.164.995	54.215
5. Financial leasing	1.002.534	53.923	1.008.059	47.391
6. Factoring	-	-	-	-
7. Other operations	1.236.300	114.639	1.491.248	75.836
8. Debt securities	5.088	-	6.263	-
8.1 Structured	-	-	-	-
8.2 Others	5.088	-	6.263	-
Total (Book value)	**8.141.016**	**528.647**	**8.351.895**	**366.816**
Total (fair value)	**8.280.029**	**528.647**	**8.448.411**	**366.816**

The sub-item which has changed the most refers to repurchase agreements (1,3 million euro, totalling 54,3 million euro in 2010), mainly for Banca Sella Holding and carried out exclusively with institutional customers.

7.1.2 attributable to insurance companies				
Type of transaction/Amount	**31/12/2011**		**31/12/2010**	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Current accounts	-	-	-	-
2. Repurchase agreements	-	-	-	-
3. Mortgage loans	-	-	-	-
4. Credit cards, personal loans, salary-backed loans	-	-	-	-
5. Financial leasing	-	-	-	-
6. Factoring	-	-	-	-
7. Other operations	190	-	448	-
8. Debt securities	-	-	-	-
8.1 Structured	-	-	-	-
8.2 Others	-	-	-	-
Total (Book value)	**190**	**-**	**448**	**-**
Total (fair value)	**190**	**-**	**447**	**-**

The part pertaining to insurance companies (190 thousand euro) refers to loans to other subjects.

7.2 Due from customers: breakdown by borrowers/issuers				
Type of transaction/Amount	**31/12/2011**		**31/12/2010**	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Debt securities issued by:	**5.088**	**-**	**6.263**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	5.088	-	6.263	-
- non-financial companies	-	-	586	-
- financial companies	5.088	-	5.677	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans and advances to:	**8.136.118**	**528.647**	**8.346.080**	**366.816**
a) Governments	55	1	98	-
b) Other public bodies	16.924	244	18.240	35
c) Other subjects	8.119.139	528.402	8.327.742	366.781
- non-financial companies	4.425.077	351.225	4.565.852	225.174
- financial companies	122.754	3.535	254.602	3.299
- insurance companies	431	8	725	-
- others	3.570.877	173.634	3.506.563	138.308
Total	**8.141.206**	**528.647**	**8.352.343**	**366.816**

7.2.1 attributable to the banking group				
Type of transaction/Amount	**31/12/2011**		**31/12/2010**	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Debt securities issued by:	**5.088**	**-**	**6.263**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	5.088	-	6.263	-
- non-financial companies	-	-	586	-
- financial companies	5.088	-	5.677	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans and advances to:	**8.135.928**	**528.647**	**8.345.632**	**366.816**
a) Governments	55	1	98	-
b) Other public bodies	16.924	244	18.240	35
c) Other subjects	8.118.949	528.402	8.327.294	366.781
- non-financial companies	4.425.076	351.225	4.565.851	225.174
- financial companies	122.754	3.535	254.602	3.299
- insurance companies	420	8	714	-
- others	3.570.699	173.634	3.506.127	138.308
Total	**8.141.016**	**528.647**	**8.351.895**	**366.816**

7.2.2 attributable to insurance companies				
Type of transaction/Amount	**31/12/2011**		**31/12/2010**	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Debt securities issued by:	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	-	-	-	-
- non-financial companies	-	-	-	-
- financial companies	-	-	-	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans and advances to:	**190**	**-**	**448**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
c) Other subjects	190	-	448	-
- non-financial companies	1	-	1	-
- financial companies	-	-	-	-
- insurance companies	11	-	11	-
- others	178	-	436	-
Total	**190**	**-**	**448**	**-**

7.4 Due from customers: financial leasing

Time-bands	Impaired loans	Minimum payments			Gross investment	
		Capital share		Interest share		
			of which residual value guaranteed			*of which residual value guaranteed*
Within 1 year	25.139	221.167	-	44.827	265.994	11.562
From 1 to 5 years	18.318	463.275	-	97.176	560.451	40.719
More than 5 years	10.466	318.092	-	75.140	393.232	56.439
Total	**53.923**	**1.002.534**	**-**	**217.143**	**1.219.677**	**108.720**

Data relative to financial leasing pertains entirely to the banking group, more precisely to the companies Consel and Biella Leasing.

Below is a general description of the most important lessor leasing contracts.

Biella Leasing's type of leasing contracts fall within the category of financial leasing: with these contracts the user asks the lessor to acquire, or to have executed, a good from a producer or supplier, for the purpose of using it after payment of periodic fees envisaged contractually and developing a fixed instalment repayment plan. The contract normally includes, in addition to the value of the asset, the amount of the leasing fees, the duration, any prepayment and, at the end of the lease, the faculty on the part of the user to become the owner of the asset used through a buyout option. In order to make the buyout option a natural continuation of the lease itself, the typical financing plan used for leasing contracts is structured in a way that makes it advantageous for the customer to use said option, therefore minimising the risk and charges related to managing a warehouse of non-bought out goods.

The financial leasing contracts stipulated by Consel during the course of 2011 were 40% at a fixed interest rate, while the rest had a variable rate. The type of customers mainly consists of professionals, small and medium size businesses, and only marginally private individuals. In 2011, Consel lent 25,5 million euro with an average financing value of 29 thousand euro. The goods financed fall within the segment of vehicle *leasing*. Potential fees are that part of fees subject to conditions which depend on factors other than the value financed over time, such as adjustments indexed to parameters such as interest rate fluctuations.

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by hedging type and by levels	FV 31/12/2011			NV 31/12/2011	FV 31/12/2010			NV 31/12/2010
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**26.633**	**-**	**1.096.722**	**-**	**6.793**	**-**	**503.634**
1) Fair value	-	26.633	-	1.096.722	-	6.793	-	503.634
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**26.633**	**-**	**1.096.722**	**-**	**6.793**	**-**	**503.634**

Key:

FV = fair value

NV = notional value

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging (book value)

Transaction / Type of hedging	Fair value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	8.239	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**8.239**	**-**	**-**	**-**
1. Financial liabilities	18.394	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**18.394**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 9 - Change in value of financial assets subject to macro-hedging - Item 90

The item is entirely attributable to the banking group.

9.1 Change in value of hedged assets: breakdown by hedged portfolio

Change in value of hedged assets / Group components	31/12/2011	31/12/2010
Positive change	**124.588**	**81.738**
1.1 of specific portfolios:	124.588	81.738
a) loans and recievables	124.588	81.738
b) financial assets available for sale	-	-
1.2 overall	-	-
Negative change	**-**	**-**
1.1 of specific portfolios:	-	-
a) loans and recievables	-	-
b) financial assets available for sale	-	-
1.2 overall	-	-
Total	**124.588**	**81.738**

Within the group a model based on macro fair value hedge is used for hedging the interest rate risk of fixed-rate loans. As a result, the item recognizes change in loan portfolio fair value.

9.2 Assets subject to macro-hedging of interest rate risk

	31/12/2011	31/12/2010
Hedged assets		
1. Loans and receivables	1.855.308	1.850.026
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**1.855.308**	**1.850.026**

Section 10 - Equity investments - Item 100

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

Name of company	Head office	Type of relationship	Shareholding relationship		Voting rights %
			Investor	Stake %	
B. Companies					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	Subj. to sig. influence	Sella Holding N.V.	45,0000%	
IN CHIARO ASSICURAZIONI S.P.A.	Rome	Subj. to sig. influence	CBA Vita S.p.A.	49,0000%	
S.C.P. VDP1	Principality of Monaco	Subj. to sig. influence	Banca Sella Holding S.p.A.	29,0000%	
HI-MTF SIM S.P.A.	Milan	Subj. to sig. influence	Banca Sella Holding S.p.A.	20,0000%	
ENERSEL S.P.A.	Biella	Subj. to sig. influence	Banca Sella Holding S.p.A.	18,2982%	

The percentage of votes available is not stated as for all companies it is the same as the percentage investment held.

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

Name	Total assets	Total income	Profit (loss)	Shareholders' equity	Book value	*Fair Value*
A. Companies accounted for with equity method						
A.2 subject to significant influence						
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	151.738	8.725	1.357	16.834	7.575	-
IN CHIARO ASSICURAZIONI S.P.A.	35.237	13.039	(4.776)	5.719	2.942	-
S.C.P. VDP1	5.248	167	(3)	1.958	568	-
HI-MTF SIM S.P.A.	5.267	2.620	245	4.759	952	-
ENERSEL S.P.A.	1.568	194	21	1.229	225	-
Total					**12.262**	**-**

The fair value column does not represent any value as the companies subject to significant influence do not include listed companies.

10.3 Equity investments: annual changes

	Banking Group	Insurance companies	Other companies	31/12/2011	31/12/2010
A. Opening balance	**9.018**	**3.979**	**-**	**12.997**	**26.131**
B. Increases	543	1.225	-	1.768	813
B.1 Purchases	-	1.225	-	1.225	243
B.2 Writebacks	-	-	-	-	-
B.3 Revaluations	543	-	-	543	570
B.4 Other changes	-	-	-	-	-
C. Decreases	**241**	**2.262**	**-**	**2.503**	**13.947**
C.1 Sales	240	-	-	240	-
C.2 Writedowns	-	-	-	-	-
C.4 Other changes	1	2.262	-	2.263	13.947
D. Closing balance	**9.320**	**2.942**	**-**	**12.262**	**12.997**
E. Total revaluations	**3.579**	**-**	**-**	**-**	**-**
F. Total adjustments	**-**	**-**	**-**	**-**	**-**

Section 11 - Reinsurers' share of technical reserves - Item 110

11.2 Variation of Item 110 "Reinsurers' share of technical reserves"	Total 31/12/2011
Opening balance	**4.635**
A. Non-life insurance	**45**
A.1 premium reserves	(46)
A.2 claims reserves	21
A.3 other reserves	70
B. Life assurance	**(464)**
B.1 Actuarial reserves	(417)
B.2 outstanding claims reserves	(109)
B.3 other reserves	62
C. Technical reserves where the investment risk is borne by the policyholders	**-**
C.1 reserves relating to investment fund and index-linked contracts	-
C.2 reserves deriving from the administration of pension funds	-
D. Total reinsurers' share of technical reserves	**4.216**

Section 12 - Tangible assets - Item 120

12.1 Tangible assets: breakdown of assets carried at cost		
Item/Amount	**Total 31/12/2011**	**Total 31/12/2010**
A. Assets used for business purposes		
1.1 owned	**188.937**	**199.193**
a) land	40.227	38.335
b) buildings	124.249	129.056
c) furniture	2.512	3.192
d) electronic equipment	8.491	8.013
e) other	13.458	20.597
1.2 acquired through financial leasing	**4.837**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	4.837	-
Total A	**193.774**	**199.193**
B. Assets held for investment		
2.1 owned	**12.447**	**10.835**
a) land	4.658	4.362
b) buildings	7.789	6.473
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**12.447**	**10.835**
Total (A+B)	**206.221**	**210.028**

The data relating to tangible assets pertain to the bank group, with the exception of 63 thousand euro, which refer to the insurance companies, stated amongst Owned assets for business purposes.

12.1.1 attributable to the banking group		
Item/Amount	**Total 31/12/2011**	**Total 31/12/2010**
A. Assets used for business purposes		
1.1 owned	**188.874**	**199.130**
a) land	40.227	38.335
b) buildings	124.249	129.056
c) furniture	2.509	3.188
d) electronic equipment	8.473	7.975
e) other	13.416	20.576
1.2 acquired through financial leasing	**4.837**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	4.837	-
Total A	**193.711**	**199.130**
B. Assets held for investment		
2.1 owned	**12.447**	**10.835**
a) land	4.658	4.362
b) buildings	7.789	6.473
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**12.447**	**10.835**
Total (A+B)	**206.158**	**209.965**

12.1.2 attributable to insurance companies		
Item/Amount	**Total 31/12/2011**	**Total 31/12/2010**
A. Assets used for business purposes		
1.1 owned	**63**	**63**
a) land	-	-
b) buildings	-	-
c) furniture	3	4
d) electronic equipment	18	38
e) other	42	21
1.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total A	**63**	**63**
B. Assets held for investment		
2.1 owned	**-**	**-**
a) land	-	-
b) buildings	-	-
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
Total (A+B)	**63**	**63**

12.3 Tangible assets used for business purposes: annual changes	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**38.335**	**164.729**	**23.463**	**129.218**	**70.497**	**426.242**
A.1 Total net impairments		(35.673)	(20.271)	(121.205)	(49.900)	(227.049)
A.2 Net opening balance	**38.335**	**129.056**	**3.192**	**8.013**	**20.597**	**199.193**
B. Increases	**4.274**	**6.611**	**208**	**5.763**	**3.893**	**20.749**
B.1 Purchases	4.016	5.938	207	5.745	3.630	19.536
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	257	356	1	18	7	639
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	1	317	-	-	256	574
C. Decreases	**2.382**	**11.418**	**888**	**5.285**	**6.195**	**26.168**
C.1 Sales	2.232	5.269	1	296	6	7.804
C.2 Depreciation	-	4.525	874	4.691	6.153	16.243
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	4	11	2	14	3	34
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	146	1.613	11	284	33	2.087
D. Net closing balance	**40.227**	**124.249**	**2.512**	**8.491**	**18.295**	**193.774**
D.1 Total net impairments		(38.285)	(21.008)	(116.413)	(41.021)	(216.727)
D.2 Gross closing balance	**40.227**	**162.534**	**23.520**	**124.904**	**59.316**	**410.501**
E. Carried at cost	-	-	-	-	-	-

Property, plant and equipment items are carried at cost, after deducting any depreciation and impairment losses. Consequently, sub-item “E. Carried at cost” is not carried as it is only compiled for property, plant and equipment items carried on the financial statements at fair value.

12.3.1 attributable to the banking group

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**38.335**	**164.729**	**23.340**	**128.347**	**70.287**	**425.038**
A.1 Total net impairments		(35.673)	(20.152)	(120.372)	(49.711)	(225.908)
A.2 Net opening balance	**38.335**	**129.056**	**3.188**	**7.975**	**20.576**	**199.130**
B. Increases	**4.274**	**6.611**	**208**	**5.756**	**3.852**	**20.701**
B.1 Purchases	4.016	5.938	207	5.738	3.589	19.488
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	257	356	1	18	7	639
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	1	317	-	-	256	574
C. Decreases	**2.382**	**11.418**	**887**	**5.258**	**6.175**	**26.120**
C.1 Sales	2.232	5.269	1	296	6	7.804
C.2 Depreciation	-	4.525	873	4.664	6.133	16.195
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	4	11	2	14	3	34
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	146	1.613	11	284	33	2.087
D. Net closing balance	**40.227**	**124.249**	**2.509**	**8.473**	**18.253**	**193.711**
D.1 Total net impairments		(38.285)	(20.888)	(115.553)	(40.849)	(215.575)
D.2 Gross closing balance	**40.227**	**162.534**	**23.397**	**124.026**	**59.102**	**409.286**
E. Carried at cost	-	-	-	-	-	-

12.3.2 attributable to insurance companies						
	Land	**Buildings**	**Furniture**	**Electronic equipment**	**Others**	**Total**
A. Gross opening balance	**-**	**-**	**123**	**871**	**210**	**1.204**
A.1 Total net impairments		-	(119)	(833)	(189)	(1.141)
A.2 Net opening balance	**-**	**-**	**4**	**38**	**21**	**63**
B. Increases	**-**	**-**	**-**	**7**	**41**	**48**
B.1 Purchases	-	-	-	7	41	48
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**1**	**27**	**20**	**48**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	1	27	20	48
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**3**	**18**	**42**	**63**
D.1 Total net impairments		-	(120)	(860)	(172)	(1.152)
D.2 Gross closing balance	**-**	**-**	**123**	**878**	**214**	**1.215**
E. Carried at cost	-	-	-	-	-	-

12.4 Tangible assets held for investment purpose: annual changes

	Total	
	Land	**Buildings**
A. Gross opening balance	**4.362**	**9.985**
A.1 Total net impairments		(3.512)
A.2 Net opening balance	**4.362**	**6.473**
B. Increases	**296**	**1.603**
B.1 Purchases	150	-
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from buildings for business purposes	-	-
B.7 Other changes	146	1.603
C. Decreases	**-**	**287**
C.1 Sales	-	-
C.2 Depreciation	-	287
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	-
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**4.658**	**7.789**
D.1 Total net impairments		(3.304)
D.2 Gross closing balance	**4.658**	**11.093**
E. Carried at fair value	-	-

12.4.1 attributable to the banking group

	Total	
	Land	Buildings
A. Gross opening balance	**4.362**	**9.985**
A.1 Total net impairments		(3.512)
A.2 Net opening balance	**4.362**	**6.473**
B. Increases	**296**	**1.603**
B.1 Purchases	150	-
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from buildings for business purposes	-	-
B.7 Other changes	146	1.603
C. Decreases	**-**	**287**
C.1 Sales	-	-
C.2 Depreciation	-	287
C.3 Reductions in fair value	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	-
a) buildings for business purposes	-	-
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**4.658**	**7.789**
D.1 Total net impairments	-	(3.304)
D.2 Gross closing balance	**4.658**	**11.093**
E. Carried at fair value	-	-

12.5 Commitments to buy tangible assets

	Total 31/12/2011	Total 31/12/2010
Commitments to buy tangible assets	1.277	-

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by type of asset				
Item/Amount	Total 31/12/2011		Total 31/12/2010	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**45.977**	**X**	**48.169**
A.1.1 attributable to the group	X	44.171	X	47.225
A.1.2 attributable to minority interests	X	1.806	X	944
A.2 Other intangible assets:	**32.264**	**1**	**38.350**	**1**
A.2.1 Assets carried at cost	32.264	1	38.350	1
a) Intangible assets generated internally	3.656	-	1.981	-
b) Other assets	28.608	1	36.369	1
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**32.264**	**45.978**	**38.350**	**48.170**

For more information on how goodwill and other intangible assets are recorded, please refer to Part A – Accounting Policies of these Explanatory Notes.

13.1.1 attributable to the banking group				
Item/Amount	Total 31/12/2011		Total 31/12/2010	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**45.977**	**X**	**47.979**
A.1.1 attributable to the group	X	44.171	X	47.051
A.1.2 attributable to minority interests	X	1.806	X	928
A.2 Other intangible assets:	**31.811**	**1**	**37.765**	**1**
A.2.1 Assets carried at cost	31.811	1	37.765	1
a) Intangible assets generated internally	3.656	-	1.981	-
b) Other assets	28.155	1	35.784	1
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**31.811**	**45.978**	**37.765**	**47.980**

13.1.2 attributable to insurance companies

Item/Amount	Total 31/12/2011		Total 31/12/2010	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**-**	**X**	**190**
A.1.1 attributable to the group	X	-	X	174
A.1.2 attributable to minority interests	X	-	X	16
A.2 Other intangible assets:	**453**	**-**	**585**	**-**
A.2.1 Assets carried at cost	453	-	585	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	453	-	585	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**453**	**-**	**585**	**190**

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

International Accounting Standards 36 ("IAS 36") establishes the accounting and information principles for the financial statements relative to impairment of certain types of assets, including goodwill, illustrating the principles that a company must follow to ensure that their assets are registered in the financial statements (carrying value) at a value that does not exceed the recoverable value.

On the basis of that required under IAS 36, it is necessary to compare the carrying value of the goodwill with its recoverable value each time that there is an indication that the asset may have been subject to impairment and in any case at least once per year, at the time that the financial statements are prepared (Impairment Test).

The recoverable value of the goodwill is estimated in reference to the business units (Cash Generating Unit – CGU) in as much as the goodwill is not able to produce cashflow in an autonomous manner.

The CGU is the smallest identifiable group of assets able to generate financial inflows independent of incoming financial flows generated by other assets or groups of assets for which the Group has independent detection of the results through the management reporting systems.

Below are indicated, with the aid of an appropriate summary table, the following:

- the CGUs identified and hence subjected to impairment tests with the relative goodwill allocated;
- the calculation methods used and the results of the impairment tests for each CGU;
- the description of the methods used;
- the elements used to calculate the recoverable value for each CGU;
- the sensitivity analysis performed;
- the conclusions obtained.

Entity subjected to impairment test (CGU) and relative goodwill allocated *(figures in thousands of euro)*

Company	CGU	Goodwill allocated before writedowns for the year
Banca Sella Company [(1)]	CGU A1	15.532
Banca Sella Nordest Bovio Calderari Company	CGU A2	5.565
Banca Patrimoni Sella & C.	CGU A3	1.510
Sella Bank AG	CGU A4	1.352
Biella Leasing	CGU A5	1.798
Consel	CGU A6	707
Sella Gestioni	CGU A7	7.260
Selfid	CGU A8	448
CBA Vita	CGU A9	3.998
Brosel	CGU A10	32
Immobiliare Lanificio Maurizio Sella	CGU A11	56
HI MTF	CGU B1	115
Branches of BSNE (Cadore)[(2)]	CGU C1	3.233
Branch of BS Milano Via Gonzaga[(3)]	CGU C2	542
BS branches (formerly Cram)[(4)]	CGU C3	1.881
BS S. Michele and Fasano branches[(5)]	CGU C4	1.099
BS branches (formerly BCC Camastra and Naro)[(6)]	CGU C5	1.770
TOTAL		**46.898**

[(1)] Following the merger between Banca Sella and Banca Sella Sud Arditi Galati. the goodwill held by the latter was allocated to the company Banca Sella.
[(2)] The entity subject to impairment test is the group of branches purchased by the Unicredito Group in 2000.
[(3)]The entity subject to *impairment* test is the branch of Milan, Via Gonzaga, purchased by the Banco di Chiavari e della Riviera in 1999.
[(4)]The entity subject to *impairment* test is the group of branches purchased by the former-CRA Monreale in 1997.
[(5)]The entity subject to *impairment* test is the group of branches purchased by Credito Cooperativo di Ostuni in 2000.
[(6)]The entity subject to *impairment* test is the group of branches purchased by the former BCC Unione di Camastra e Naro in 2001

The accounting standards of reference state that the *impairment* test must be carried out comparing the book value of the CGU with its recoverable value. If this value is found to be less than the book value, a value adjustment must be recognised. The recoverable value of the CGU is the greater of its fair value net of selling costs and its value in use.

Below is a list of the CGU that were analysed and, on the side, the recoverable value calculation methods used and the results of the *impairment* test:

Methodologies used and impairment test results			
CGU	**Recoverable value**	**Method of calculation used**	**Result of impairment test**
CGU A1	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU A2	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected loss in value of 920 thousand euro
CGU A3	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A4	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A5	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU A6	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU A7	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU A8	Value in use	Discounting of future financial flows	The impairment test detected no loss in value
CGU A9	*Fair value*	Actuarial method	The impairment test detected no loss in value
CGU A10	Value in use	Discounting of future financial flows	The impairment test detected no loss in value
CGU A11	*Fair value*	Adjusted Equity Method	The impairment test detected no loss in value
CGU B1	Considered at start up		
CGU C1	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU C2	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU C3	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU C4	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU C5	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value

Description of the methodologies used

The fair value is defined as the price at which an asset may be exchanged between knowledgeable and independent parties, in an arm's length transaction on the market, not subject to any duress and net of the selling costs. The methods used for determining the Fair Value are listed below:

- **Transaction Multiples Method:** based on the estimate of multiples implicit in the prices of a sample of comparable entity transactions and the subsequent application of these multiples to the fundamental indicators of the CGU measured on the closing date; these multiples have been properly adjusted to take into consideration possible high-low yields relative to the company at issue.

- **Actuarial method**: applied, in accordance with professional valuation practices, for insurance companies operating mainly in life business. The valuation is obtained by summing shareholders' equity, the value of the existing policies portfolio (*embedded value*) and the current value of future life production (*appraisal value*). The shareholders' equity is represented by the Company's net assets, deriving from the last accounting statement available, adjusted to the market value of underlying assets, if necessary. The in-force value is the present value of future cash flows on net profits which are expected to arise from policies in force at the valuation date, considering the cost of the solvency capital requirement. The value of new business is the present value of future cash flows on net profits which are expected to arise from newly issued policies, considering the cost of the solvency capital requirement.
- **Adjusted Equity Method**: involves considering the proportion of shareholders' equity held adjusted to:
    - the value attributed to specific intangible assets connected with the relation with customers; this value is determined by referring to the main CGU aggregates (total deposits, managed deposits, loans) and applying the multiples presumed from the market with reference to comparable transactions; the value obtained is then properly adjusted to take into account the company's high/low yields on the market itself (income adjustment);
    - possible capital gains, i.e. differences between the present values of assets and liabilities calculated with the relevant criteria and the corresponding carrying values.

The **Value in use** is defined as the present value of future cash flows expected to derive from an asset. The models used for determining the value in use are:

- DDM (dividend discount model), to discount back distributable income flows after meeting the prescribed minimum capital requirement (excess capital): it was applied to entities subject to prudential supervisory regulations;
- discounting back income flows: this was applied in all cases.

The estimate of value in use incorporates the following elements:

- estimate of future financial flows that the company envisages will derive from the continuous use of the asset and its final sale: the most recent budget plans relative to the CGU as approved by the governing bodies of the company were used as references. Apart from the period covered by said plans, the projections of financial flows are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);
- discount rate (Ke): it was calculated according to the Capital Asset Pricing Model (CAPM). The formula used is: Ke = Rf + Beta * (RM- Rf) where:
    - Rf is the *risk free* rate determined using the average at 12 months, as determined at 31 December 2011, using the ten year BTP performance. The value used was 5,35%;
    - (Rm – Rf) is the market risk premium. It is given by the difference between the yield of a diversified portfolio made up of all risky investments available in the market and the yield of a risk-free security. The value used amounts to 5%
    - Beta is the specific risk of the investment. Beta expresses the correlation between the yield of one risky investment and the yield of the market portfolio.
- capital requirement for the estimate of distributable cash flows (when the excess capital method was used): it was defined using that envisaged in the Supervisory regulations.

For the purposes of determining future flows, the three-year plans prepared analytically for each CGU were used. Their financial and economic forecasts were defined on the basis of hypotheses in line with the assumptions of the economic and financial forecasts of the Banca Sella Group and make reference to a scenario forecast whose main indicators are provided in the table below:

Eurozone	2011	2012	2013	2014
Real Gdp	1,5	0,2	0,7	1,0
Consumer price index	2,7	1,5	1,2	1,6
Official rates	1,0	0,5	0,5	0,5
Short-term interest rates (Euribor 3m)	1,4	1,0	0,8	0,7
Italy				
Real Gdp	0,5	-0,4	0	0
Consumption	0,6	-1,0	0,9	0,9
Consumer price index	2,7	1,7	0,9	1,1

During the three-year period, the international context should show modest growth. In terms of consumer prices, the moderate growth should justify the continued lack of inflationist tension in developed countries.
As for Italy, growth prospects in the three-year period 2012-2014 appear weak and below the Eurozone average.
As regards the financial sector, the scenario assumes low official rates and a substantial stability to the average bank spread.
These three-year plans were prepared using reasonable and consistent preconditions representing the best estimate that the corporate management could make within the range of possible economic conditions that may occur during the useful life of each entity.
The table below shows the elements used for each CGU for calculating the recoverable amount.
The notes on the side are an integration, where necessary, to the general guidelines described above.

CGU: elements used to calculate recoverable value			
CGU	**Basic assumptions**	**Method of determination**	**Notes**
CGU A1	Economic and balance sheet variables	Three-year plan (2012-2014) approved by the Board of Directors of the company	• The forward-looking statements take into account a gradual recovery of the profitability of the banking retail business to which the CGU belongs, basically deriving from: - the improvement in banking income and the revenues from services thanks to the expected increase in assets, in particular in terms of deposits - the substantial stability of the spread in the context of which a recovery in markups in the face of a worsening in markdowns is envisaged - the trend in impact on credit risk, which has been improving gradually year on year, due to the expected improvement in the external situation and the reinforcement of the organisation of credit processes which began in 2011; - the continuation of actions to reduce structural operating costs • The discount rate used was 9,35%, incorporating a Beta of 0,8.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU A2	Economic and balance sheet variables	Five-year plan (2012-2016) approved by the Board of Directors of the companies	• The forward-looking statements take into account a gradual recovery of the profitability of the banking retail business to which the CGU belongs, basically deriving from: - improvement in network productivity and profitability of assets through an important project involving the organisational structure that envisages strengthening the resources used in commercial activities and rationalisation of the branch network - the trend in the impact of losses on loans which forecasts a gradual improvement through to 2014 and stability in the two successive years - the continuation of actions to reduce structural operating costs • The discount rate used was 9,35%, incorporating a Beta of 0,8. • The valuation was prepared with the assistance of an independent advisory company.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU A3	Shareholders' Equity	Book value at 31/12/2011	• Multiples were determined with reference to a sample of comparable transactions that took place in the last 2 years
	Administered assets	Management data at 31/12/2011	
CGU A4	Shareholders' Equity	Book value at 31/12/2011	• Multiples were determined with reference to a sample of comparable transactions that took place in the last 2 years
	Administered assets	Management data at 31/12/2011	

Continuation of table above			
CGU	**Basic assumptions**	**Method of determination**	**Notes**
CGU A5	Economic and balance sheet variables	Four-year plan (2012-2015) approved by the Board of Directors of the companies	• In consideration of the product type which envisages credit disbursement exclusively for medium-long term, it was decided to project company development over a 4-year timeframe, holding that said period of time was more appropriate to highlighting the changes in trends in the current market situations. • Profitability is forecast to slow over the next three years, recovering starting in 2015. The outlook expected is essentially as follows: - funding costs that will remain high until the end of 2013, gradually compensated for by a recovery in mark-up in new disbursements - substantial stability in the overall credit stock - impact of losses on credits forecast to be stable for the first three years, slightly improving in 2015 - continuation of the policy to reduce structural operating costs • The discount rate used was 10,35%, incorporating a Beta of 1.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU A6	Economic and balance sheet variables	Three-year plan (2012-2014) approved by the Board of Directors of the companies	• The development of the business mix will be affected by the project to transfer disbursement of new personal loans from the banks of the Banca Sella Group to Consel. • Over the three-year period, profitability is expected to slowly grow. The outlook expected is essentially as follows: - significant increases in the overall stock of performing credits, largely connected to the project indicated above - a recovery in the mark-up on new disbursements - impact of losses on credits forecast to increase slightly, with respect to 2011 - recovery in productivity through streamlining the organisational structure and rationalisation of the distribution network • The discount rate used was 10,35%, incorporating a Beta of 1.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU A7	Economic and balance sheet variables	Three-year plan (2012-2014) approved by the Board of Directors of the companies	• Forecast data, taking into account a gradual recovery of profitability, essentially deriving from: - improvement in revenues from services thanks to the trend forecast for assets - the structural reductions in operating costs The discount rate used was 9,35%, incorporating a Beta of 0,8.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU A8	Economic and balance sheet variables	Three-year plan (2012-2014) approved by the Board of Directors of the companies	- Forecast data predicts profitability essentially in line with that seen in 2011, with a slight growth in assets and revenues from services connected to the same - The discount rate used was 9,35%, incorporating a Beta of 0,8.
	Discount rate	Calculated according to the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

Continuation of table above			
CGU	**Basic assumptions**	**Method of determination**	**Notes**
CGU A9	Shareholders' Equity	Book value at 31/12/2011	- As regards separate management yields, expected management yields were calculated at 31/12/2011; for the new production, as well as for the yield of assets hedging the margin, we assumed a constant yield of 3,5% - The discount rate used for discounting cash flows was assumed at 9% - With regard to future management expenses we assumed that expense reserves currently entered are sufficient to hedge portfolio costs. For the new business an annual policy cost was assumed based on the valuations based on 2011 financial statement data. - The valuation is supported by a fairness opinion provided by an independent advisory company
	Value of existing policies portfolio	Life portfolio as of 31/12/2011	
	Value of future policies	The value of new production has been calculated considering a time span of 10 years (from 2012 to 2021)	
CGU A10	Economic and balance sheet variables	2012 Budget approved by the Board of Directors of the companies	- The forecast data predicts profitability decreasing with respect to that recorded in 2011 - The discount rate used was 9,35%, incorporating a Beta of 0,8.
	Discount rate	Calculated according to the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU A11	Shareholders' Equity	Book value at 31/12/2011	• The evaluation of the real estate was prepared making use of the assistance of an independent appraiser
	Value of the real estate held	The value of the real estate was estimated on the basis of a recent appraisal	
CGU C1 CGU C2 CGU C3 CGU C4 CGU C5	Economic and balance sheet variables	Three-year plan (2012-2014) approved by the Board of Directors of the companies	• The forward-looking statements take into account a gradual recovery of the profitability of the banking retail business to which CGUs belong, basically deriving from: - the improvement in the interest margin and the revenues from services thanks to the expected increase in assets, in particular in terms of deposits - the substantial stability of the spread in the context of which an improvement in markups and a worsening of markdowns is envisaged - the trend in the impact of losses on loans gradually declining, especially in 2013 and 2014, as a consequence to the improvement expected in the outlook - the structural reductions in operating costs • The discount rate used was 9,35%, incorporating a Beta of 0,8.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

Sensitivity analysis

Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IFRS.
In particular, the impact on the value in use of an increase in discounting rates and a decrease in the growth rate for terminal value purposes was verified.
The table below shows the sensitivity of the value in use of the various CGU to the increase/decrease in the discount rate or growth rate "g" to +/- 25 bps.

Sensitivity analysis				
CGU	**Change in discount rate**		**Change in profit growth rate**	
	Change considered	**% sensitivity of the value in use**	**Change considered**	**% sensitivity of the value in use**
CGU A1	+ 25 b.p.	3,1%	- 25 b.p.	2,5%
CGU A5	+ 25 b.p.	2,6%	- 25 b.p.	1,9%
CGU A6	+ 25 b.p.	2,0%	- 25 b.p.	1,6%
CGU A7	+ 25 b.p.	1,6%	- 25 b.p.	1,3%
CGU A8	+ 25 b.p.	3,5%	- 25 b.p.	3,0%
CGU A10	+ 25 b.p.	3,3%	- 25 b.p.	3,3%
CGU C1	+ 25 b.p.	2,9%	- 25 b.p.	2,4%
CGU C2	+ 25 b.p.	3,4%	- 25 b.p.	2,8%
CGU C3	+ 25 b.p.	3,2%	- 25 b.p.	2,6%
CGU C4	+ 25 b.p.	3,1%	- 25 b.p.	2,5%
CGU C5	+ 25 b.p.	3,3%	- 25 b.p.	2,7%

In addition, analyses aimed at highlighting the value limits beyond which impairment testing of the CGU in question would require recognition of impairment. To this end the table below illustrates the "g" rate and the discount rate that would lead, assuming the same cash flows to be discounted, to values in use that are aligned to the book values.

Sensitivity analysis		
CGU	**Discount rate**	**"G" rate**
CGU A1	14,0%	-4,5%
CGU A5	10,6%	1,7%
CGU A6	14,1%	-3,3%
CGU A7	13,2%	-3,3%
CGU A8	11,7%	-0,4%
CGU A10	11,1%	0,2%
CGU C1	12,5%	-2,2%
CGU C2	N.S. (> 25%)	N.S. (<-25%)
CGU C3	N.S. (> 25%)	N.S. (<-25%)
CGU C4	N.S. (> 25%)	N.S. (<-25%)
CGU C5	15,5%	-7,2%

Conclusions

From the analysis performed it can be seen that, with the exception of Banca Sella Nord Est Bovio Calderari, the recoverable value of all CGUs is greater than the carrying value.
From the sensitivity analysis just one case was found, Biella Leasing, which in the face of a 25 bps decrease in the "g" parameter relative to the growth rate, would correspond to a valuation slightly lower than the carrying value. Taking into account the constant nature of the positive results recorded over the last few years and that the forecast plan was prepared incorporating growth and profitability hypotheses not dissimilar from the results seen in the recent past, it is not held necessary to carry out any writedowns on the goodwill of said company.
For Banca Sella Nord Est Bovio Calderari it was necessary to carry out a writedown for the goodwill in question in the amount of 920 thousand euro.

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**98.247**	**2.129**	**-**	**159.118**	**1**	**259.495**
A.1 Total net reductions in value	(50.078)	(148)	-	(122.749)	-	(172.975)
A.2 Net opening balance	**48.169**	**1.981**	**-**	**36.369**	**1**	**86.520**
B. Increases	**164**	**2.284**	**-**	**9.200**	**-**	**11.648**
B.1 Purchases	164	2.284	-	9.186	-	11.634
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	14	-	14
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**2.356**	**609**	**-**	**16.961**	**-**	**19.926**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	920	609	-	13.928	-	15.457
- amortization	X	609	-	13.928	-	14.537
- writedowns	920	-	-	-	-	920
- shareholders' equity	X	-	-	-	-	-
- income statement	920	-	-	-	-	920
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	11	-	11
C.6 Other changes	1.436	-	-	3.022	-	4.458
D. Net closing balance	**45.977**	**3.656**	**-**	**28.608**	**1**	**78.242**
D.1 Total net adjustments	(50.998)	(757)	-	(136.677)	-	(188.432)
E. Gross closing balance	**96.975**	**4.413**	**-**	**165.285**	**1**	**266.674**
F. Carried at cost	-	-	-	-	-	-

13.2.1 attributable to the banking group

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**98.057**	**2.129**	**-**	**154.544**	**1**	**254.731**
A.1 Total net reductions in value	(50.078)	(148)	-	(118.760)	-	(168.986)
A.2 Net opening balance	**47.979**	**1.981**	**-**	**35.784**	**1**	**85.745**
B. Increases	**164**	**2.284**	**-**	**9.103**	**-**	**11.551**
B.1 Purchases	164	2.284	-	9.089	-	11.537
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	14	-	14
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**2.166**	**609**	**-**	**16.732**	**-**	**19.507**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	920	609	-	13.699	-	15.228
- amortization	X	609	-	13.699	-	14.308
- writedowns	920	-	-	-	-	920
- shareholders' equity	X	-	-	-	-	-
- income statement	920	-	-	-	-	920
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	11	-	11
C.6 Other changes	1.246	-	-	3.022	-	4.268
D. Net closing balance	**45.977**	**3.656**	**-**	**28.155**	**1**	**77.789**
D.1 Total net adjustments	(50.998)	(757)	-	(132.459)	-	(184.214)
E. Gross closing balance	**96.975**	**4.413**	**-**	**160.614**	**1**	**262.003**
F. Carried at cost	-	-	-	-	-	-

13.2.2 attributable to insurance companies

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**190**	**-**	**-**	**4.574**	**-**	**4.764**
A.1 Total net reductions in value	-	-	-	(3.989)	-	(3.989)
A.2 Net opening balance	**190**	**-**	**-**	**585**	**-**	**775**
B. Increases	**-**	**-**	**-**	**97**	**-**	**97**
B.1 Purchases	-	-	-	97	-	97
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**190**	**-**	**-**	**229**	**-**	**419**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	-	-	-	229	-	229
- amortization	X	-	-	229	-	229
- writedowns	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	190	-	-	-	-	190
D. Net closing balance	**-**	**-**	**-**	**453**	**-**	**453**
D.1 Total net adjustments	-	-	-	(4.218)	-	(4.218)
E. Gross closing balance	**-**	**-**	**-**	**4.671**	**-**	**4.671**
F. Carried at cost	-	-	-	-	-	-

Section 14 - Tax assets and liabilities - Item 140 of assets and item 80 of liabilities

Current tax assets: breakdown	Total 31/12/2011	Total 31/12/2010
Prepaid taxes	47.962	58.623
Credits for withholdings	1.848	13.014
Assets from inclusion in tax consolidation	4.367	6.731
Tax credits	6.852	23.317
Total	**61.029**	**101.685**

Current tax liabilities: breakdown	Total 31/12/2011	Total 31/12/2010
Provisions for direct taxes	51.529	44.674
Provisions for indirect taxes	2.778	3.378
Total	**54.307**	**48.052**

14.1 - Deferred tax assets: breakdown	Ires	Irap	Others	31/12/2011	31/12/2010
Losses on loans and receivables	76.141	259	-	76.400	60.063
Provisions for sundry risks and liabilities	5.819	10	-	5.829	6.586
Depreciation and valuation of buildings	3.406	120	-	3.526	3.595
Sundry administrative expenses	652	-	-	652	805
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	138	-	60	198	165
Collective valuations of sureties issued	492	-	-	492	705
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	639	-	639	61
Freeing consolidated goodwill	9.118	969	-	10.087	-
Other assets	3.638	573	-	4.211	4.695
Total deferred tax assets (charged to income statement)	**99.404**	**2.570**	**60**	**102.034**	**76.675**
Depreciation and valuation of buildings	2.623	308	-	2.931	3.422
Measurement of available-for-sale financial assets	22.248	2.577	-	24.825	10.073
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**24.871**	**2.885**	**-**	**27.756**	**13.495**

14.1.1 attributable to the banking group

	Ires	Irap	Others	31/12/2011	31/12/2010
Losses on loans and receivables	76.140	259	-	76.399	60.062
Provisions for sundry risks and liabilities	5.809	10	-	5.819	6.574
Depreciation and valuation of buildings	3.405	120	-	3.525	3.591
Sundry administrative expenses	650	-	-	650	798
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	109	-	60	169	130
Collective valuations of sureties issued	492	-	-	492	705
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	639	-	639	61
Freeing consolidated goodwill	9.118	969	-	10.087	-
Other assets	2.694	571	-	3.265	4.210
Total deferred tax assets (charged to income statement)	**98.417**	**2.568**	**60**	**101.045**	**76.131**
Depreciation and valuation of buildings	2.623	308	-	2.931	3.422
Measurement of available-for-sale financial assets	12.386	2.534	-	14.920	4.579
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**15.009**	**2.842**	**-**	**17.851**	**8.001**

14.1.2 attributable to insurance companies

	Ires	Irap	Others	31/12/2011	31/12/2010
Losses on loans and receivables	1	-	-	1	1
Provisions for sundry risks and liabilities	10	-	-	10	12
Depreciation and valuation of buildings	1	-	-	1	4
Sundry administrative expenses	2	-	-	2	7
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	29	-	-	29	35
Collective valuations of sureties issued	-	-	-	-	-
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	-	-	-	-
Freeing consolidated goodwill	-	-	-	-	-
Other assets	944	2	-	946	485
Total deferred tax assets (charged to income statement)	**987**	**2**	**-**	**989**	**544**
Depreciation and valuation of buildings	-	-	-	-	-
Measurement of available-for-sale financial assets	9.862	43	-	9.905	5.494
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**9.862**	**43**	**-**	**9.905**	**5.494**

14.2 - Deferred tax liabilities: breakdown

	Ires	Irap	Others	31/12/2011	31/12/2010
Gains on sale of available-for-sale financial assets	6.187	350	-	6.537	5.539
Different calculation of depreciation of tangible assets	449	91	1.870	2.410	2.342
Different calculation of amortization of intangible assets	56	13	-	69	78
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	17	-	-	17	19
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	-	-	-	-	-
Capital gain on sale of company division	97	13	-	110	62
Writedowns of receivables	-	-	-	-	-
Goodwill	665	40	-	705	-
Other liabilities	1.242	192	-	1.434	1.068
Total deferred taxes (charged to income statement)	**8.713**	**699**	**1.870**	**11.282**	**9.108**
Measurement of available-for-sale financial assets	32	49	-	81	227
Valuation of tangible assets	262	53	-	315	-
Capital gain on sale of company division	-	-	-	-	-
Depreciation and valuation of buildings	485	91	-	576	890
Other liabilities	1.442	-	-	1.442	98
Total deferred taxes (charged to shareholders' equity)	**2.221**	**193**	**-**	**2.414**	**1.215**

14.2.1 attributable to the banking group	Ires	Irap	Others	31/12/2011	31/12/2010
Gains on sale of available-for-sale financial assets	95	350	-	445	408
Different calculation of depreciation of tangible assets	449	91	1.870	2.410	2.342
Different calculation of amortization of intangible assets	56	13	-	69	78
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	17	-	-	17	19
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	-	-	-	-	-
Capital gain on sale of company division	97	13	-	110	62
Writedowns of receivables	-	-	-	-	-
Goodwill	665	40	-	705	-
Other liabilities	1.242	192	-	1.434	1.068
Total deferred taxes (charged to income statement)	**2.621**	**699**	**1.870**	**5.190**	**3.977**
Measurement of available-for-sale financial assets	32	49	-	81	227
Valuation of tangible assets	262	53	-	315	-
Capital gain on sale of company division	-	-	-	-	-
Depreciation and valuation of buildings	485	91	-	576	890
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to shareholders' equity)	**779**	**193**	**-**	**972**	**1.117**

14.2.2 attributable to insurance companies					
	Ires	**Irap**	**Others**	**31/12/2011**	**31/12/2010**
Gains on sale of available-for-sale financial assets	6.092	-	-	6.092	5.131
Different calculation of depreciation of tangible assets	-	-	-	-	-
Different calculation of amortization of intangible assets	-	-	-	-	-
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	-	-	-	-	-
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	-	-	-	-	-
Capital gain on sale of company division	-	-	-	-	-
Writedowns of receivables	-	-	-	-	-
Goodwill	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to income statement)	**6.092**	**-**	**-**	**6.092**	**5.131**
Measurement of available-for-sale financial assets	-	-	-	-	-
Valuation of tangible assets	-	-	-	-	-
Capital gain on sale of company division	-	-	-	-	-
Depreciation and valuation of buildings	-	-	-	-	-
Other liabilities	1.442	-	-	1.442	98
Total deferred taxes (charged to shareholders' equity)	**1.442**	**-**	**-**	**1.442**	**98**

14.3 Changes in deferred tax assets (charged to income statement)		
	31/12/2011	**31/12/2010**
1. Initial amount	**76.675**	**66.769**
2. Increases	**36.183**	**20.880**
2.1 Prepaid taxes recognised during the year	35.142	20.760
a) relating to previous years	176	1.534
b) due to changes in accounting policies	-	-
c) writebacks	-	4
d) others	34.966	19.222
2.2 New taxes or increases of tax rate	231	-
2.3 Other increases	810	120
3. Decreases	**10.824**	**10.974**
3.1 Prepaid taxes cancelled during the year	10.298	10.652
a) reversals	3.496	10.363
b) writedowns for unrecoverable items	10	20
c) changes in accounting policies	-	-
d) others	6.792	269
3.2 Reductions in tax rates	-	-
3.3 Other changes	526	322
4. Final amount	**102.034**	**76.675**

For the information required by Circular 262/2005 of the Bank of Italy, 1 update 18 November 2009 relative to the portion of deferred tax assets arising from tax losses carried forward to subsequent years, see table 14.1 of this Section balance sheet assets.

The change in prepaid taxes charged to the income statement does not correspond to that indicated in point 4 of table 18.1 of the Notes to the income statement due to the effects of the discharge on the income statement of the taxes originally charged to shareholders' equity. This was due to the sale of real estate, for which the revaluation reserve was later revoked and accounted for as an increase to share capital.

14.3.1 attributable to the banking group		
	31/12/2011	**31/12/2010**
1. Initial amount	**76.131**	**66.086**
2. Increases	**35.691**	**20.818**
2.1 Prepaid taxes recognised during the year	35.057	20.698
a) relating to previous years	176	1.534
b) due to changes in accounting policies	-	-
c) writebacks	-	4
d) others	34.881	19.160
2.2 New taxes or increases of tax rate	231	-
2.3 Other increases	403	120
- of which: business combinations	-	-
3. Decreases	**10.777**	**10.773**
3.1 Prepaid taxes cancelled during the year	10.258	10.452
a) reversals	3.456	10.325
b) writedowns for unrecoverable items	10	20
c) changes in accounting policies	-	-
d) others	6.792	107
3.2 Reductions in tax rates	-	-
3.3 Other changes	519	321
- of which: business combinations	-	-
4. Final amount	**101.045**	**76.131**

14.4 Changes in deferred tax liabilities (charged to income statement)		
	31/12/2011	**31/12/2010**
1. Opening balance	**9.108**	**4.665**
2. Increases	**2.785**	**5.253**
2.1 Deferred taxes recognized during the year	2.627	4.959
a) relating to previous years	21	1
b) due to changes in accounting policies	-	-
c) others	2.606	4.958
2.2 New taxes or increases in tax rates	101	-
2.3 Other increases	57	294
3. Decreases	**611**	**810**
3.1 Deferred taxes cancelled during the year	395	665
a) reversals	392	665
b) due to changes in accounting policies	-	-
c) others	3	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	216	145
4. Final amount	**11.282**	**9.108**

14.4.1 attributable to the banking group		
	31/12/2011	**31/12/2010**
1. Opening balance	**3.977**	**3.760**
2. Increases	**1.824**	**1.027**
2.1 Deferred taxes recognized during the year	1.666	733
a) relating to previous years	21	1
b) due to changes in accounting policies	-	-
c) others	1.645	732
2.2 New taxes or increases in tax rates	101	-
2.3 Other increases	57	294
3. Decreases	**611**	**810**
3.1 Deferred taxes cancelled during the year	395	665
a) reversals	392	665
b) due to changes in accounting policies	-	-
c) others	3	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	216	145
4. Final amount	**5.190**	**3.977**

14.4.2 attributable to insurance companies		
	31/12/2011	**31/12/2010**
1. Opening balance	**5.131**	**905**
2. Increases	**961**	**4.226**
2.1 Deferred taxes recognized during the year	961	4.226
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	961	4.226
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred taxes cancelled during the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**6.092**	**5.131**

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

	31/12/2011	31/12/2010
1. Opening balance	**13.495**	**3.588**
2. Increases	**16.016**	**9.907**
2.1 Prepaid taxes recognized during the year	15.890	9.907
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	15.890	9.907
2.2 New taxes or increases in tax rates	126	-
2.3 Other increases	-	-
3. Decreases	**1.755**	**-**
3.1 Prepaid taxes cancelled during the year	1.267	-
a) reversals	1.155	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	112	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	488	-
4. Final amount	**27.756**	**13.495**

14.5.1 attributable to the banking group

	31/12/2011	31/12/2010
1. Opening balance	**8.001**	**3.543**
2. Increases	**11.605**	**4.458**
2.1 Prepaid taxes recognized during the year	11.479	4.458
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	11.479	4.458
2.2 New taxes or increases in tax rates	126	-
2.3 Other increases	-	-
3. Decreases	**1.755**	**-**
3.1 Prepaid taxes cancelled during the year	1.267	-
a) reversals	1.155	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	112	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	488	-
4. Final amount	**17.851**	**8.001**

14.5.2 attributable to insurance companies	31/12/2011	31/12/2010
1. Opening balance	**5.494**	**45**
2. Increases	**4.411**	**5.449**
2.1 Prepaid taxes recognized during the year	4.411	5.449
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4.411	5.449
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Prepaid taxes cancelled during the year	-	-
a) reversals	-	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**9.905**	**5.494**

14.6 Changes in deferred tax liabilities (charged to shareholders' equity)	31/12/2011	31/12/2010
1. Opening balance	**1.215**	**1.708**
2. Increases	**1.470**	**153**
2.1 Deferred taxes recognized during the year	1.405	153
a) relating to previous years	61	-
b) due to changes in accounting policies	-	-
c) others	1.344	153
2.2 New taxes or increases in tax rates	51	-
2.3 Other increases	14	-
3. Decreases	**271**	**646**
3.1 Deferred taxes cancelled during the year	271	646
a) reversals	271	621
b) due to changes in accounting policies	-	-
c) others	-	25
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**2.414**	**1.215**

14.6.1 attributable to the banking group		
	31/12/2011	**31/12/2010**
1. Opening balance	**1.117**	**1.708**
2. Increases	**126**	**55**
2.1 Deferred taxes recognized during the year	61	55
a) relating to previous years	61	-
b) due to changes in accounting policies	-	-
c) others	-	55
2.2 New taxes or increases in tax rates	51	-
2.3 Other increases	14	-
3. Decreases	**271**	**646**
3.1 Deferred taxes cancelled during the year	271	646
a) reversals	271	621
b) due to changes in accounting policies	-	-
c) others	-	25
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**972**	**1.117**

14.6.2 attributable to insurance companies		
	31/12/2011	**31/12/2010**
1. Opening balance	**98**	**-**
2. Increases	**1.344**	**98**
2.1 Deferred taxes recognized during the year	1.344	98
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	1.344	98
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred taxes cancelled during the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**1.442**	**98**

Section 15 - Non-current assets and groups of assets held for sale and associated liabilities - Item 150 of assets and item 90 of liabilities

15.1 Non current assets and groups of assets held for sale: breakdown by type of asset		
	31/12/2011	**31/12/2010**
A. Single asset		
A.2 Equity investments	-	19.592
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**19.592**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	-	410
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	-	21.062
B.5 Due from banks	-	13.585
B.6 Due from customers	-	24.113
B.7 Equity investments	-	-
B.8 Tangible assets	-	154
B.9 Intangible assets	-	47
B.10 Other assets	-	1.292
Total B	**-**	**60.663**
C. Liabilities associated with single assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities associated with groups of assets held for sale		
D.1 Due to banks	-	27.675
D.2 Due to customers	-	126.390
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	-	928
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Funds	-	-
D.7 Other liabilities	-	1.860
Total D	**-**	**156.853**

The investments in Banque BPP and Banca Monte Parma have been classified as "Non-current assets and groups of assets in course of divestment and associated liabilities" as, at the end of 2010, the criteria for their inclusion in this category as established by IFRS 5 had been met.
This item was zeroed out following:
- in regards to Banque BPP, the transfer of all the capital of the company on the part of Banca Sella Holding and Sella Holding NV to a major European banking counterparty for an amount in line with the value of the company was completed on 20 April 2011;
- in regards to the interest held in Banca Monte Parma, the transfer of it to Intesa Sanpaolo S.p.A., completed on 26 July 2011.

15.1.1 attributable to the banking group		
	31/12/2011	**31/12/2010**
A. Single asset		
A.1 Financial assets	-	-
A.2 Equity investments	-	11.855
A.3 Tangible assets	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**11.855**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	-	410
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	-	21.062
B.5 Due from banks	-	13.585
B.6 Due from customers	-	24.113
B.7 Equity investments	-	-
B.8 Tangible assets	-	154
B.9 Intangible assets	-	47
B.10 Other assets	-	1.292
Total B	**-**	**60.663**
C. Liabilities associated with single assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities associated with groups of assets held for sale		
D.1 Due to banks	-	27.675
D.2 Due to customers	-	126.390
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	-	928
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Funds	-	-
D.7 Other liabilities	-	1.860
Total D	**-**	**156.853**

15.1.2 attributable to insurance companies		
	31/12/2011	**31/12/2010**
A. Single asset		
A.1 Financial assets	-	-
A.2 Equity investments	-	7.737
A.3 Tangible assets	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**7.737**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	-	-
B.5 Due from banks	-	-
B.6 Due from customers	-	-
B.7 Equity investments	-	-
B.8 Tangible assets	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**-**	**-**
C. Liabilities associated with single assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities associated with groups of assets held for sale		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Funds	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown	31/12/2011	31/12/2010
Items receivable in transit	2.148	636
Forms in stock	649	1.516
Payment orders to sundry others being debited	21.740	65.016
Countervalues on securities and derivatives trading being settled	873	10.420
Current account cheques drawn against third parties	46.791	44.945
Current account cheques drawn against the bank	12.771	14.126
Commission advances	264	201
Suitable taxes to be recovered from customers	-	6
Advance taxes paid to tax office for third parties	142	147
Guarantee deposit on own behalf	40	47
Fees, commissions and other income in the process of collection	33.961	19.535
Expenses for improvements to third-party property	4.823	6.436
Portfolio adjustments	-	8.824
Advances and accounts payable	4.060	4.876
Charges/invoices to be issued towards customers	1.856	8.161
Disputed items not deriving from lending transactions	8.132	8.901
Deferrals on administrative expenses and fees	5.222	4.390
Due from insured	18	28
Due from intermediaries	2.016	2.142
Due from reinsurance companies	716	335
Other tax recievables	46.564	21.541
Others	13.222	12.900
Total	**206.008**	**235.129**

The item "Disputed items not deriving from lending transactions" includes a credit for a provisional deposit made in expectation of a judgement for a total amount of approximately 5,8 million euro. This amount - inclusive of taxes, sanctions, interest and collection fees - is connected to a Banca Sella Holding dispute with Inland Revenue regarding the methods of applying stamp duties to the day book, relative to the years 2003 - 2005. The deposit carried out following the receipt of the statement account led to the registration of the corresponding credit held in the face of said Inland Revenue at the same time - and in the same amount - highlighting the provisional nature of the payment demanded by Inland Revenue and carried out by the Bank. At present, a sentence from the provincial Tax Commission is still being awaited. In consideration of that indicated in Tax Office resolution no. 371/E of 2008, taking into account the authoritative opinions expressed by a major tax law company and the Italian Banking Association and taking into account a favourable sentence for another bank regarding an analogous dispute, registered in December 2010 at the Regional Tax Commission of Turin, it is reasonable to hold that it is not probable - if still possible - that liabilities will emerge, consisting in the loss of the assets reported due to the deposit carried out, which would occur only in the case that a contrary sentence is issued. Finally, the explanations provided by the internal revenue with resolution no. 161/E of 2007 may, in any case, considerably reduce the amount of the potential/possible non-existence of the asset.

The item "Other" includes an amount of approximately 850 thousand euro, relevant to Banca Sella Holding, for a deposit for the purchase of a property located in Cerreto Castello (BI).

16.1.1 attributable to the banking group		
	31/12/2011	**31/12/2010**
Items receivable in transit	2.148	636
Forms in stock	630	1.516
Payment orders to sundry others being debited	21.740	65.016
Countervalues on securities trading being settled	-	10.420
Current account cheques drawn against third parties	46.791	44.945
Current account cheques drawn against the bank	12.771	14.126
Commission advances	264	201
Suitable taxes to be recovered from customers	-	6
Advance taxes paid to tax office for third parties	-	1
Guarantee deposit on own behalf	40	47
Fees, commissions and other income in the process of collection	33.882	19.403
Expenses for improvements to third-party property	4.823	6.436
Portfolio adjustments	-	8.824
Advances and accounts payable	4.030	4.854
Charges/invoices to be issued towards customers	1.855	8.159
Disputed items not deriving from lending transactions	8.132	8.901
Deferrals on administrative expenses and fees	5.085	4.252
Due from insured	18	28
Due from intermediaries	1.610	1.791
Other tax recievables	46.564	21.541
Others	12.824	12.427
Total	**203.207**	**233.530**

16.1.2 attributable to insurance companies		
	31/12/2011	**31/12/2010**
Countervalues on securities trading being settled	873	-
Advance taxes paid to tax office for third parties	142	146
Fees, commissions and other income in the process of collection	79	132
Advances and accounts payable	30	22
Charges/invoices to be issued towards customers	1	2
Deferrals on administrative expenses and fees	137	138
Due from intermediaries	406	351
Due from reinsurance companies	716	335
Others	417	473
Total	**2.801**	**1.599**

» LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type

Type of transaction/Group components	31/12/2011	31/12/2010
1. Due to central banks	**350.273**	**-**
2. Due to banks	**196.694**	**293.991**
2.1 Current accounts and demand deposits	24.543	84.059
2.2 Term deposits	40.311	36.298
2.3. Loans and advances	131.336	173.212
2.3.1 financial leasing	-	-
2.3.2 others	131.336	173.212
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	504	422
Total	**546.967**	**293.991**
Fair value	**546.967**	**293.991**

The increase is due to Banca Sella Holding using the financing offered by the ECB totalling 350 million euro on 31 December 2011, of which 250 million deriving from the first 3-year LTRO (*Long Term Refinancing Operation*) offered by the ECB and adjusted for currency 22 December 2011.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type

Type of transaction/Group components	31/12/2011	31/12/2010
1. Current accounts and demand deposits	6.935.824	7.241.784
2. Term deposits	581.098	358.105
3. Loans and advances	85.315	49.220
3.1 repurchase agreement	57.776	38.893
3.2 others	27.539	10.327
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	125.443	115.988
Total	**7.727.680**	**7.765.097**
Fair value	**7.727.680**	**7.765.097**

At 31 December 2011, the item has a value in line with that of the previous year.
Data relative to amounts due to customers pertain to the banking group, with the exception of 4.824 thousand euro in reference to insurance companies, shown with other payables.

2.1.1 attributable to the banking group		
Type of transaction/Group components	**31/12/2011**	**31/12/2010**
1. Current accounts and demand deposits	6.935.824	7.241.784
2. Term deposits	581.098	358.105
3. Loans and advances	85.315	49.220
3.1 repurchase agreement	57.776	38.893
3.2 others	27.539	10.327
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	120.619	111.149
Total	**7.722.856**	**7.760.258**
Fair value	**7.722.856**	**7.760.258**

2.1.2 attributable to insurance companies		
Type of transaction/Group components	**31/12/2011**	**31/12/2010**
1. Current accounts and demand deposits	-	-
2. Term deposits	-	-
3. Loans and advances	-	-
3.1 repurchase agreement	-	-
3.2 others	-	-
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	4.824	4.839
Total	**4.824**	**4.839**
Fair value	**4.824**	**4.839**

2.3 Detail of item 20 "Due to customers": structured debts		
	Total 31/12/2011	**Total 31/12/2010**
- structured debts	10.340	12.538
Total	**10.340**	**12.538**

Section 3 - Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type								
Type of security/Amount	**Total 31/12/2011**				**Total 31/12/2010**			
	Book value	**Fair value**			**Book value**	**Fair value**		
		Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
A. Quoted securities								
1. Bonds	1.979.866	388.174	1.538.923	-	2.108.183	495.876	1.601.509	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1.979.866	388.174	1.538.923	-	2.108.183	495.876	1.601.509	-
2. Other securities	9.435	-	-	9.435	40.997	-	-	40.997
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	9.435	-	-	9.435	40.997	-	-	40.997
Total	**1.989.301**	**388.174**	**1.538.923**	**9.435**	**2.149.180**	**495.876**	**1.601.509**	**40.997**

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.
Data relative to securities in issue pertain to the banking group, with the exception of 11.978 thousand euro of book value in reference to the insurance companies, shown with bonds.

3.1.1 attributable to the banking group

Type of security/Amount	Total 31/12/2011				Total 31/12/2010			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Quoted securities								
1. Bonds	1.967.888	378.413	1.538.923	-	2.093.147	481.774	1.601.509	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1.967.888	378.413	1.538.923	-	2.093.147	481.774	1.601.509	-
2. Other securities	9.435	-	-	9.435	40.997	-	-	40.997
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	9.435	-	-	9.435	40.997	-	-	40.997
Total	**1.977.323**	**378.413**	**1.538.923**	**9.435**	**2.134.144**	**481.774**	**1.601.509**	**40.997**

3.1.2 attributable to insurance companies

Type of security/Amount	Total 31/12/2011				Total 31/12/2010			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Quoted securities								
1. Bonds	11.978	9.761	-	-	15.036	14.102	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	11.978	9.761	-	-	15.036	14.102	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	**11.978**	**9.761**	**-**	**-**	**15.036**	**14.102**	**-**	**-**

3.2 Details of Item 30 “Outstanding securities”: subordinated securities

	Total 31/12/2011	Total 31/12/2010
- subordinated securities	416.692	421.274
Total	**416.692**	**421.274**

The list of subordinate securities that can be calculated for regulatory purposes is presented in Part F – Information on equity of these Explanatory Notes.

3.3 Detail of item 30 "Outstanding securities": securities subject to micro-hedging

	Total 31/12/2011	Total 31/12/2010
1. Securities subject to micro-hedging of fair value	**498.011**	**350.104**
a) interest rate risk	498.011	350.104
b) exchange rate risk	-	-
c) more than one risks	-	-
2. Securities subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**498.011**	**350.104**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type										
Type of transaction/Group components	31/12/2011					31/12/2010				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	1.397	1.232	-	-	1.232	3.109	3.139	-	-	3.139
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	**1.397**	**1.232**	**-**	**-**	**1.232**	**3.109**	**3.139**	**-**	**-**	**3.139**
B. Derivative instruments										
1. Financial derivatives	X	-	42.985	-	X	X	1.539	29.786	-	X
1.1 Held for trading	X	-	42.953	-	X	X	1.539	29.715	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	32	-	X	X	-	71	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**42.985**	**-**	**X**	**X**	**1.539**	**29.786**	**-**	**X**
Total A+B	**X**	**1.232**	**42.985**	**-**	**X**	**X**	**4.678**	**29.786**	**-**	**X**

Key

FV = fair value

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

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

At the end of the period the total amount of uncovered short positions is 0 euro thousands.

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

Financial liabilities held for trading are entirely attributable to the banking group.

Section 5 - Financial liabilities at fair value throguh profit or loss - Item 50

Financial liabilities at fair value through profit or loss are entirely attributable to insurance companies. Starting from the financial year 2007 the Group availed itself of the possibility of stating at fair value financial liabilities relating to the deposit of unit and index-linked insurance contracts, which are measured at the fair value of the assets.

5.1 Financial liabilities at fair value through profit or loss: breackdown by type

Type of transaction / Amount	31/12/2011					31/12/2010				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Others	-	-	-	-	X	-	-	-	-	X
2. Due to customers	**558.085**	**453.562**	**104.523**	**-**	**-**	**627.638**	**338.032**	**288.634**	**972**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Others	558.085	453.562	104.523	-	X	627.638	338.032	288.634	972	X
3. Outstanding securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Others	-	-	-	-	X	-	-	-	-	X
Total	**558.085**	**453.562**	**104.523**	**-**	**-**	**627.638**	**338.032**	**288.634**	**972**	**-**

Key
FV = fair value
FV* = fair value calculated excluding changes in value due to changes in credit worthiness of the issuer after the issue date
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The following chart displays the purpose of use of the "fair value option":

Financial liabilities at fair value through profit or loss: purpose of use of the "fair value option"

	31/12/2011			
	L1	L2	L3	Total
"Natural hedgings"	-	-	-	-
Structured financial instruments	-	-	-	-
Portfolios of financial assets managed internally on a fair value basis	453.562	104.523	-	558.085
Total	**453.562**	**104.523**	**-**	**558.085**

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

The reduction in financial liabilities valued at fair value relates to the company Sella Life and is partially connected to the subscription, in 2010, of policies on the part of customers that took part in the tax amnesty in effect during the first few months of the same year, which were not repeated in 2011.

5.3 Financial liabilities at fair value through profit or loss: annual changes				
	Due to banks	Due to customers	Outstanding securities	Total
A. Opening balance	**-**	**627.638**	**-**	**627.638**
B. Increases	**-**	**106.040**	**-**	**106.040**
B.1 Issues	-	101.381	-	101.381
B.2 Sales	-	-	-	-
B.3 Fair value increases	-	4.659	-	4.659
B.4 Other changes	-	-	-	-
C. Decreases	**-**	**175.593**	**-**	**175.593**
C.1 Purchases	-	-	-	-
C.2 Repayments	-	140.253	-	140.253
C.3 Fair value decreases	-	33.596	-	33.596
C.4 Other changes	-	1.744	-	1.744
D. Closing balance	**-**	**558.085**	**-**	**558.085**

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedging and by level								
	Fair value 31/12/2011			NV 31/12/2011	Fair value 31/12/2010			NV 31/12/2010
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**128.917**	**-**	**1.296.622**	**-**	**91.042**	**-**	**1.347.754**
1) Fair value	-	128.917	-	1.296.622	-	91.042	-	1.347.754
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**128.917**	**-**	**1.296.622**	**-**	**91.042**	**-**	**1.347.754**

Key:
NV = Nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

6.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

Transaction/Type of hedging	Fair value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	128.894	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**128.894**	**-**	**-**	**-**
1. Financial liabilities	23	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**23**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	31/12/2011	31/12/2010
Items payable in transit	1.848	1.433
Taxes payable for third parties	24.281	22.572
Adjustments for non-cash portfolio items	18.432	18.085
Countervalues on securities and derivatives trading being settled	5.001	10.165
Cash available to customers	6.965	5.952
Bank transfers and other payments due	151.834	99.014
Accounts payable and fees payable to sundry third parties	56.567	45.954
Personnel expenses	21.764	29.162
Payables for guarantees and commitments	1.778	2.550
Fees payable to statutory auditors and directors	2.610	4.134
Contributions payable to sundry agencies	10.667	10.489
Deferrals	1.480	1.948
Payments to cover recalled bills	-	36
Advances and due to customers	709	979
Debts deriving from direct insurance operations	4.368	4.903
Debts deriving from reinsurance operations	466	394
Commissions for premiums being collected	29	49
Deferred Income Reserve	621	1.030
Others	9.348	14.677
Total	**318.768**	**273.526**

10.1.1 attributable to the banking group

	31/12/2011	31/12/2010
Items payable in transit	1.848	1.433
Taxes payable for third parties	23.865	22.282
Adjustments for non-cash portfolio items	18.432	18.085
Countervalues on securities and derivatives trading being settled	5.001	10.165
Cash available to customers	6.965	5.952
Bank transfers and other payments due	151.834	99.014
Accounts payable and fees payable to sundry third parties	55.400	45.001
Personnel expenses	21.453	28.863
Payables for guarantees and commitments	1.778	2.550
Fees payable to statutory auditors and directors	2.539	4.073
Contributions payable to sundry agencies	10.506	10.335
Deferrals	1.473	1.934
Payments to cover recalled bills	-	36
Advances and due to customers	285	979
Debts deriving from direct insurance operations	4.047	4.813
Others	7.073	13.326
Total	**312.499**	**268.841**

10.1.2 attributable to insurance companies		
	31/12/2011	**31/12/2010**
Taxes payable for third parties	416	290
Accounts payable and fees payable to sundry third parties	1.167	953
Personnel expenses	311	299
Fees payable to statutory auditors and directors	71	61
Contributions payable to sundry agencies	161	154
Deferrals	7	14
Advances and due to customers	424	-
Debts deriving from direct insurance operations	321	90
Debts deriving from reinsurance operations	466	394
Commissions for premiums being collected	29	49
Deferred Income Reserve	621	1.030
Others	2.275	1.351
Total	**6.269**	**4.685**

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes		
	31/12/2011	**31/12/2010**
A. Opening balance	**35.980**	**40.720**
B. Increases	**2.793**	**2.044**
B.1 Provision of the year	963	951
B.2 Other changes	1.830	1.093
C. Decreases	**2.923**	**6.784**
C.1 Liquidations paid	1.935	3.763
C.2 Other changes	988	3.021
D. Closing balance	**35.850**	**35.980**

On increases there are the actuarial effects related at valuation reserved for Actuarial profit/losses in relation to defined benefit plans about 1.442 thousand euro.

On 22 December 2011, the Board of Directors of the Parent Company authorised a change in the principle and parameter used to determine the severance indemnity in the financial statements, the accounting effects of which are thoroughly described in Part A - Accounting Policies of these Notes, and which justify the difference in the amounts at 31 December 2010 with respect to that published.

As indicated in IAS Accounting Principle 19 (article 73), the hypotheses relative to the phenomena that determine the timing and the size of future costs which the company must sustain to pay benefits for its employees must represent the "best estimate" possible in terms of the future performance of the phenomena in question.
For the purposes connected to the present intervention, the technical foundations were revised by observing the Group's experience relative to the period between 01 July 2009 - 30 June 2011 and making reference to the demographic/financial variables described below.

Demographic assumptions

- mortality/disability: in addition to the historical series observed, the 2006 ISTAT tables were adopted, divided by age and gender;
- retirement, resignations/dismissals, expiry of contracts: these causes for exclusion were deduced from the observation of corporate data. For staff with non-permanent contracts, the time period was brought to the expiration of the contract (as no contractual terms guaranteed the continuation of the employment relationship) and no early dismissal was assumed before the expiration of the contract. In the actuarial valuations, the start dates for the pension arrangements envisaged in the "Second Manoeuvre" (Decree Law no. 138 of 13 August 2011, containing "Additional urgent measures for financial stabilisation and development") as well as the new items introduced by Law no. 122 of 30 July 2010, regarding pension welfare windows and connections to retirement age to the increase in human life expectancy;
- severance indemnity advances: in order to take into account the effects that these advances may have on the timing of the severance pay and the discounting of the company's debt, the probability for the disbursement of a part of accrued amounts was calculated. The annual advance frequency, deduced by observing corporate data was 3,1%, while the severance indemnity percentage requested as advance was assumed at 70%, which is the maximum percentage provided by governing regulations;
- supplementary social security: those who have always entirely paid their severance indemnity fund to supplementary social security relieve the Company from paying severance indemnities and, therefore, were not evaluated. As regards other employees, the evaluation was carried out considering the choices made by employees at 31 December 2011 (at 30 November 2011 for the company Brosel S.p.A.), communicated by the Companies.

Economic/financial assumptions

The method established by IAS 19 requires the adoption of underlying economic-financial techniques that affect both the prospective flow development (following salary increases and foreseeable inflationist scenarios) and, above all, the discounting of the estimated debt of the Company as of the measurement date. The discount rate is, in fact, the main assumption significantly affecting the results of the processing.

More specifically, the following hypotheses are adopted in actuarial measurement:

1) inflation: the inflation scenario indicated in the "Public Finance Decision 2011-2013" document was hypothesized, which envisages planned inflation of 1,5% for 2012 and the following years;

2) wage rises: this phenomenon was considered by taking into account two components: the first regarding merit and contractual issues, the second inflation.

  - with reference to the first component, a zero annual increase rate was adopted;
  - with reference to the second component, the inflation levels indicated in the previous point 1 were used;

3) discount rates: pursuant to IAS 19, the discount rate adopted was determined by making reference to the market performance of leading company bonds at the measurement date. In this connection, the AA Composite rate curve was used (source: Bloomberg) as at 30 November 2011 for the company Brosel S.p.A. and as at 31 December 2011 for all the other companies in the Group.

11.1.1 attributable to the banking group		
	31/12/2011	**31/12/2010**
A. Opening balance	**35.243**	**39.980**
B. Increases	**3.331**	**1.980**
B.1 Provision of the year	899	886
B.2 Other changes	2.512	2.949
C. Decreases	**3.390**	**6.717**
C.1 Liquidations paid	1.800	3.731
C.2 Other changes	1.510	1.131
D. Closing balance	**35.184**	**35.243**

11.1.2 attributable to insurance companies		
	31/12/2011	**31/12/2010**
A. Opening balance	**737**	**740**
B. Increases	**78**	**66**
B.1 Provision of the year	64	65
B.2 Other changes	28	38
C. Decreases	**149**	**69**
C.1 Liquidations paid	135	32
C.2 Other changes	-	-
D. Closing balance	**666**	**737**

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown		
Item/Component	**31/12/2011**	**31/12/2010**
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	43.752	44.250
2.1 Legal disputes and customers complaint	14.350	15.673
2.2 Operational risks	22.546	23.114
2.3 Personnel charges	1.557	856
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	2.678	2.296
2.5 Others	2.621	2.311
Total	**43.752**	**44.250**

With regards to Banca Sella Holding, we note the existence of a tax dispute shared by many Italian banks, with regards to an alleged abuse of tax law in relation to amounts due for taxes paid abroad, arising from some repurchase agreements concluded from 2005 to 2008 with major English banking counterparties. While convinced of the legitimacy of the financial operations which are the subject of the dispute, as confirmed by the opinions issued by an important tax law firm, the Bank decided - with an eye simply to reducing the dispute and aimed at obtaining a sizeable decrease in the claims put forward by the Tax Office in terms of taxes and sanctions on the basis of a weighted cost/benefit analysis - to take action to settle the disputes in question. By the end of 2011 the disputes relative to

2005 and 2006 had already been determined, with the payment of a sum totalling around 850.000 euro for taxes and 180.000 euro for sanctions, plus interest. In addition, an allocation was made to the provisions for risks and charges totalling approximately 900.000 euro, to cover presumed charges (taxes, sanctions and interest) to be paid in 2012 upon the determination of the additional years 2007 and 2008.

12.1.1 attributable to the banking group

Item/Component	31/12/2011	31/12/2010
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	43.654	44.104
2.1 Legal disputes and customers complaint	14.350	15.673
2.2 Operational risks	22.512	23.073
2.3 Personnel charges	1.557	856
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	2.678	2.296
2.5 Others	2.557	2.206
Total	**43.654**	**44.104**

12.1.2 attributable to insurance companies

Item/Component	31/12/2011	31/12/2010
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	98	146
2.1 Legal disputes and customers complaint	-	-
2.2 Operational risks	34	41
2.3 Personnel charges	-	-
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	-	-
2.5 Others	64	105
Total	**98**	**146**

12.2 Provisions for risks and charges: annual changes

Item/component	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others
A. Opening balance	**-**	**15.673**	**23.114**	**856**	**2.296**	**2.311**
B. Increases	**-**	**4.432**	**1.501**	**3.104**	**508**	**1.678**
B.1 Provisions for the year	-	4.160	184	3.088	508	1.677
B.2 Changes due to passing of time	-	263	494	2	-	-
B.3 Changes due to fluctuations in discount rate	-	-	789	-	-	-
B.4 Other changes	-	9	34	14	-	1
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	7	28	7	-	1
- other changes (+)	-	2	6	7	-	-
C. Decreases	**-**	**5.755**	**2.069**	**2.403**	**126**	**1.368**
C.1 Utilization in the period	-	2.866	1.942	2.386	89	963
C.2 Changes due to fluctuations in discount rate	-	73	7	-	-	-
C.3 Other changes	-	2.816	120	17	37	405
- business combinations (-)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	2.816	120	17	37	405
D. Closing balance	**-**	**14.350**	**22.546**	**1.557**	**2.678**	**2.621**

12.2.1 attributable to the banking group

Item/component	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others
A. Opening balance	**-**	**15.673**	**23.073**	**856**	**2.296**	**2.206**
B. Increases	**-**	**4.432**	**1.501**	**3.104**	**508**	**1.676**
B.1 Provisions for the year	-	4.160	184	3.088	508	1.675
B.2 Changes due to passing of time	-	263	494	2	-	-
B.3 Changes due to fluctuations in discount rate	-	-	789	-	-	-
B.4 Other changes	-	9	34	14	-	1
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	7	28	7	-	1
- other changes (+)	-	2	6	7	-	-
C. Decreases	**-**	**5.755**	**2.062**	**2.403**	**126**	**1.325**
C.1 Utilization in the period	-	2.866	1.936	2.386	89	920
C.2 Changes due to fluctuations in discount rate	-	73	7	-	-	-
C.3 Other changes	-	2.816	119	17	37	405
- business combinations (-)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	2.816	119	17	37	405
D. Closing balance	**-**	**14.350**	**22.512**	**1.557**	**2.678**	**2.557**

12.2.2 attributable to insurance companies

Item/component	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others
A. Opening balance	**-**	**-**	**41**	**-**	**-**	**105**
B. Increases	**-**	**-**	**-**	**-**	**-**	**2**
B.1 Provisions for the year	-	-	-	-	-	2
B.2 Changes due to passing of time	-	-	-	-	-	-
B.3 Changes due to fluctuations in discount rate	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	-	-	-	-	-
- other changes (+)	-	-	-	-	-	-
C. Decreases	**-**	**-**	**7**	**-**	**-**	**43**
C.1 Utilization in the period	-	-	6	-	-	43
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-	-
C.3 Other changes	-	-	1	-	-	-
- business combinations (-)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	-	1	-	-	-
D. Closing balance	**-**	**-**	**34**	**-**	**-**	**64**

Section 13 - Technical reserves - Item 130

13.1 Technical reserves: breakdown

	Direct work	Indirect work	Total 31/12/2011	Total 31/12/2010
A. Non-life	**1.203**	**-**	**1.203**	**1.197**
A.1 Premium reserves	413	-	413	500
A.2 Claims reserves	296	-	296	221
A.3 Other reserves	494	-	494	476
B. Life business	**685.003**	**-**	**685.003**	**804.549**
B.1 Actuarial reserves	675.499	-	675.499	788.582
B.2 Outstanding claims reserves	7.869	-	7.869	8.442
B.3 Other reserves	1.635	-	1.635	7.525
C. Technical reserves where the investment risk is borne by the policyholders	**122.439**	**-**	**122.439**	**136.390**
C. 1 Reserves relating to investment fund and index-linked contracts	122.439	-	122.439	136.390
C.2 Reserves deriving from the administration of pension funds	-	-	-	-
D. Total technical reserves	**808.645**	**-**	**808.645**	**942.136**

13.2 Technical reserves: annual variations

	Total 31/12/2010	Change	Total 31/12/2011
A. Non-life	**1.197**	**6**	**1.203**
A.1 Premium reserves	500	(87)	413
Premium portion reserve	500	(87)	413
Current risks reserve	-	-	-
A.2 Claims reserves	221	75	296
Compensations and direct expenses reserve	-	203	203
Settlment costs reserve	-	-	-
Incurred and unreported losses reserve	221	(128)	93
A.3 Other reserves	476	18	494
B. Life business	**804.549**	**(119.546)**	**685.003**
B.1 Actuarial reserves	788.582	(113.083)	675.499
B.2 Outstanding claims reserves	8.442	(573)	7.869
B.3 Other reserves	7.525	(5.890)	1.635
C. Technical reserves where the investment risk is borne by the policyholders	**136.390**	**(13.951)**	**122.439**
C. 1 Reserves relating to investment fund and index-linked contracts	136.390	(13.951)	122.439
C.2 Reserves deriving from the administration of pension funds	-	-	-
D. Total technical reserves	**942.136**	**(133.491)**	**808.645**

Section 15 - Consolidated capital - Items 140, 160, 170, 180, 190, 200 and 220

Consolidated capital: breakdown	31/12/2011	31/12/2010
Share capital	100.500	100.500
Share premiums	49.414	49.414
Reserves	421.281	401.260
Valuation reserves	(34.949)	(6.460)
Profit/(loss) for the year	15.692	19.223
Total	**551.938**	**563.937**

15.1 "Capital" and "Treasury shares": breakdown	31/12/2011			31/12/2010		
	Shares issued	Shares subscribed and not yet paid up	Total	Shares issued	Shares subscribed and not yet paid up	Total
A. Capital	**100.500**	**-**	**100.500**	**100.500**	**-**	**100.500**
A.1 ordinary shares	100.500	-	100.500	100.500	-	100.500
A.2 preference shares	-	-	-	-	-	-
A.3 other shares	-	-	-	-	-	-
B. Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**
B.1 ordinary shares	-	-	-	-	-	-
B.2 preference shares	-	-	-	-	-	-
B.3 other shares	-	-	-	-	-	-

15.2 Capital - Number of parent company shares: annual changes

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

15.3 Capital: further information

	31/12/2011	31/12/2010
Face value per share *(in units of euro)*	0,50	0,50
Shares reserved for option-based issue	-	-
Number of contracts in place for the sale of shares	-	-

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

15.4 Profit reserves: other information

	31/12/2011	31/12/2010
Legal reserve	28.759	28.759
Statutory reserves	71.765	70.077
Other	320.757	302.424
Total reserves	**421.281**	**401.260**

Section 16 - Capital pertaining to minority interests - Item 210

Table 16.1 is not carried, as it is on the financial statements, within the scope of equity pertaining to third parties, there are no capital instruments. Below is the breakdown of the equity pertaining to third parties:

Capital pertaining to minority interests: breakdown		
	31/12/2011	**31/12/2010**
Share capital	54.931	53.031
Share premiums	49.315	47.144
Reserves	21.724	29.647
Valuation reserves	(2.912)	(1.651)
Profit/(loss) for the year pertaining to minority interest	1.588	1.078
Total	**124.646**	**129.257**

Other information

1. Guarantees issued and commitments		
Transactions	**Balance 31/12/2011**	**Balance 31/12/2010**
1) Financial guarantees issued	**91.129**	**89.188**
a) banks	20.963	20.694
b) customers	70.166	68.494
2) Commercial guarantees issued	**239.540**	**263.245**
a) banks	63	101
b) customers	239.477	263.144
3) Irrevocable commitments to disburse funds	**591.556**	**670.619**
a) banks	111.195	64.827
i) certain to be drawn down	111.195	64.827
ii) not certain to be drawn down	-	-
b) customers	480.361	605.792
i) certain to be drawn down	62.810	54.248
ii) not certain to be drawn down	417.551	551.544
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**46.931**	**34.972**
6) Other commitments	**78.445**	**83.754**
Total	**1.047.601**	**1.141.778**

2. Assets pledged against own liabilities and commitments		
Portfolios	**Balance 31/12/2011**	**Balance 31/12/2010**
1. Financial assets held for trading	205.268	316.593
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	405.537	2.637
4. Financial assets held to maturity	88.831	52.617
5. Due from banks	15.996	12.927
6. Due from customers	1.999	1.989
7. Property, plant and equipment	-	-

The item Financial assets held for trading consists of securities used to guarantee:
- repurchase agreements;
- advances from the Bank of Italy;
- derivative transactions.

The item Financial assets available for sale consists of securities used to guarantee:
- repurchase agreements.

The item Financial assets held to maturity consists of securities used to guarantee:
- repurchase agreements;
- bank drafts at the Bank of Italy;
- advances from the Bank of Italy;
- derivative transactions.

The item Due to banks consists of securities used to guarantee:
- repurchase agreements.

The item Due to customers consists of securities used to guarantee:
- repurchase agreements.

Repurchase agreements

There are no specific clauses and conditions associated with this guarantee.

Issue of bank drafts

Banks authorised to issue bank drafts are required to lodge a deposit at the Bank of Italy. The minimum value of the deposit lodged is 20% of the amount of drafts in circulation. The Bank of Italy holds the deposits lodged and checks the congruity of the amount with respect to the minimum amount in relation to the circulation of bank drafts and the release of the financial instruments deposited.

Banks with misalignments in the amount of the deposit must take appropriate corrective measures, which, depending on the situation, will consist of rectifying the reports at the first favourable occasion or increasing the deposits, to be implemented within the 5 days following the notification. If they fail to increase the deposits or infringe the regulations on their amount or composition, then the banks may be fined from 516,46 euro to 25.822,84 euro, in accordance with Article 144, paragraph 1, of Legislative Decree 385/93.

Advances from the Bank of Italy

For advances granted by the Bank of Italy in order to finance, during the same business day, any temporal misalignments between payments and receipts, the Group banks are required to offer their

assets as surety, which are registered in the specific guarantee securities deposit account opened at the Bank of Italy.
If the surety is not lodged within the deadline envisaged, and the misalignment continues, the Bank of Italy may terminate the contract. Such termination entails the immediate closure of the intraday advance account, and consequently an obligation to repay the debt in the said account and reimburse any advances granted.

Derivative transactions
The Banca Sella Group banks adhere to the guarantee system managed by the Clearing and Guarantee House, through the payment of margins. The final settlement of Contractual Positions on Derivative Financial Instruments may be carried out through differential liquidation in cash or "delivery" of the underlying asset, in accordance with the provisions of the relevant Contractual Schedule.
In the event of default or insolvency, the Clearing and Guarantee House proceeds to close the accounts of the party in default and calculates the charges incurred in this operation.

4. Breakdown of investments relating to unit-linked and index-linked policies

	Balance 31/12/2011	Balance 31/12/2010
I. Lands and buildings	-	-
II. Investments in group companies and subsidary companies	-	-
1. Shares and holdings	-	-
2. Bonds	-	-
3. Loans and advances	-	-
III. Stakes in mutual funds	-	-
IV. Other financial investments	661.818	771.240
1. Shares and holdings	262.000	345.538
2. Bonds and other fixed-income securities	392.710	413.431
3. Deposits with credit institutions	-	-
4. Miscellaneous financial investments	7.108	12.271
V. Other assets	-	-
VI. Cash	45.285	22.426
Total	**707.103**	**793.666**

5. Management and intermediation on third parties behalf		
Type of service	**Balance 31/12/2011**	**Balance 31/12/2010**
1. Order execution on customers' behalf	***77.115.051***	***74.962.289***
a) Purchases	38.554.584	37.302.994
1. settled	38.503.299	37.175.643
2. not settled	51.285	127.351
b) Sales	38.560.467	37.659.295
1. settled	38.498.639	37.538.560
2. not settled	61.828	120.735
2. Portfolio management	***2.998.503***	***3.550.380***
a) Individual	2.865.675	3.358.941
b) Collective	132.828	191.439
3. Custody and administration of securities		
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	-	233.398
1. securities issued by companies included within consolidation	-	-
2. other securities	-	233.398
b) other third-party securities on deposit (excluding asset management): others	10.477.149	9.939.593
1. securities issued by companies included within consolidation	1.217.938	1.229.583
2. other securities	9.259.211	8.710.010
c) third-party securities deposited with third parties	16.554.230	17.680.241
c) own securities deposited with third parties	6.874.140	2.662.189
4. Other transactions *	***140.971.234***	***158.608.308***

* The item "Other transactions" includes the volume of work of receiving and sending orders, which is divided as follows:

- purchases: 70.993.292
- sales: 68.421.262

The following chart displays the breakdown of Gruppo Banca Sella's indirect deposit:

Detail of indirect deposit item		
	31/12/2011	**31/12/2010**
a) Indirect deposit referred to management and intermediation on third parties behalf activity (as shown in previous chart)	13.814.394	15.572.323
- Portfolio management	2.998.503	3.550.380
- Custody and administration of securities:		
- Third-party securities on deposit: connected with role of depositary bank (excluding asset management) - other securities	-	233.398
- Other third-party securities on deposit (excluding asset management): others - other securities	9.259.211	8.710.010
- Other transactions:		
- UCITS units subscribed by customers	1.556.680	3.078.535
b) Indirect deposit elated to income from insurance activities	686.186	835.148
Total indirect deposit	**14.500.580**	**16.407.471**

PART C INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown					
Item/Technical type	**Debt securities**	**Loans and advances**	**Other operations**	**Total 31/12/2011**	**Total 31/12/2010**
1. Financial assets held for trading	15.841	-	2.425	18.266	25.982
2. Financial assets at fair value through profit or loss	8.504	-	649	9.153	15.986
3. Financial assets available for sale	34.032	-	-	34.032	20.627
4. Financial assets held to maturity	15.160	-	-	15.160	9.524
5. Due from banks	1.156	3.466	14	4.636	5.906
6. Due from customers	115	372.315	332	372.762	356.657
7. Hedging derivatives	X	X	20.963	20.963	5.660
8. Other assets	X	X	245	245	285
Total	**74.808**	**375.781**	**24.628**	**475.217**	**440.627**

Further details on interest income accrued on non-performing loans, watchlist loans and past-due exposures are reported below:

Interest and similar income accrued on impaired assets	
	31/12/2011
- accrued on non performing loans	449
- accrued on watchlist loans	11.923
- accrued on past due exposures	1.925

1.1.1 attributable to the banking group					
Item/Technical type	**Debt securities**	**Loans and advances**	**Other operations**	**Total 31/12/2011**	**Total 31/12/2010**
1. Financial assets held for trading	15.827	-	2.425	18.252	25.976
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Financial assets available for sale	18.697	-	-	18.697	5.941
4. Financial assets held to maturity	10.168	-	-	10.168	8.953
5. Due from banks	386	3.423	14	3.823	5.213
6. Due from customers	115	372.315	332	372.762	356.657
7. Hedging derivatives	X	X	20.963	20.963	5.660
8. Other assets	X	X	245	245	285
Total	**45.193**	**375.738**	**23.979**	**444.910**	**408.685**

1.1.2 attributable to insurance companies					
Item/Technical type	**Debt securities**	**Loans and advances**	**Other operations**	**Total 31/12/2011**	**Total 31/12/2010**
1. Financial assets held for trading	14	-	-	14	6
2. Financial assets at fair value through profit or loss	8.504	-	649	9.153	15.986
3. Financial assets available for sale	15.335	-	-	15.335	14.686
4. Financial assets held to maturity	4.992	-	-	4.992	571
5. Due from banks	770	43	-	813	693
6. Due from customers	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
Total	**29.615**	**43**	**649**	**30.307**	**31.942**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies		
	Total 31/12/2011	**Total 31/12/2010**
- on assets in foreign currencies	4.666	4.833

1.3.2 Interest income on financial leasing operations		
	Total 31/12/2011	**Total 31/12/2010**
- on financial leasing operations	46.492	46.634

1.4 Interest and similar expense: breakdown

	Debts	**Securities**	**Other operations**	**Total 31/12/2011**	**Total 31/12/2010**
1. Due to central banks	273	X	-	273	-
2. Due to banks	5.207	X	-	5.207	3.219
3. Due to customers	57.228	X	-	57.228	34.894
4. Outstanding securities	X	47.224	-	47.224	31.372
5. Financial liabilities held for trading	23	-	2.977	3.000	933
6. Financial liabilities at fair value through profit or loss	133	-	-	133	139
7. Other liabilities and funds	X	X	354	354	646
8. Hedging derivatives	X	X	53.928	53.928	47.161
Total	**62.864**	**47.224**	**57.259**	**167.347**	**118.364**

1.4.1 attributable to the banking group					
	Debts	**Securities**	**Other operations**	**Total 31/12/2011**	**Total 31/12/2010**
1. Due to central banks	273	X	-	273	-
2. Due to banks	5.207	X	-	5.207	3.219
3. Due to customers	57.228	X	-	57.228	34.894
4. Outstanding securities	X	46.565	-	46.565	31.336
5. Financial liabilities held for trading	23	-	2.977	3.000	933
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	98	98	50
8. Hedging derivatives	X	X	53.928	53.928	47.161
Total	**62.731**	**46.565**	**57.003**	**166.299**	**117.593**

1.4.2 attributable to insurance companies					
	Debts	**Securities**	**Other operations**	**Total 31/12/2011**	**Total 31/12/2010**
1. Due to central banks	-	X	-	-	-
2. Due to banks	-	X	-	-	-
3. Due to customers	-	X	-	-	-
4. Outstanding securities	X	659	-	659	36
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	133	-	-	133	139
7. Other liabilities and funds	X	X	256	256	596
8. Hedging derivatives	X	X	-	-	-
Total	**133**	**659**	**256**	**1.048**	**771**

1.5 Interest and similar expense: differences on hedging transactions

Item/Segment	**Total 31/12/2011**	**Total 31/12/2010**
A. Positive differences on hedging transactions	20.963	5.660
B. Negative differences on hedging transactions	53.928	47.161
Balance (A-B)	**(32.965)**	**(41.501)**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies		
	Total 31/12/2011	**Total 31/12/2010**
- on liabilities in foreign currencies	3.323	2.290

Section 2 - Fees - Items 40 and 50

2.1 Fee income: breakdown		
Type of service/Amount	**Total 31/12/2011**	**Total 31/12/2010**
a) Sureties issued	3.279	3.277
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	115.703	120.685
1. Financial instruments trading	2.171	3.877
2. Currency trading	1.386	1.224
3. Portfolio management	43.170	45.730
3.1. individual	24.869	25.391
3.2. collective	18.301	20.339
4. Custody and administration of securities	2.450	2.475
5. Depositary bank	-	2.057
6. Placement of securities	14.014	13.335
7. Order reception and transmission activities	35.232	38.006
8. Consultancy activities	554	464
8.1 about investments matters	338	464
8.2 about financial structure matters	216	-
9. Distribution of third party services	16.726	13.517
9.1. Portfolio management	229	286
9.1.1. individual	229	285
9.1.2. collective	-	1
9.2. Insurance products	16.021	12.295
9.3. Other products	476	936
d) Collection and payment services	105.222	102.647
e) Servicing for securitization transactions	2	192
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	24.566	24.768
j) Other services	59.957	56.415
Total	**308.729**	**307.984**

Further detail on the "other services" item is provided below:

Fee income: details on the item "Other services"		
	31/12/2011	**31/12/2010**
Credit and debit cards	8.499	7.577
Expense recovery on loans to customers	1.297	1.860
Fees and commissions on relations with credit institutions	135	125
Safe-deposit box lease	178	179
Recovery of postal, printing and similar expenses.	3.915	4.514
Fees on loans to customers	32.924	20.869
Others	13.009	21.291
Total "Other services"	**59.957**	**56.415**

2.1.1 attributable to the banking group		
Type of service/Amount	**Total 31/12/2011**	**Total 31/12/2010**
a) Sureties issued	3.279	3.277
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	114.415	119.372
1. Financial instruments trading	2.171	3.877
2. Currency trading	1.386	1.224
3. Portfolio management	41.882	44.417
3.1. individual	24.869	25.391
3.2. collective	17.013	19.026
4. Custody and administration of securities	2.450	2.475
5. Depositary bank	-	2.057
6. Placement of securities	14.014	13.335
7. Order reception and transmission activities	35.232	38.006
8. Consultancy activities	554	464
8.1 about investments matters	338	464
8.2 about financial structure matters	216	-
9. Distribution of third party services	16.726	13.517
9.1. Portfolio management	229	286
9.1.1. individual	229	285
9.1.2. collective	-	1
9.2. Insurance products	16.021	12.295
9.3. Other products	476	936
d) Collection and payment services	105.222	102.647
e) Servicing for securitization transactions	2	192
i) Current accounts holding and management	24.566	24.768
j) Other services	59.374	55.511
Credit and debit cards	8.499	7.577
Expense recovery on loans to customers	1.297	1.860
Fees and commissions on relations with credit institutions	135	125
Safe-deposit box lease	178	179
Recovery of postal, printing and similar expenses.	3.915	4.514
Fees on loans to customers	32.924	20.869
Others	12.426	20.387
Total	**306.858**	**305.767**

2.1.2 attributable to insurance companies		
Type of service/Amount	**Total 31/12/2011**	**Total 31/12/2010**
c) Asset management, brokerage and advisory services:	1.288	1.313
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Portfolio management	1.288	1.313
3.1. individual	-	-
3.2. collective	1.288	1.313
4. Custody and administration of securities	-	-
5. Depositary bank	-	-
6. Placement of securities	-	-
7. Order reception and transmission activities	-	-
8. Consultancy activities	-	-
8.1 about investments matters	-	-
8.2 about financial structure matters	-	-
9. Distribution of third party services	-	-
9.1. Portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	-	-
9.3. Other products	-	-
d) Collection and payment services	-	-
e) Servicing for securitization transactions	-	-
j) Other services	583	904
Total	**1.871**	**2.217**

2.2 Fee expense: breakdown		
Service/Amount	**Total 31/12/2011**	**Total 31/12/2010**
a) Sureties received	213	197
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	31.279	31.592
1. Financial instruments trading	4.597	5.105
2. Currency trading	3	3
3. Portfolio management	642	535
3.1. own	57	68
3.2. delegated to third parties	585	467
4. Custody and administration of securities	1.103	1.234
5. Placement of fnancial instruments	1.435	1.664
6. Door-to-door sale of securities, products and services	23.499	23.051
d) Collection and payment services	50.771	49.132
e) Other services	3.301	3.140
Total	**85.564**	**84.061**

Further detail on the "other services" item is provided below:

Fee expense: details on the item "Other services"		
	31/12/2011	**31/12/2010**
Connections with banks	557	153
Loans	979	-
Brokerage activity	1.356	1.632
Others	409	1.355
Total "Other services"	**3.301**	**3.140**

2.2.1 attributable to the banking group		
Service/Amount	**Total 31/12/2011**	**Total 31/12/2010**
a) Sureties received	213	197
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	30.887	31.265
1. Financial instruments trading	4.597	5.105
2. Currency trading	3	3
3. Portfolio management	250	208
3.1. own	5	7
3.2. delegated to third parties	245	201
4. Custody and administration of securities	1.103	1.234
5. Placement of fnancial instruments	1.435	1.664
6. Door-to-door sale of securities, products and services	23.499	23.051
d) Collection and payment services	50.768	49.119
e) Other services	3.294	3.140
Total	**85.162**	**83.721**

2.2.2 attributable to insurance companies		
Service/Amount	Total 31/12/2011	Total 31/12/2010
a) Sureties received	-	-
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	392	327
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Portfolio management	392	327
3.1. own	52	61
3.2. delegated to third parties	340	266
4. Custody and administration of securities	-	-
5. Placement of fnancial instruments	-	-
6. Door-to-door sale of securities, products and services	-	-
d) Collection and payment services	3	13
e) Other services	7	-
Total	**402**	**340**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown				
Item/Income	Total 31/12/2011		Total 31/12/2010	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	1.812	87	1.558	88
B. Financial assets available for sale	903	-	947	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**2.715**	**87**	**2.505**	**88**

3.1.1 attributable to the banking group				
Item/Income	Total 31/12/2011		Total 31/12/2010	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	1.812	-	1.558	-
B. Financial assets available for sale	903	-	947	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**2.715**	**-**	**2.505**	**-**

3.1.2 attributable to insurance companies				
Item/Income	Total 31/12/2011		Total 31/12/2010	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	-	87	-	88
B. Financial assets available for sale	-	-	-	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**-**	**87**	**-**	**88**

Section 4 - Gains (losses) on trading activities - Item 80

4.1 Net gains/(losses) on trading activities: breakdown					
Transaction/Income component	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains/(losses) [(A+B)-(C+D)]
1. Financial assets held for trading	**1.789**	**45.210**	**6.193**	**23.354**	**17.452**
1.1 Debt securities	1.755	39.670	4.612	10.510	26.303
1.2 Equity securities	29	2.145	177	5.544	(3.547)
1.3 UCITS units	5	3.283	1.404	7.266	(5.382)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	112	-	34	78
2. Financial liabilities held for trading	**-**	**26**	**-**	**128**	**(102)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	26	-	128	(102)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(326)**
4. Derivative instruments	**9.884**	**58.671**	**11.246**	**47.487**	**13.547**
4.1 Financial derivatives:	9.884	58.671	11.246	47.487	13.547
- On debt securities and interest rates	9.884	30.396	11.246	22.478	6.556
- On equity securities and share indices	-	28.236	-	24.977	3.259
- On currencies and gold	X	X	X	X	3.725
- Others	-	39	-	32	7
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**11.673**	**103.907**	**17.439**	**70.969**	**30.571**

4.1.1 attributable to the banking group					
Transaction / Income component	**Capital gains (A)**	**Trading profits (B)**	**Capital losses (C)**	**Trading losses (D)**	**Net gains / (losses) [(A+B)-(C+D)]**
1. Financial assets held for trading	**1.789**	**41.942**	**6.132**	**16.088**	**21.511**
1.1 Debt securities	1.755	39.670	4.612	10.510	26.303
1.2 Equity securities	29	2.145	116	5.544	(3.486)
1.3 UCITS units	5	15	1.404	-	(1.384)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	112	-	34	78
2. Financial liabilities held for trading	**-**	**26**	**-**	**128**	**(102)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	26	-	128	(102)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(326)**
4. Derivative instruments	**9.324**	**55.544**	**11.220**	**46.124**	**11.249**
4.1 Financial derivatives:	9.324	55.544	11.220	46.124	11.249
- On debt securities and interest rates	9.324	27.269	11.220	21.115	4.258
- On equity securities and share indices	-	28.236	-	24.977	3.259
- On currencies and gold	X	X	X	X	3.725
- Others	-	39	-	32	7
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**11.113**	**97.512**	**17.352**	**62.340**	**32.332**

4.1.2 attributable to insurance companies					
Transaction/Income component	**Capital gains (A)**	**Trading profits (B)**	**Capital losses (C)**	**Trading losses (D)**	**Net gains/(losses) [(A+B)-(C+D)]**
1. Financial assets held for trading	**-**	**3.268**	**61**	**7.266**	**(4.059)**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	61	-	(61)
1.3 UCITS units	-	3.268	-	7.266	(3.998)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**560**	**3.127**	**26**	**1.363**	**2.298**
4.1 Financial derivatives:	560	3.127	26	1.363	2.298
- On debt securities and interest rates	560	3.127	26	1.363	2.298
- On equity securities and share indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**560**	**6.395**	**87**	**8.629**	**(1.761)**

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

5.1 Net gains/(losses) on hedging activities: breakdown		
Income component/Amount	**Total 31/12/2011**	**Total 31/12/2010**
A. Income from:		
A.1 Fair value hedging derivatives	52.136	82.509
A.2 Hedged financial assets (fair value)	42.850	11.793
A.3 Hedged financial liabilities (fair value)	-	794
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**94.986**	**95.096**
B. Expenses for:		
B.1 Fair value hedging derivatives	76.392	86.561
B.2 Hedged financial assets (fair value)	-	6.845
B.3 Hedged financial liabilities (fair value)	13.862	1.429
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**90.254**	**94.835**
C. Net gains/(losses) on hedging activities (A-B)	**4.732**	**261**

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

6.1 Gains/(Losses) on sale/repurchase: breakdown						
Item/Income component	Total 31/12/2011			Total 31/12/2010		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	34	5	29	897	111	786
2. Due from customers	546	3.810	(3.264)	607	4.073	(3.466)
3. Financial assets available for sale	4.310	5.326	(1.016)	11.828	1.749	10.079
3.1 Debt securities	2.591	5.265	(2.674)	7.738	1.724	6.014
3.2 Equity securities	1.719	61	1.658	4.090	25	4.065
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	6	-	6
Total assets	**4.890**	**9.141**	**(4.251)**	**13.338**	**5.933**	**7.405**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	302	-	302
3. Outstanding securities	5.439	2.618	2.821	996	1.563	(567)
Total liabilities	**5.439**	**2.618**	**2.821**	**1.298**	**1.563**	**(265)**

6.1.1 attributable to the banking group						
Item/Income component	Total 31/12/2011			Total 31/12/2010		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	34	5	29	867	109	758
2. Due from customers	546	3.810	(3.264)	607	4.073	(3.466)
3. Financial assets available for sale	3.777	2.312	1.465	6.711	788	5.923
3.1 Debt securities	889	2.251	(1.362)	2.621	763	1.858
3.2 Equity securities	2.888	61	2.827	4.090	25	4.065
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	6	-	6
Total assets	**4.357**	**6.127**	**(1.770)**	**8.191**	**4.970**	**3.221**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	302	-	302
3. Outstanding securities	5.334	2.457	2.877	900	1.441	(541)
Total liabilities	**5.334**	**2.457**	**2.877**	**1.202**	**1.441**	**(239)**

6.1.2 attributable to insurance companies						
Item/Income component	**Total 31/12/2011**			**Total 31/12/2010**		
	Gains	**Losses**	**Net gains/(losses)**	**Gains**	**Losses**	**Net gains/(losses)**
Financial assets						
1. Due from banks	-	-	-	30	2	28
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	533	3.014	(2.481)	5.117	961	4.156
3.1 Debt securities	1.702	3.014	(1.312)	5.117	961	4.156
3.2 Equity securities	(1.169)	-	(1.169)	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**533**	**3.014**	**(2.481)**	**5.147**	**963**	**4.184**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	105	161	(56)	96	122	(26)
Total liabilities	**105**	**161**	**(56)**	**96**	**122**	**(26)**

Section 7 - Net gains/(losses) on financial assets and liabilities at fair value through profit or loss - Item 110

7.1 Net change in asset/liabilities at fair value through profit or loss: breakdown					
Transactions/Income component	**Capital gains (A)**	**Realized profit (B)**	**Capital losses (C)**	**Realized losses (D)**	**Net gains/(losses) [(A+B)-(C+D)]**
1. Financial assets	**5.083**	**23.169**	**41.957**	**22.608**	**(36.313)**
1.1 Debt securities	2.490	5.857	22.260	6.287	(20.200)
1.2 Share capital securities	309	1.628	3.275	1.493	(2.831)
1.3 UCITS units	2.284	15.684	16.422	14.828	(13.282)
1.4 Loans and advances	-	-	-	-	-
2. Financial liabilities	**33.596**	**20.796**	**4.659**	**22.683**	**27.050**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	33.596	20.796	4.659	22.683	27.050
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**(127)**
4. Credit and financial derivatives	**-**	**-**	**-**	**1**	**(1)**
Total	**38.679**	**43.965**	**46.616**	**45.292**	**(9.391)**

Section 8 - Net value adjustments for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2011 (1)-(2)	Total 31/12/2010 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**(15)**	**-**	**-**	**-**	**-**	**(15)**	**-**
- Loans and advances	-	-	(15)	-	-	-	-	(15)	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**(19.481)**	**(132.896)**	**-**	**9.166**	**22.846**	**-**	**4.434**	**(115.931)**	**(96.408)**
- Loans and advances	(19.481)	(132.896)	-	9.166	22.846	-	4.434	(115.931)	(96.408)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(19.481)**	**(132.896)**	**(15)**	**9.166**	**22.846**	**-**	**4.434**	**(115.946)**	**(96.408)**

8.2 Net value adjustments for impairment of financial assets available for sale: breakdown

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2011 (1)-(2)	Total 31/12/2010 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	(16.443)	-	-	(16.443)	-
B. Equity securities	-	(72)	X	X	(72)	(294)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	(46)	-	-	(46)	-
F. Total	**-**	**(16.561)**	**-**	**-**	**(16.561)**	**(294)**

8.2.1 attributable to the banking group						
Transaction/Income component	**Writedowns (1)**		**Writebacks (2)**		**Total 31/12/2011 (1)-(2)**	**Total 31/12/2010 (1)-(2)**
	Specific		**Specific**			
	Write-offs	**Others**	**From interest**	**Other writebacks**		
A. Debt securities	-	(6.162)	-	-	(6.162)	-
B. Equity securities	-	(72)	X	X	(72)	(294)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	(46)	-	-	(46)	-
F. Total	**-**	**(6.280)**	**-**	**-**	**(6.280)**	**(294)**

8.2.2 attributable to insurance companies						
Transaction/Income component	**Writedowns (1)**		**Writebacks (2)**		**Total 31/12/2011 (1)-(2)**	**Total 31/12/2010 (1)-(2)**
	Specific		**Specific**			
	Write-offs	**Others**	**From interest**	**Other writebacks**		
A. Debt securities	-	(10.281)	-	-	(10.281)	-
B. Equity securities	-	-	X	X	-	-
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
F. Total	**-**	**(10.281)**	**-**	**-**	**(10.281)**	**-**

8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2011 (1)-(2)	Total 31/12/2010 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	-	-	-	-	780	780	60
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	(7)	-	-	-	-	(7)	-
D. Other transactions	(17)	(248)	(189)	1	38	-	-	(415)	(98)
Total	**(17)**	**(248)**	**(196)**	**1**	**38**	**-**	**780**	**358**	**(38)**

8.4.1 attributable to the banking group

Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2011 (1)-(2)	Total 31/12/2010 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	-	-	-	-	780	780	60
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	(7)	-	-	-	-	(7)	-
D. Other transactions	(17)	(248)	(189)	1	38	-	-	(415)	(97)
Total	**(17)**	**(248)**	**(196)**	**1**	**38**	**-**	**780**	**358**	**(37)**

8.4.2 attributable to insurance companies

Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2011 (1)-(2)	Total 31/12/2010 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	(1)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**

Section 9 - Net premiums - Item 150

9.1 Net premiums: breakdown				
Premiums deriving from insurance activity	**Direct work**	**Indirect work**	**Total 31/12/2011**	**Total 31/12/2010**
A. Life assurance				
A.1 Gross premiums written (+)	202.733	-	202.733	443.802
A.2 Reinsurance premiums ceded (-)	(1.367)	X	(1.367)	(1.656)
A.3 Total	201.366	-	201.366	442.146
B. Non-life assurance				
B.1 Gross premiums written (+)	1.714	-	1.714	1.637
B.2 Reinsurance premiums ceded (-)	(689)	X	(689)	(655)
B.3 Change in the gross amount of the premium reserve (+/-)	87	-	87	180
B.4 Change in the reinsurers' share of premiums reserve (+/-)	(46)	-	(46)	(92)
B.5 Total	1.066	-	1.066	1.070
C. Total net premiums	**202.432**	**-**	**202.432**	**443.216**

Section 10 - Balance of other income/expenses from insurance operations - Item 160

10.1 Balance of other income/expenses from insurance operations: breakdown		
Item	**Total 31/12/2011**	**Total 31/12/2010**
1. Net change in technical reserves	128.296	(267.028)
2. Incurred losses paid during the year	(337.802)	(196.126)
3. Other income/expenses from insurance operations	1.068	1.072
Total	**(208.438)**	**(462.082)**

10.2 Composition of subheading: "Net change in technical reserve"

Net change in technical reserve	Total 31/12/2011	Total 31/12/2010
1. Life assurance		
A. Actuarial reserves	112.537	(282.400)
A.1 Gross annual amount	112.953	(282.055)
A.2 (-) Reinsurers' shares	(416)	(345)
B. Other technical reserves	1.757	76
B.1 Gross annual amount	2.005	177
B.2 (-) Reinsurers' shares	(248)	(101)
C. Technical reserves where the investment risk is borne by the policyholders	13.950	15.247
C.1 Gross annual amount	13.950	15.247
C.2 (-) Reinsurers' shares	-	-
Total "Life assurance reserves"	**128.244**	**(267.077)**
2. Non-life assurance		
Change in other non-life technical reserves other than loss reserves net of reinsurance assignments	52	49

10.3 Composition of subheading: "Losses incurred in the year"

Net change in technical reserve	Total 31/12/2011	Total 31/12/2010
Life assurance: expenses for losses, net of reinsurance assignments		
A. Amounts paid	(335.185)	(190.979)
A.1 Gross annual amount	(335.820)	(191.240)
A.2 (-) Reinsurers' shares	635	261
B. Change in the reserve for outstanding claims	(2.215)	(4.718)
B.1 Gross annual amount	(2.159)	(4.908)
B.2 (-) Reinsurers' shares	(56)	190
Total Life assurance losses	**(337.400)**	**(195.697)**
Non-life assurance: expenses for losses, net of recoveries and reinsurance assignments		
C. Amounts paid	(351)	(496)
C.1 Gross annual amount	(465)	(688)
C.2 (-) Reinsurers' shares	114	192
D. Change in recoveries net of reinsurers' shares	-	6
E. Changes in loss reserve	(51)	61
E.1 Gross annual amount	(75)	90
E.2 (-) Reinsurers' shares	24	(29)
Total Non-life assurance losses	**(402)**	**(429)**

10.4 Composition of subheading: "Other income/expenses from insurance operations"

	Total 31/12/2011	Total 31/12/2010
LIFE ASSURANCE		
Income	**1.126**	**1.259**
- Other technical income net of reinsurance assignments	443	363
- Income and unrealized capital gains on investments in favour of risk-bearing policyholders	-	-
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	683	896
Expenses	**(100)**	**(380)**
- Other technical expenses net of reinsurance assignments	(74)	(231)
- Expenses and unrealized capital losses on investments in favour of risk-bearing policyholders	-	-
- Acquisiton fees	87	(43)
- Other acquisition expenses	(8)	(7)
- Collection fees	(105)	(99)
Total Life assurance	**1.026**	**879**
NON-LIFE ASSURANCE		
Income	**295**	**280**
- Other technical income net of reinsurance assignments	38	34
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	257	246
Expenses	**(253)**	**(87)**
- Other technical expenses net of reinsurance assignments	(82)	(82)
- Acquisiton fees	(85)	-
- Other acquisition expenses	-	-
- Collection fees	(86)	(5)
Total Non-life assurance	**42**	**193**

Section 11 - Administrative expenses - Item 180

11.1 Personnel expenses: breakdown		
Type of expense/Amount	Total 31/12/2011	Total 31/12/2010
1) Employees	214.107	228.735
a) Wages and Salaries	154.835	167.755
b) Social security contributions	37.538	40.975
c) Severance indemnities	5.394	3.491
d) Pension expenses	478	410
e) Provision for employees' severance indemnities	963	941
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	8.513	9.410
- defined contribution	8.513	9.410
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	6.386	5.753
2) Other working personnel	2.813	3.029
3) Directors andf statuory auditors	5.070	5.219
4) Non-working personnel	-	-
Total	**221.990**	**236.983**

This item, totalling 222 million euro, represents a decrease of 6,3% with respect to 2010. This result can mainly be explained by a decrease of 108 employees in the Group's workforce, which more than compensated for the increases linked to salary rises which incorporated the effects of promotions and seniority increments.

11.1.1 attributable to the banking group		
Type of expense/Amount	Total 31/12/2011	Total 31/12/2010
1) Employees	210.772	225.407
a) Wages and Salaries	152.501	165.391
b) Social security contributions	36.988	40.408
c) Severance indemnities	5.390	3.488
d) Pension expenses	478	410
e) Provision for employees' severance indemnities	899	876
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	8.333	9.273
- defined contribution	8.333	9.273
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	6.183	5.561
2) Other working personnel	2.363	2.542
3) Directors andf statuory auditors	4.712	4.869
4) Non-working personnel	-	-
Total	**217.847**	**232.818**

11.1.2 attributable to insurance companies		
Type of expense/Amount	**Total 31/12/2011**	**Total 31/12/2010**
1) Employees	3.335	3.328
a) Wages and Salaries	2.334	2.364
b) Social security contributions	550	567
c) Severance indemnities	4	3
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	64	65
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	180	137
- defined contribution	180	137
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	203	192
2) Other working personnel	450	487
3) Directors andf statuory auditors	358	350
4) Non-working personnel	-	-
Total	**4.143**	**4.165**

11.2 Average number of employees per category		
	Total 31/12/2011	**Total 31/12/2010**
Employees:	4.036	4.177
- Executives	80	80
- Middle management	978	953
- Remaining employees	2.978	3.144
Other personnel	44	33
Total	**4.080**	**4.210**

11.2.1 attributable to the banking group		
	Total 31/12/2011	**Total 31/12/2010**
Employees:	3.993	4.135
- Executives	73	71
- Middle management	967	944
- Remaining employees	2.953	3.120
Other personnel	42	31
Total	**4.035**	**4.166**

11.2.2 attributable to insurance companies		
	Total 31/12/2011	Total 31/12/2010
Employees:	43	42
- Executives	7	9
- Middle management	11	9
- Remaining employees	25	24
Other personnel	2	2
Total	**45**	**44**

11.4 Other employee benefits		
	Total 31/12/2011	Total 31/12/2010
Costs relating to staff exits	576	335
Benefits for employees' children	185	214
Benefits in kind	1.135	406
Insurance policies stipulated in favour of employees	1.941	1.726
Professional employee update courses	722	1.108
Travel costs	297	637
Others	1.530	1.327
Total	**6.386**	**5.753**

11.4.1 attributable to the banking group		
	Total 31/12/2011	Total 31/12/2010
Costs relating to staff exits	576	335
Benefits for employees' children	185	214
Benefits in kind	1.135	406
Insurance policies stipulated in favour of employees	1.824	1.716
Professional employee update courses	713	1.093
Travel costs	285	594
Others	1.465	1.203
Total	**6.183**	**5.561**

11.4.2 attributable to insurance companies		
	Total 31/12/2011	Total 31/12/2010
Costs relating to staff exits	-	-
Benefits for employees' children	-	-
Benefits in kind	-	-
Insurance policies stipulated in favour of employees	117	10
Professional employee update courses	9	15
Travel costs	12	43
Others	65	124
Total	**203**	**192**

11.5 Other administrative expenses: breakdown		
Type of expense/Segments	**Total 31/12/2011**	**Total 31/12/2010**
Legal and notarial expenses	7.270	8.057
IT assistance and sundry advice	4.907	4.866
Other expenses for professional services	199	331
Printing and stationery	1.363	1.216
Leasing of electronic machines and software licences	1.701	1.811
Sundry rentals and expenses for services provided by third parties	26.550	20.417
Fees for data transmission	4.438	4.946
Purchase of sundry materials for data processing centre	79	108
Postal and telegraphic expenses	6.276	7.578
Telephone charges	2.304	2.571
Transport expenses	1.578	2.579
Cleaning of premises	1.640	1.831
Surveillance and escort of valuables	2.999	3.212
Electricity and heating	4.940	4.765
Rent of premises	19.788	20.063
Sundry insurance policies	2.459	2.629
Advertising and promotion	1.545	1.683
Entertainment expenses	557	615
Donations	247	227
Membership fees	1.872	1.997
Subscriptions and books	198	259
Gifts to staff	27	56
Personnel studies	23	7
Information and inspections	3.578	4.077
Travelling expenses	3.137	2.758
Expenses for interbank network service	512	524
Expenses for web site	-	4
Pension expenses for financial promoters	720	687
Other fees payable	2.496	3.804
Others	3.651	3.843
Maintenance and repair expenses	**11.033**	**11.970**
- Properties owned	399	317
- Properties rented	221	280
- Movables	3.039	3.333
- Hardware and software	7.374	8.040
Indirect taxes and duties	**33.573**	**30.836**
- Stamp duty	25.131	22.809
- Substitute tax Pres. Dec. 601/73	2.000	2.185
- Local property tax	630	646
- Other indirect taxes and duties	5.812	5.196
Total	**151.660**	**150.327**

Other administrative expenses were slightly higher (0,9%) than in financial year 2010. Note that, in the month of February 2012, the Bank of Italy issued a Technical Note containing clarifications relative to financial statements and supervisory reporting.
In this document, the supervisory body also expressed its judgement regarding proper classification of certain financial statement items in the notes to the statements regarding charges functionally connected to

personnel. For more detail, please refer to part A - Accounting Policies in the Notes to these financial statements.

11.5.1 attributable to the banking group		
Type of expense/Segments	**Total 31/12/2011**	**Total 31/12/2010**
Legal and notarial expenses	7.053	7.753
IT assistance and sundry advice	4.831	4.731
Other expenses for professional services	188	192
Printing and stationery	1.345	1.191
Leasing of electronic machines and software licences	1.701	1.811
Sundry rentals and expenses for services provided by third parties	26.264	20.167
Fees for data transmission	4.393	4.909
Purchase of sundry materials for data processing centre	79	108
Postal and telegraphic expenses	6.181	7.521
Telephone charges	2.277	2.536
Transport expenses	1.567	2.566
Cleaning of premises	1.630	1.820
Surveillance and escort of valuables	2.999	3.212
Electricity and heating	4.935	4.757
Rent of premises	19.473	19.718
Sundry insurance policies	2.439	2.584
Advertising and promotion	1.479	1.562
Entertainment expenses	554	612
Donations	247	227
Membership fees	1.611	1.817
Subscriptions and books	197	257
Gifts to staff	27	56
Personnel studies	20	3
Information and inspections	3.578	4.077
Travelling expenses	3.112	2.750
Expenses for interbank network service	512	524
Expenses for web site	-	4
Pension expenses for financial promoters	720	687
Other fees payable	2.465	3.769
Others	3.369	3.531
Maintenance and repair expenses	**10.769**	**11.733**
- Properties owned	399	317
- Properties rented	221	280
- Movables	3.012	3.311
- Hardware and software	7.137	7.825
Indirect taxes and duties	**33.532**	**30.819**
- Stamp duty	25.129	22.807
- Substitute tax Pres. Dec. 601/73	2.000	2.185
- Local property tax	630	646
- Other indirect taxes and duties	5.773	5.181
Total	**149.547**	**148.004**

11.5.2 attributable to insurance companies		
Type of expense/Segments	**Total 31/12/2011**	**Total 31/12/2010**
Legal and notarial expenses	217	304
IT assistance and sundry advice	76	135
Other expenses for professional services	11	139
Printing and stationery	18	25
Sundry rentals and expenses for services provided by third parties	286	250
Fees for data transmission	45	37
Postal and telegraphic expenses	95	57
Telephone charges	27	35
Transport expenses	11	13
Cleaning of premises	10	11
Electricity and heating	5	8
Rent of premises	315	345
Sundry insurance policies	20	45
Advertising and promotion	66	121
Entertainment expenses	3	3
Donations	-	-
Membership fees	261	180
Subscriptions and books	1	2
Personnel studies	3	4
Travelling expenses	25	8
Other fees payable	31	35
Others	282	312
Maintenance and repair expenses	**264**	**237**
- Movables	27	22
- Hardware and software	237	215
Indirect taxes and duties	**41**	**17**
- Stamp duty	2	2
- Other indirect taxes and duties	39	15
Total	**2.113**	**2.323**

Below are details as required by art. 2427 of the Italian Civil Code, paragraph 16—bis in relation to fees paid to the independent auditing firm:

Breakdown of fees paid to the independent auditing firm	
	31/12/2011
Fees due for:	
- legal auditing of the accounts	657
- other auditing services	116
- tax consulting	44
- services other than auditing the accounts	30
Total	**847**

Section 12 - Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown	Balances 31/12/2011	Balances 31/12/2010
Relating to risks of legal disputes and customer complaints	4.350	4.390
Relating to operational risk	1.460	2.083
Relating to staff expenses	3.090	497
Relating to other risks	2.185	1.736
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(2.714)	(2.716)
Reattributions to Income Statement relating to operational risk	(168)	(288)
Reattributions to Income Statement relating to staff expenses	(4)	(121)
Reattributions to Income Statement relating to other risks	(443)	(670)
Total	**7.756**	**4.911**

With regards to Banca Sella Holding, we note the existence of a tax dispute shared by many Italian banks, with regards to an alleged abuse of tax law in relation to amounts due for taxes paid abroad, arising from some repurchase agreements concluded from 2005 to 2008 with major English banking counterparties. While convinced of the legitimacy of the financial operations which are the subject of the dispute, as confirmed by the opinions issued by an important tax law firm, the Bank decided - with an eye simply to reducing the dispute and aimed at obtaining a sizeable decrease in the claims put forward by the Tax Office in terms of taxes and sanctions on the basis of a weighted cost/benefit analysis - to take action to settle the disputes in question. By the end of 2011 the disputes relative to 2005 and 2006 had already been determined, with the payment of a sum totalling around 850.000 euro for taxes and 180.000 euro for sanctions, plus interest. An allocation was made to the provisions for risks and charges totalling approximately 900.000 euro, to cover presumed charges (taxes, sanctions and interest) to be paid in 2012 upon the determination of the additional years 2007 and 2008.

12.1.1 attributable to the banking group	Balances 31/12/2011	Balances 31/12/2010
Relating to risks of legal disputes and customer complaints	4.350	4.390
Relating to operational risk	1.460	2.042
Relating to staff expenses	3.090	497
Relating to other risks	2.183	1.631
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(2.714)	(2.716)
Reattributions to Income Statement relating to operational risk	(167)	(288)
Reattributions to Income Statement relating to staff expenses	(4)	(121)
Reattributions to Income Statement relating to other risks	(443)	(670)
Total	**7.755**	**4.765**

12.1.2 attributable to insurance companies		
	Balances 31/12/2011	Balances 31/12/2010
Relating to risks of legal disputes and customer complaints	-	-
Relating to operational risk	-	41
Relating to staff expenses	-	-
Relating to other risks	2	105
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	-	-
Reattributions to Income Statement relating to operational risk	(1)	-
Reattributions to Income Statement relating to staff expenses	-	-
Reattributions to Income Statement relating to other risks	-	-
Total	**1**	**146**

Section 13 - Net value adjustments of tangible assets - Item 200

13.1 Net value adjustments of tangible assets: breakdown

Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	14.106	-	-	14.106
- for business purposes	13.819	-	-	13.819
- for investment	287	-	-	287
A.2 Acquired in financial leasing	2.424	-	-	2.424
- for business purposes	2.424	-	-	2.424
- for investment	-	-	-	-
Total	**16.530**	**-**	**-**	**16.530**

13.1.1 attributable to the banking group

Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	14.058	-	-	14.058
- for business purposes	13.771	-	-	13.771
- for investment	287	-	-	287
A.2 Acquired in financial leasing	2.424	-	-	2.424
- for business purposes	2.424	-	-	2.424
- for investment	-	-	-	-
Total	**16.482**	**-**	**-**	**16.482**

13.1.2 attributable to insurance companies				
Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	48	-	-	48
- for business purposes	48	-	-	48
- for investment	-	-	-	-
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**48**	**-**	**-**	**48**

Section 14 - Net value adjustments of intangible assets - Item 210

14.1 Net value adjustments of intangible assets: breakdown				
Asset/Income component	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets				
A.1 Owned	14.537	-	-	14.537
- Generated internally by the company	609	-	-	609
- Others	13.928	-	-	13.928
A.2 Acquired in financial leasing	-	-	-	-
Total	**14.537**	**-**	**-**	**14.537**

14.1.1 attributable to the banking group				
Asset/Income component	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets				
A.1 Owned	14.308	-	-	14.308
- Generated internally by the company	609	-	-	609
- Others	13.699	-	-	13.699
A.2 Acquired in financial leasing	-	-	-	-
Total	**14.308**	**-**	**-**	**14.308**

14.1.2 attributable to insurance companies				
Asset / Income component	**Amortization (a)**	**Writedowns for impairment (b)**	**Writebacks (c)**	**Net adjustments (a+b-c)**
A. Intangible assets				
A.1 Owned	229	-	-	229
- Generated internally by the company	-	-	-	-
- Others	229	-	-	229
A.2 Acquired in financial leasing	-	-	-	-
Total	**229**	**-**	**-**	**229**

Section 15 - Other operating expenses and income - Item 220

Other operating expenses and income	31/12/2011	31/12/2010
Total other operating expenses	17.886	22.399
Total other operating income	51.056	60.020
Other operating expenses and income	**33.170**	**37.621**

15.1 Other operating expenses: breakdown	Total 31/12/2011	Total 31/12/2010
Amortization of expenses for improvements on third party assets	2.531	2.767
Losses related to operational risks	4.247	5.148
Refunds of interest on collection and payment transactions	42	80
Financial leasing management expenses	952	825
Penalties payable for contract defaults	99	50
Expenses for service renderings advanced on behalf of customers	198	105
Insurance premiums advanced on behalf of customers	882	842
Costs advanced on behalf of customers	1.209	1.102
Service renderings related to credit recovery	960	1.026
Return to customers of Funds-UCITS incentives (Mifid)	1.276	914
Losses related to the participation in deposit-guarantee schemes	510	59
Others	4.980	9.481
Total	**17.886**	**22.399**

15.1.1 attributable to the banking group	Total 31/12/2011	Total 31/12/2010
Amortization of expenses for improvements on third party assets	2.531	2.767
Losses related to operational risks	4.247	5.148
Refunds of interest on collection and payment transactions	42	80
Financial leasing management expenses	952	825
Penalties payable for contract defaults	99	50
Expenses for service renderings advanced on behalf of customers	198	105
Insurance premiums advanced on behalf of customers	882	842
Costs advanced on behalf of customers	1.209	1.102
Service renderings related to credit recovery	960	1.026
Return to customers of Funds-UCITS incentives (Mifid)	1.276	914
Losses related to the participation in deposit-guarantee schemes	510	59
Others	4.979	9.461
Total	**17.885**	**22.379**

15.1.2 attributable to insurance companies	Total 31/12/2011	Total 31/12/2010
Financial leasing management expenses	-	-
Penalties payable for contract defaults	-	-
Expenses from derivative contracts	-	-
Expenses for service renderings advanced on behalf of customers	-	-
Insurance premiums advanced on behalf of customers	-	-
Costs advanced on behalf of customers	-	-
Service renderings related to credit recovery	-	-
Others	1	20
Total	**1**	**20**

15.2 Other operating income: breakdown

	Total 31/12/2011	Total 31/12/2010
Rents and instalments receivable	1.092	1.442
Charges to third parties and refunds received:	27.175	24.536
- taxes recovered	25.862	23.454
- insurance premiums and refunds	1.313	1.082
Expenses recovered and other revenues on current accounts and deposits	354	366
Income from software services	2.980	1.699
Recoveries of interest on collection and payment transactions	28	97
Income on insurance brokerage activities	2.744	2.710
Rents and income from financial leasing	806	890
POS fee income	2.798	2.582
Administrative services rendered to third parties	271	269
Penalties receivable for contract defaults	376	63
Expenses and services rendered in advance on behalf of customers	1.551	1.284
Expenses recovered for services rendered in relation to credit recovery	3.451	1.623
Other income	7.430	22.459
Total	**51.056**	**60.020**

15.2.1 attributable to the banking group		
	Total 31/12/2011	**Total 31/12/2010**
Rents and instalments receivable	1.092	1.442
Charges to third parties and refunds received:	27.175	24.536
- taxes recovered	25.862	23.454
- insurance premiums and refunds	1.313	1.082
Expenses recovered and other revenues on current accounts and deposits	354	366
Income from software services	2.980	1.699
Recoveries of interest on collection and payment transactions	28	97
Rents and income from financial leasing	806	890
POS fee income	2.798	2.582
Administrative services rendered to third parties	271	269
Penalties receivable for contract defaults	376	63
Expenses and services rendered in advance on behalf of customers	1.551	1.284
Expenses recovered for services rendered in relation to credit recovery	3.451	1.623
Other income	7.325	22.373
Total	**48.207**	**57.224**

15.2.2 attributable to insurance companies		
	Total 31/12/2011	**Total 31/12/2010**
Income on insurance brokerage activities	2.744	2.710
Other income	105	86
Total	**2.849**	**2.796**

Section 16 - Gains/(Losses) on equity investments - Item 240

16.1 Gains/(losses) on equity investments: breakdown		
Income components/Sectors	**Total 31/12/2011**	**Total 31/12/2010**
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	1.091	570
1. Revaluations	664	570
2. Gains on sales	427	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	2.172	763
1. Devaluations	2.172	763
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**(1.081)**	**(193)**
Total	**(1.081)**	**(193)**

16.1.1 attributable to the banking group

Income components/Sectors	Total 31/12/2011	Total 31/12/2010
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	1.091	570
1. Revaluations	664	570
2. Gains on sales	427	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	1	272
1. Devaluations	1	272
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**1.090**	**298**
Total	**1.090**	**298**

16.1.2 attributable to insurance companies		
Income components/Sectors	**Total 31/12/2011**	**Total 31/12/2010**
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	2.171	491
1. Devaluations	2.171	491
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**(2.171)**	**(491)**
Total	**(2.171)**	**(491)**

Section 18 - Impairment of goodwill - Item 260

18.1 Impairment of goodwill: breakdown		
	31/12/2011	**31/12/2010**
Impairment of goodwill	920	530
Total	**920**	**530**

The item, settled a 0,9 million euro, includes the effects of the impairment of goodwill relating to Banca Sella Nord Est Bovio Calderari. For further information on impairment tests on goodwill, please refer to the Notes to the Accounts, part B – Information on the Balance Sheet – Assets.

Section 19 - Gains (losses) on sales of investments - Item 270

19.1 Gains/(losses) on sales of investments: breakdown

Income component/Amount	Total 31/12/2011	Total 31/12/2010
A. Properties	4.643	485
- Gains on sales	4.643	485
- Losses on sales	-	-
B. Other Assets	91	(47)
- Gains on sales	103	21
- Losses on sales	12	68
Net gains/(losses)	**4.734**	**438**

19.1.1 attributable to the banking group

Income component/Amount	Total 31/12/2011	Total 31/12/2010
A. Properties	4.643	485
- Gains on sales	4.643	485
- Losses on sales	-	-
B. Other Assets	88	(47)
- Gains on sales	100	21
- Losses on sales	12	68
Net gains/(losses)	**4.731**	**438**

19.1.2 attributable to insurance companies

Income component/Amount	Total 31/12/2011	Total 31/12/2010
A. Properties	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other Assets	3	-
- Gains on sales	3	-
- Losses on sales	-	-
Net gains/(losses)	**3**	**-**

Section 20 - Income taxes for the period on continuing operations - Item 290

20.1 Income taxes for the period on continuing operations: breakdown

Component/Amount	Total 31/12/2011	Total 31/12/2010
1. Current taxes (-)	(53.129)	(40.421)
2. Change in current taxes of previous years (+/-)	20	891
3. Reduction of current taxes for the year (+)	1.682	1.934
4. Change in prepaid taxes (+/-)	24.876	9.816
5. Change in deferred taxes (+/-)	(2.123)	(4.131)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(28.674)	(31.911)

20.1.1 attributable to the banking group

Component/Amount	Total 31/12/2011	Total 31/12/2010
1. Current taxes (-)	(55.074)	(42.669)
2. Change in current taxes of previous years (+/-)	(11)	(890)
3. Reduction of current taxes for the year (+)	(1.682)	(1.934)
4. Change in prepaid taxes (+/-)	(24.431)	(9.943)
5. Change in deferred taxes (+/-)	1.162	(95)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(30.112)	(29.807)

20.1.2 attributable to insurance companies

Component/Amount	Total 31/12/2011	Total 31/12/2010
1. Current taxes (-)	1.945	2.248
2. Change in current taxes of previous years (+/-)	(9)	(1)
3. Reduction of current taxes for the year (+)	-	-
4. Change in prepaid taxes (+/-)	(445)	127
5. Change in deferred taxes (+/-)	961	4.226
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	1.438	(2.104)

20.2 Reconciliation between theoretical tax burden and actual tax burden in the financial statements			
Description	**taxable amount**	**rate**	**income tax**
Pre-tax profit from current operations	43.594		
Nominal rate (*)		**33,07%**	**14.417**
Effects net of the participation exemption and dividend taxation		-3,74%	-1.630
Non-deductible interest expense (so-called Robin Hood tax)		2,84%	1.238
Change in life reserves (Legislative Decree 78/2010)		-1,07%	-468
Redemption of goodwill, pursuant to article 23, paragraphs 12 and 14, Legislative Decree no. 98		-10,45%	-4.556
Non-deductible provisions/costs and other		6,79%	2.959
Adjusted rate		**27,43%**	**11.959**
Other changes - Irap taxable base		38,34%	16.715
Effective rate		**65,78%**	**28.674**

(*) *IRES rate + average IRAP rate of parent company.*

Section 21 - Gains (losses) on assets held for sale after tax - Item 310

21.1 Gains (losses) on assets held for sale after tax: breakdown		
Income components/Sectors	**Total 31/12/2011**	**Total 31/12/2010**
1. Income	1.288	3.069
2. Expenses	(6.975)	(12.066)
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	8.047	-
5. Taxes and duties	-	-
Profit (loss)	**2.360**	**(8.997)**

The item Income(losses) on assets being divested net of taxes includes:

- income and expenses registered by Banque BPP through to the transfer date (20 April 2011) for a net amount of 1,3 million euro;
- the realised income from the sale of Banque BPP for 8 million euro (for more information about the transaction, please refer to the section "Important events during the period");
- expenses relative to the writedown of the stake held in Banca Monte Parma S.p.A. for an amount of 7 million euro.

21.1.1 attributable to the banking group		
Income components/Sectors	**Total 31/12/2011**	**Total 31/12/2010**
1. Income	1.288	3.069
2. Expenses	(4.031)	(8.758)
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	8.047	-
5. Taxes and duties	-	-
Profit (loss)	**5.304**	**(5.689)**

21.1.2 attributable to insurance companies		
Income components/Sectors	**Total 31/12/2011**	**Total 31/12/2010**
1. Income	-	-
2. Expenses	(2.944)	(3.308)
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	-	-
5. Taxes and duties	-	-
Profit (loss)	**(2.944)**	**(3.308)**

Section 22 - Profit (loss) for the year pertaining to minority interest - Item 330

22.1 and 22.2 Detail of item 330 "Profit (loss) for the year pertaining to minority interest"	Total 31/12/2011	Total 31/12/2010
Banca Sella Sud Arditi Galati S.p.A	-	438
Biella Leasing S.p.A.	1.239	1.480
Banca Patrimoni Sella & C. S.p.A.	331	1.000
Banca Sella Nordest Bovio Calderari S.p.A.	(1.892)	(3.354)
Consel S.p.A.	1.627	1.443
CBA Vita S.p.A.	(628)	(400)
Sella Gestioni SGR S.p.A.	20	57
Brosel S.p.A.	177	150
Sella Bank AG	156	167
Other	558	97
Profit for the year pertaining to minority interest	**1.588**	**1.078**

Section 24 - Equity per share

IAS 33 requires indication of both the equity per base share (base EPS), and the equity per diluted share (diluted EPS). Banca Sella Holding does not hold instruments that represent capital that could potentially dilute the base EPS, therefore the diluted EPS corresponds to the base EPS.

Equity per share	31/12/2011		31/12/2010	
	Ordinary	**Other**	**Ordinary**	**Other**
Profit for the period pertaining to the Parent Company *(thousands of Euro)*	15.692	-	19.223	-
Average number of shares outstanding	201.000.000	-	201.000.000	-
EPS base *(in euros)*	**0,08**	**-**	**0,09**	**-**

The base EPS was calculated by dividing the economic result attributable to holders of ordinary Parent Company shares (numerator) by the weighted average of ordinary shares (denominator) in circulation during the year. With reference to the denominator of the indicator in question, note that the weighted average of the ordinary shares in circulation was equal to the total number of ordinary shares in circulation at 31 December 2011 (that is 201.000.000) as:

- on 1 January 2011 there were 201.000.000 ordinary Banca Sella Holding shares in circulation;
- during the course of 2011 Banca Sella Holding did not issue any new ordinary or special shares;
- on 31 December 2011, Banca Sella Holding did not hold any treasury shares in its portfolio.

PART D CONSOLIDATED COMPREHENSIVE INCOME

Detailed statement of consolidated comprehensive income				
	Items	Gross Amount	Income taxes	Net Amount
10.	**Net profit/(Loss) for the year**	**X**	**X**	**17.280**
	Other income net of tax			
20.	Financial assets available for sale:	(42.466)	13.616	(28.850)
	a) fair value changes	(51.701)	17.280	(34.421)
	b) reversal to income statement	9.235	(3.664)	5.571
	- impairment losses	6.162	(2.038)	4.124
	- gain/losses from disposal	3.073	(1.626)	1.447
	c) other changes	-	-	-
30.	Tangible assets	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges on foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
60.	Hedges on cash flows:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
70.	Foreign exchange differences:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial Gains (Losses) on defined benefit plans	(1.266)	310	(956)
100.	Share of valuation reserves connected with investments carried at equity:	(91)	-	(91)
	a) fair value changes	(91)	-	(91)
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gain/losses from disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income net of tax**	**(43.823)**	**13.926**	**(29.897)**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**(12.617)**
130	Consolidated comprehensive profit pertaining to minority ionterest	X	X	(333)
140	**Consolidated comprehensive profit pertaining to Parent Company**	**X**	**X**	**(12.284)**

PART E INFORMATION ON RISKS AND ASSOCIATED HEDGING POLICIES

As required by Bank of Italy Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it, Investor Relations section.

» SECTION 1 - BANKING GROUP RISKS

1.1 Credit risk

QUALITATIVE INFORMATION

1. General aspects

The Banca Sella Group considers the measurement and management of credit risk to be of crucial importance. The activity of loan supplies has always looked towards traditional business forms, supporting family financing needs and providing the necessary support to businesses – in particular small and medium sized enterprises – in order to support growth projects, consolidation phases and financial needs during negative phases of the economic cycle. With regards to the credit risk, no operations are present in innovative or complex financial products.

The lending policies and processes for the disbursement and monitoring of loans are consequently defined so as to combine business needs with the need to ensure the maintenance of high quality for the lending business.

Specifically, credit risk control activities are the responsibility of the Risk Management and Audit (Credit Risk Management Unit) of Banca Sella Holding and Credit Quality Control Services of Banca Sella. The former has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating effective and proactive management. The latter is instead engaged in more traditional monitoring mainly oriented to an analysis of single risk positions and to a trend-type analysis of some variables considered significant in terms of controlling the credit risk.

2. Credit risk management policies

2.1 Organizational Aspects

In general, requests for financing are presented directly to the branches of the respective Group banks.

In the process of credit disbursement, applications must first be assessed by a specific decisionmaking structure in the branch. In support of the assessment process, for Retail and Small Business customers the bank developed an automatic acceptance scoring instrument.

In accordance with the limits of its autonomy, the branch may accept the application, reject it or, sometimes, modify it (for example requesting further guarantees or proposing a reduction in the amount applied for or a different type of loan or advance).

In 2011, in the Group banks with the greatest credit volumes, offices were opened throughout the territory specialised in business credit line inquiries as well as those for large loans to private individuals.

Depending on the amount and type of credit requested, applications for loans or advances are decided by different bodies within the structure of each Group bank, from the branches up to the Board of Directors. If the procedure provides for the acquisition of guarantees in the form of pledges, sureties or mortgages, the process requires detailed examination of the documents acquired. The conclusion of this examination is necessary for the application process to be completed and for the guarantees themselves to be used for the weighting of capital absorption.

After disbursement, borrowing positions must be reviewed regularly in order to check maintenance of the creditworthiness and to evaluate any new needs of the customer. In support of this activity, at the beginning of each month an automatic procedure refers the dossiers to be reviewed to the relevant branches.

In order to monitor the trend of the account relations, the internal procedure was entirely reviewed to classify customers even more precisely according to the anomalies that may arise from their account relations. Four risk categories were defined and a detailed sheet with possible irregularities is available to all customers. Depending on the seriousness of the problem, a specific management process was defined so as to guarantee customer service and eliminate trend anomalies.

2.2 Systems of management, measurement and control

Credit risk exposure management, measurement and control systems involve the whole credit process, which includes the following stages: initial preliminary stage, periodic reassessment of paperwork, trend inspection and possible management of problematic credit lines, revocation and recovery.

The Parent Company's Risk Management Service has the task of developing credit risk measurement methods and supporting the creation of specific models for the assessment of risk components on the individual loan portfolios.

The Risk Management Service also carries on supervisory work preparing regular reports at every level and laying down common guidelines. The regular analyses concern, among other things, the distribution of customers by rating class and the development of risk profiles covering the entire loan portfolio or particular sub-portfolios characterized by specific risk conditions. The activities of the Risk Management Service also include monitoring risk limits and attention thresholds in relation to credit quality and risk concentration.

As regards the assessment of the risk of default, different management processes and analysis tools are used according to a segmentation of customers in keeping with the parameters laid down in the Basel 2 Standardized Approach, as confirmed in Bank of Italy Circular 263/2006. The customer segmentation makes it possible, among other things, to divide enterprises into four size classes, labelled in ascending order: small businesses, small and medium enterprises, corporate enterprises and large corporate enterprises.

The new internal ratings model was released to production in September 2011. During the first stage, following appropriate statistical verifications of the model's reliability, it was decided to use the new rating model for all customer companies. The process of assigning *ratings* covers all types of companies in a generalised way: in fact, the assessments cover enterprises operating in the industrial, commercial, service and multi-year production segments, as well as farms, cooperatives, non-profit organisations and financial companies.

The internal rating used in italian banks of Banca Sella Group is an automatic rating integrated into the company information system and is made up of the following components:

- Statutory accounting rating: this component assesses the risk of default based only on an analysis of the customer's accounting data. The statutory accounting rating may be calculated for every customer or potential customer. An indispensable premise for calculation of the statutory accounting rating is possession of financial statements containing a Balance Sheet and an Income Statement. For enterprises with simplified accounts a function has been developed for the attribution of a continual numerical judgement representing the customer's creditworthiness, called the Income Statement Score. Although an ad-hoc function has not been developed to divide the Income Statement Score into separate risk classes (known as clusterization), this Score is combined, by means of a specific function, with the qualitative assessment, contributing in this way to the calculation of the enterprise rating (see next point) also for companies with simplified accounts. The statutory accounting score is also the maximum level of detail obtainable for the following categories of customer: financial companies, leasing companies, factoring companies, holdings and property companies.

- Enterprise rating: a combination of the statutory accounting rating and the qualitative component deriving from compilation of a specific questionnaire by the account manager. Like the statutory accounting rating, the enterprise rating may be calculated for every borrower or potential borrower. In the case of a new customer, it represents the most detailed assessment possible of creditworthiness and is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. In view of the need to contain the volatility of the enterprise rating, the difference between this rating and the statutory accounting rating is opportunely limited to no more than one class.
- Comprehensive rating: a combination of the enterprise *rating* and a behavioural component (data from the Central Credit Register and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer. In contrast to statutory accounting *rating* and business *rating*, it can only be calculated for companies with performance data that is valorised for at least three months out of a six-month time frame.

The internal rating is expressed in the form of a summary alphabetic classification. Each of the three components mentioned includes nine classes of performing loans: from AAA (least risky customers) to C (most risky customers). No rating is assigned if one of the essential elements for determination of the rating – such as recent financial statements and an up-to-date qualitative questionnaire – is missing.

A performance scoring model for continuous assessment of the probability of default associated with Private, Small Business and Small and Medium Enterprise Customers is also going to be added to the credit disbursement and monitoring processes (for now only for information purposes). During the course of 2011, the Risk Management unit completed the revision of the scoring models used for private individuals, small business, and small and medium-size businesses, with methodological assistance from Crif. Like the internal rating, the performance scoring leads to a summary final classification made up of nine classes. The main difference with respect to the internal rating lies in the fact that, as it concerns a precise customer segment, the relative weight of the single components of the model takes into due consideration the different risk characteristics of the counterparties.

Like the internal rating, the performance scoring leads to a summary final classification made up of nine classes. The main difference with respect to the internal rating lies in the fact that, as it concerns a precise customer segment, the relative weight of the single components of the model takes into due consideration the different risk characteristics of the counterparties.

In 2011 work continued on assigning and updating ratings to corporate borrowers, further consolidating the already significant levels of coverage achieved in previous years.

With a view to constantly refining the supply, control and monitoring of credit risk, in 2011 the Parent company also constituted a new mechanism: the Ratings Committee during the course of 2011, the activities of the Rating Committee established in 2010 continued. This Committee is both an advisory board and decision-making council and its tasks include resolving to override the ratings of customers belonging to Corporate and Large Corporate categories. Override resolutions take place in accordance with the powers assigned to the Committee and in compliance with specific guidelines. Causes must lie in a specific list of grounds and there will be an audits system in place in order to guarantee the homogeneity, integrity and efficiency of these measures, in any case only to be implemented with regards to residual cases that are not easy to standardise or not considered by the model.

The regulatory standards, known as Basel 2, were immediately interpreted by the Banca Sella as an opportunity to refine the credit risk measurement techniques and to ensure supervision through the use of techniques with a growing degree of sophistication. Although capital requirement against credit risk is determined according to the First Pillar through the Standardized Method, the bank undertakes all the necessary organizational and methodological actions aimed at proving that its internal rating system is substantially in line with the requirements provided in regulatory standards (so-called experience test).

The bank is also aware of the importance of all the risk factors that are connected with credit risk but not measured by the instruments provided in the First Pillar of Basel 2, such as the concentration risk (in its dual single-name and sectorial meaning) and residual risk (the risk that credit measurement techniques prove to be less effective than expected). Alongside scrupulous observance of the regulatory standards on the subject of large risks and the quantification of internal capital to cover concentration risk under the terms of the Second Pillar of Basel 2, Banca Sella has defined precise guidelines designed to mitigate concentration risk through fragmentation, both at the level of single entities, and in terms of business sector/geographical area. Exposure to concentration risk is monitored monthly on the basis of objective indicators, such as the Herfindahl index, and precise thresholds have been set to limit the overall exposure in each business sector/geographical area and dimensional class. As far as residual risk is concerned, a special process has been adopted with the purpose to check the acceptability of guarantees according to each specific and general requirement prescribed by the Supervisory Authority.

At the same time as drafting the ICAAP statement (analysis of the suitability of equity in accordance with the Second Pillar of Basel 2) and therefore at least once a year, the Parent Company carries out stress tests on the consolidated loan portfolio. The stress test procedures consist of analysing the sensitivity of internal capital against the credit risk should specific negative events occur that, although extreme, are plausible (such as, for example, a deterioration in the decline rate of the loans portfolio).

Specifically in reference to the new Basel 3 regulations, the changes envisaged in terms of credit and counterparty risk do not significantly impact the risk profile of the portfolio.

Furthermore, with regard to control at individual level, Banca Sella has equipped itself with a service for the management of anomalous credit, which assists in the management of relations with clientele featuring relevant anomalies in trends.

The Group's Credit Quality service, which formerly operated from within the consortium company Sella Servizi Bancari, is now known as Credit Control and operates from Banca Sella. It also carries out second-level control activities regarding the proper provision and management of credit in the companies of the Group.

More specifically, the service operates through:

- remote control of the correct supply of loans and management of branches in anomalous trends;
- control of the correct exercise of delegated powers;
- control of the trend of anomalies held to be most symptomatic of credit risk situations;
- control of compliance with internal regulations on the supply and management of loans.

The various monitoring purposes, the different areas to be observed and reporting timing are such as to require the adoption of different and complementary instruments, whose use and specific operation techniques are such as to avoid report overlaps. Within the scope of its trend monitoring work, the Credit Quality Service employs the following information procedures:

- Credit Alarm procedure. The procedure is aimed at reporting individual trend anomalies that may concern customer accounts. This report concerns the anomaly, regardless of a risk class connected with the customer account assessed as a whole. The notifications are sent to the manager responsible for the relationship with the customer (branch, *corporate management,* anomalous loan auditor*)* and the employees of Credit Control. Depending on the alarms, they may recur daily, weekly or monthly;
- Cadr procedure - Automatic risk classification. With the purpose of improving the management of anomalous accounts, the Cadr procedure (whose calculation criteria are integrated with rating and scoring systems for determining insolvency probability) classifies loan portfolios according to the credit risk associated to customers. The Cadr procedure assigns each customer a risk class, from among four: on the basis of the seriousness indicated by the Cadr number, various types of interventions are identified. The notifications are sent to the manager responsible for the relationship with the customer: (branches, *corporate management, anomalous loan auditor)* the employees of Credit Control and the peripheral and central deliberative bodies. During the course of 2011, two projects aimed at reviewing the policies were carried out to increase the efficacy of said procedures. In the context of said reviews, the updating frequency was changed from monthly to weekly.
- ISA – Indice sintetico di anomalia (Synthetic anomaly index). Such index is aimed at identifying the customer account relationship that present greater trend anomalies within the Cadr classes. Report addressees and frequency are the same as those mentioned for the Cadr procedure;
- Tableau de bord. This instrument monitors individual trend variables, with the possibility to divide portfolio reports into different levels. In 2011, the Tableau de bord was implemented with the insertion of all the credit trend variables subject to monitoring and the insertion of the assigned objectives.

The special focus on signs of tension represented by excess of current account overdraft limits and late payment of instalments through the development of computer signalling procedures that are able to guarantee more timely intervention was reinforced. This intervention aims to solve the trend anomaly, seeking the best solution with the customer to allow him to obtain regular reimbursement of the benefit he has enjoyed, at the same time safeguarding the portfolio credit risk.

In January 2011, a team devoted to the positions concerned by restructuring in accordance with art. 67, paragraph 3 and art. 182-bis of the Bankruptcy Law became fully operational. The team has the following objectives:

- to anticipate situations of irreversible customer economic and financial decline;
- to protect the quality of the balance sheet assets;
- to support worthy customers and those with suitable prospects of recovery;
- to develop customised financial solutions;
- to promote agreements with consortia guaranteeing loans, entities, and loan guarantee companies.

2.3 Credit risk mitigation techniques

In the light of the significant attention paid by Banca Sella to the work of loan disbursement, approval for credit is granted only after a particularly detailed initial selection of possible borrowers. In the first place, the assessment of creditworthiness is founded on the actual ability of borrowers to fulfil the commitments assumed exclusively on the basis of their capacity to generate adequate cash flows. However, in the process of disbursement and monitoring of loans, forms of protection from credit risk given by the technical type and by the presence of sureties are not neglected, above all with reference to customers associated with a higher probability of default.

The sureties normally acquired from counterparties are those typical of the banking business, primarily: personal guarantees and real guarantees on property and financial instruments. The bank does not have recourse to the use of clearing agreements related to balance-sheet and “off-balance-sheet” transactions nor to the purchase of credit derivatives.

The bank is well aware that credit risk mitigation techniques are more effective if they are acquired and managed so as to comply with the requirements of the Basel 2 standard in all its aspects: legal, rapid realization, organizational and specific to each guarantee. Effective compliance with the admissibility requisites is the result of a complex process, which is differentiated on the basis of the type of credit risk attenuation technique, and which involves numerous players: from the Distribution staff who deal with the guarantee acquisition process to the Parent Company’s Risk Management and Audit Service which handles the stage of verification of admissibility of these guarantees.

With specific reference to the guarantee acquisition stage, the process is backed by a special software procedure which intervenes between the approval stage and the stage of disbursement of the loan and manages acquisition of the guarantees (pledges, mortgages and sureties), tying disbursement to a positive outcome of the controls envisaged.

As regards specifically the guarantee admissibility verification stage, starting out from the input data from the software procedure supporting the acquisition of new guarantees, the Parent Company’s Risk Management and Controls Service works in two ways:

- statistical revaluations (known as surveillance) of the value of properties mortgaged for all contracts for which Banca d’Italia Circular note 263/2006 11^{TH} update of 31 January 2012 permits recourse to this type of valuation. To this end the bank makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;
- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

With specific reference to personal guarantees, the specific admission requirements for guarantors are quite strict and, substantially, they exclusively recognise guarantees issued by sovereign states, public bodies, multilateral development banks, supervised brokers and companies with good credit rating for the purposes of capital requirement mitigation against credit risk. Banca Sella has continued, also in 2010, to make use of, when possible, the guarantees issued by the Guarantee Fund for SMEs, which, thanks to the presence of the Italian State as counter-guarantor, allow for mitigating the credit risk to comply with regulatory ratios. With the belief that the personal guarantees issued by entities that do not fall within the standard list may as well provide effective credit risk mitigation for management purposes, it shall be common practice to also accept individual persons or companies without external rating as guarantors, if necessary.

As a general rule, the credit disbursement procedure does not include the purchase of guarantees involving contractual obligations that may undermine their validity. The process for verifying admissibility of guarantees involves the analysis by legal experts both in standard and non-standard contracting (of which one example can be seen in the individual conventions stipulated with Confidi). Additionally, as further monitoring of the requirement for legal certainty, a second level audit is carried out on each contract, on the completeness and correctness of the documentation. This is the task of the Centralised Group Operating Controls Service and the Group Service Centre.

No concentration conditions were recognized for guarantee categories (in terms of credit or market risk). In particular:

- real guarantees on real estate: both mortgage loans and real-estate leasing transactions are mainly aimed at private customers or small-sized enterprises. This allows maintaining a high level of risk sharing;
- real guarantees on financial instruments and personal guarantees: despite the diversification of issuers and guarantors, we highlight that the Italian government is the issuer/guarantor towards whom the loan portfolio is most exposed.

2.4 Impaired financial assets

The Banca Sella structure that manages the work of recovery of disputed loans for the Banca Sella Group, works on an outsourcing basis for the Italian banks and the leasing companies in the Group. Among its management functions and for the fulfilment of the contractual conditions for the assignment received, the structure has the responsibility of:

- calling in loans for new positions in default;
- pursuing timely actions to recover loans in default and acquiring further guarantees to cover exposure;
- promptly calculating expected losses in an analytical manner at the level of individual customer account relationships;
- periodically checking the adequacy of the recovery forecasts and the terms of recoverability of the credit;
- optimising the costs/results of the legal measures taken to recover the credit;
- making losses recorded at the end of court and out-of-court procedures definitive.

The decision-making power in relation to the assessment of recoveries and waiver proposals for arrangements with customers is almost completely devolved to single managers within the range of the powers granted to the single CEOs of the various companies. The scope of the Banca Sella legal division exclusively involves the management and analytical assessment of non-performing and watchlist impaired loans with revocation of credit lines.

In accordance with IAS 39, impaired loans are subject to an analytical assessment process and the amount of adjustment of each loan is the difference between the present value of the expected future flows, calculated by applying the original effective interest rate, and the carrying value at the moment of the assessment.

The forecast of recoverability of the credit takes account of:

- the amount of the recovery value as the sum of the expected cash flows estimated on the basis of the types of guarantees given and/or acquirable, their estimated realization value, the costs to be sustained and the debtor's desire to pay;
- recovery times estimated on the basis of the types of guarantees, the in-court or out-of-court liquidation methods for the guarantees, bankruptcy proceedings and the geographical area to which the loan belongs;
- discounting rates: for all credits measured at the amortized cost the original effective rate of return is used, whereas for revocable credit lines the interest rate considered is that at the moment of default;

At the first implementation of IAS, as regards analytical assessments and the definition of the effective interest rate – seeing the objective impossibility to retrieve original rates from impaired loan accounts as no electronic format was available – the Banca Sella Group decided to:

- use the nominal rate applied at 31 December 2004 in the bank records, relatively to the individual default account: depending on the case, such rate may correspond to the rate adopted at the default, the rate deducible at the injunction or the one agreed upon with the customer with a repaiment plan; however, such rates have been reduced to the rate usury limit at 31 December 2004;

o adopt, for all accounts with a zero rate at 31 December 2004, the last rate applied to the account before the zeroing, if available; when this information is not available, the legal rate is adopted.

The Legal Disputes service analyses the recoverability of each position without using estimation models for expected cash flows. Instead, a specific repayment schedule is drawn up on the basis of the features of each position, taking into account the guarantees given and/or acquirable and any agreements reached with the customers.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purpose of providing quantitative information on credit quality, the term “credit exposure” is used excluding capital securities and units of UCITs, whilst the term "exposure" includes these elements.

A.1 Credit exposuers: amounts, value adjustments, trend, economic and geographical distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/Quality	Banking group					Other companies		Total
	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Other assets	Impaired	Other	
1. Financial assets held for trading	7	118	-	-	435.862	-	1	435.988
2. Financial assets available for sale	-	-	2.424	-	872.920	-	318.411	1.193.755
3. Financial assets held to maturity	-	-	-	-	381.794	-	199.785	581.579
4. Due from banks	-	-	-	-	294.929	-	18.571	313.500
5. Due from customers	205.739	266.237	17.701	38.970	8.141.016	-	190	8.669.853
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	438.089	438.089
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	26.633	-	-	26.633
Total 31/12/2011	**205.746**	**266.355**	**20.125**	**38.970**	**10.153.154**	**-**	**975.047**	**11.659.397**
Total 31/12/2010	**165.391**	**142.109**	**12.598**	**49.188**	**10.276.404**	**-**	**1.068.816**	**11.714.506**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/quality	Impaired assets: Gross exposure	Impaired assets: Specific adjustments	Impaired assets: Net exposure	Performing assets: Gross exposure	Performing assets: Specific adjustments	Performing assets: Net exposure	Total (net exposure)
A. Banking group							
1. Financial assets held for trading	125	-	125	X	X	435.862	435.987
2. Financial assets available for sale	2.424	-	2.424	872.920	-	872.920	875.344
3. Financial assets held to maturity	-	-	-	381.794	-	381.794	381.794
4. Due from banks	-	-	-	294.977	48	294.929	294.929
5. Due from customers	925.266	396.619	528.647	8.185.305	44.289	8.141.016	8.669.663
6. Financial assets at fair value through profit or loss	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	26.633	26.633
Total A	**927.815**	**396.619**	**531.196**	**9.734.996**	**44.337**	**10.153.154**	**10.684.350**
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	X	X	1	1
2. Financial assets available for sale	-	-	-	318.411	-	318.411	318.411
3. Financial assets held to maturity	-	-	-	199.785	-	199.785	199.785
4. Due from banks	-	-	-	18.571	-	18.571	18.571
5. Due from customers	-	-	-	190	-	190	190
6. Financial assets at fair value through profit or loss	-	-	-	X	X	438.089	438.089
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**-**	**-**	**-**	**536.957**	**-**	**975.047**	**975.047**
Total 31/12/2011	**927.815**	**396.619**	**531.196**	**10.271.953**	**44.337**	**11.128.201**	**11.659.397**
Total 31/12/2010	**740.766**	**371.480**	**369.286**	**11.392.395**	**47.175**	**11.345.220**	**11.714.506**

Positions concerned by collective agreements

Company	Total residual debt as of 31.12.10	of which past due: up to 3 months	from 3 to 6 months	from 6 months to 1 year	more than 1 year
Banca Sella	22.970	52	3	-	-
Banca Sella Nordest Bovio Calderari	381	-	-	-	-

A.1.3 Banking group - Cash and off balance sheet exposure to banks: gross and net amounts

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing exposures	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	780.651	X	48	780.603
TOTAL A	**780.651**	**-**	**48**	**780.603**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	X	-
b) Others	168.599	X	5	168.594
TOTAL B	**168.599**	**-**	**5**	**168.594**
TOTAL A+B	**949.250**	**-**	**53**	**949.197**

A.1.6 Banking group - Cash and off balance sheet credit exposures to customers: gross and net amounts

Exposure type/Value	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURE				
a) Non-performing exposures	549.900	344.161	X	205.739
b) Watchlist exposures	315.665	49.428	X	266.237
c) Restructured exposures	21.579	1.454	X	20.125
d) Past due exposures	40.546	1.576	X	38.970
e) Other assets	9.360.278	X	44.289	9.315.989
TOTAL A	**10.287.968**	**396.619**	**44.289**	**9.847.060**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	12.304	25	X	12.279
b) Others	927.764	X	1.748	926.016
TOTAL B	**940.068**	**25**	**1.748**	**938.295**
TOTAL (A+B)	**11.228.036**	**396.644**	**46.037**	**10.785.355**

A.1.7 Banking group - Cash credit exposures to customers: trend in gross impaired exposures

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial gross exposure	**501.650**	**174.186**	**13.714**	**51.216**
- of which: exposures sold but not derecognized	1.284	187	-	-
B. Increases	**206.789**	**340.323**	**8.484**	**42.939**
B.1 Inflows from performing loans	19.970	304.598	3.741	37.510
B.2 Transfers from other categories of impaired exposures	158.121	29.173	4.262	2.847
B.3 Other increases	28.698	6.552	481	2.582
C. Decreases	**158.539**	**198.844**	**619**	**53.609**
C.1 Outflows to performing loans	2.863	12.976	-	16.468
C.2 Write-offs	123.601	649	128	1
C.3 Collections	29.816	19.645	126	4.290
C.4 Realizations through sales	1.616	-	-	-
C.5 Transfers to other categories of impaired exposures	551	161.259	-	32.593
C.6 Other decreases	92	4.315	365	257
D. Final gross exposure	**549.900**	**315.665**	**21.579**	**40.546**
- of which: exposures sold but not derecognized	2.415	392	-	-

A.1.8 Banking group - Cash credit exposures to customers: trend in total value adjustments

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial total adjustments	**336.259**	**32.077**	**1.116**	**2.028**
- of which: exposures sold but not derecognized	265	10	-	-
B. Increases	**151.732**	**41.389**	**883**	**1.171**
B.1 Writedowns	129.766	39.814	587	1.119
B.2 Transfers from other categories of impaired exposures	17.971	844	177	34
B.3 Other increases	3.995	731	119	18
C. Decreases	**143.830**	**24.038**	**545**	**1.623**
C.1 Writebacks on valuation	12.964	3.949	400	639
C.2 Writebacks on collection	6.973	812	13	67
C.3 Write-offs	123.601	638	128	1
C.4 Transfers to other categories of impaired exposures	81	18.096	4	845
C.5 Other decreases	211	543	-	71
D. Final total adjustments	**344.161**	**49.428**	**1.454**	**1.576**
- of which: exposures sold but not derecognized	668	24	-	-

A.2 Classification of exposures on basis of external and internal ratings

A.2.1 Banking group - Distribution of cash and off balance sheet exposures by external rating classes

Exposures	External Rating Classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	**234.047**	**736.558**	**28.711**	**3.425**	**37**	**2.750**	**9.670.479**	**10.676.007**
B. Derivatives	**222**	**31.010**	**-**	**-**	**-**	**-**	**28.056**	**59.288**
B.1 Financial derivatives	222	31.010	-	-	-	-	28.056	59.288
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**330.669**	**330.669**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**591.556**	**591.556**
Total	**234.269**	**767.568**	**28.711**	**3.425**	**37**	**2.750**	**10.620.760**	**11.657.520**

In the light of the composition of the credit portfolio at Group level, composed mainly of exposures towards private clientèle and small-medium Italian companies without an external rating, the distribution of the cash and off-balance sheet exposures according to external rating classes appears significant only for certain Group banks.

The table above shows the distribution of exposures by external rating classes assigned by Fitch to the customers of the Banca Sella Group. With reference to the exposure to Banks it should be noted that all counterparties with which relations are maintained have a rating higher than investment grade.

A.2.2 Banking group - Distribution of cash and off balance sheet exposures by internal rating classes

Exposures	Internal rating classes									Unrated	Total
	AAA	AA	A	BBB	BB	B	CCC	CC	C		
A. Cash exposures	**85.577**	**132.624**	**324.689**	**390.781**	**286.131**	**245.454**	**191.192**	**484.583**	**34.353**	**8.500.623**	**10.676.007**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.092**	**-**	**58.196**	**59.288**
B.1 Financial derivatives	-	-	-	-	-	-	-	1.092	-	58.196	59.288
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**35.953**	**13.311**	**21.077**	**4.993**	**11.824**	**16.778**	**3.771**	**14.427**	**102**	**208.433**	**330.669**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11.692**	**-**	**579.864**	**591.556**
Total	**121.530**	**145.935**	**345.766**	**395.774**	**297.955**	**262.232**	**194.963**	**511.794**	**34.455**	**9.347.116**	**11.657.520**

With regard to internal ratings, almost all Italian banks of the Group have an internal model for assigning companies a creditworthiness rating. The internal rating system includes, for terminological conformity with the scale adopted by external rating agencies, nine credit rating classes for creditworthy customers, from AAA (the less risky) to C (the riskiest). At present, internal ratings are not used for calculating capital requirements.

The table above shows the distribution of exposures by rating classes of the business customer companies of the Banca Sella Group. The "No rating" column includes both exposures to companies with no internal rating and exposures to customers belonging to a different segment from the "companies" segment.

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Banking group - Guaranteed credit exposure to banks

	Net exposure value	Real guarantees (1)			Personal guarantees (2)									Total (1)+(2)
					Credit derivatives					Guaranteed loans				
						Other derivatives								
		Real estate	Securities	Other real guarantees	CLN	Governments and central banks	Other public bodies	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	
1. Guaranteed cash exposure:														
1.1 Totally guaranteed	827	827	-	-	-	-	-	-	-	-	-	-	-	827
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed "off balance sheet" exposure														
2.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Banking group - Guaranteed credit exposure to customers

	Net exposure value	Real guarantees (1)			Personal guarantees (2)									Total (1)+(2)
					Credit derivatives					Guaranteed loans				
						Other derivatives								
		Real estate	Securities	Other real guarantees	CLN	Governments and central banks	Other public bodies	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	
1. Guaranteed cash exposure:														
1.1 Totally guaranteed	5.080.244	3.448.341	158.836	246.070	-	-	-	-	-	-	945	849	1.198.181	5.053.222
- of wich: impaired	329.051	208.685	839	5.538	-	-	-	-	-	-	359	-	111.087	326.508
1.2 Partially guaranteed	364.315	15.191	30.520	238.245	-	-	-	-	-	-	-	8.202	16.206	308.364
- of wich: impaired	16.394	1.514	235	4.091	-	-	-	-	-	-	-	23	3.329	9.192
2. Guaranteed "off balance sheet" exposure														
2.1 Totally guaranteed	225.079	581	19.243	7.784	-	-	-	-	-	-	17	1.760	79.218	108.603
- of wich: impaired	5.101	4	15	170	-	-	-	-	-	-	-	-	852	1.041
2.2 Partially guaranteed	29.534	-	4.436	1.062	-	-	-	-	-	-	-	75	8.140	13.713
- of wich: impaired	1.917	-	68	8	-	-	-	-	-	-	-	-	50	126

B. CREDIT EXPOSURES DISTRIBUTION AND CONCENTRATION

B.1 Banking group - Distribution by segment of cash and off balance sheet exposures to customers

Exposure/Counterparty	Governments and Central Banks			Other public bodies			Financial companies			Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures																		
A.1 Non-performing exposures	-	-	X	26	74	X	3.146	2.202	X	-	-	X	118.643	179.309	X	83.924	162.576	X
A.2 Watchlist exposures	1	-	X	212	44	X	406	38	X	8	1	X	192.141	31.946	X	73.469	17.399	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	18.984	1.265	X	1.141	189	X
A.4 Past due exposures	-	-	X	-	-	X	10	1	X	-	-	X	23.727	855	X	15.233	720	X
A.5 Other exposures	1.108.253	X	-	17.040	X	2	178.840	X	257	3.021	X	1	4.431.782	X	31.172	3.577.053	X	12.857
Total A	**1.108.254**	**-**	**-**	**17.278**	**118**	**2**	**182.402**	**2.241**	**257**	**3.029**	**1**	**1**	**4.785.277**	**213.375**	**31.172**	**3.750.820**	**180.884**	**12.857**
B. "Off balance sheet" exposures																		
B.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	666	7	X	39	-	X
B.2 Watchlist exposures	-	-	X	36	-	X	2	-	X	-	-	X	8.583	14	X	2.503	1	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	441	3	X	9	-	X
B.4 Other exposures	53.847	X	-	9.957	X	-	66.418	X	17	1.359	X	1	634.747	X	1.638	159.688	X	92
Total B	**53.847**	**-**	**-**	**9.993**	**-**	**-**	**66.420**	**-**	**17**	**1.359**	**-**	**1**	**644.437**	**24**	**1.638**	**162.239**	**1**	**92**
Total (A+B) 31/12/2011	**1.162.101**	**-**	**-**	**27.271**	**118**	**2**	**248.822**	**2.241**	**274**	**4.388**	**1**	**2**	**5.429.714**	**213.399**	**32.810**	**3.913.059**	**180.885**	**12.949**
Total (A+B) 31/12/2010	**1.123.058**	**-**	**-**	**20.956**	**70**	**24**	**414.135**	**2.809**	**110**	**3.702**	**-**	**-**	**5.453.207**	**187.124**	**33.798**	**3.901.430**	**181.503**	**15.748**

B.2 Banking group - Geographical distribution of cash and off balance sheet credit exposures to customers (book value)										
Exposure/Geographical area	**ITALY**		**OTHER EUROPEAN COUNTRIES**		**AMERICA**		**ASIA**		**REST OF THE WORLD**	
	Gross exposure	**Net exposure**	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**
A. Cash exposures										
A.1 Non-performing exposures	202.526	(341.874)	3.193	(2.103)	13	(83)	6	(24)	1	(77)
A.2 Watchlist exposures	266.210	(49.268)	7	(153)	4	(3)	-	-	16	(4)
A.3 Restructured exposures	20.125	(1.454)	-	-	-	-	-	-	-	-
A.4 Past due exposures	38.960	(1.574)	6	(1)	4	(1)	-	-	-	-
A.5 Other transactions	9.129.747	(44.135)	163.832	(113)	11.253	(14)	1.033	-	10.124	(27)
TOTAL A	**9.657.568**	**(438.305)**	**167.038**	**(2.370)**	**11.274**	**(101)**	**1.039**	**(24)**	**10.141**	**(108)**
B. Off balance sheet exposures										
B.1 Non-performing exposures	705	(7)	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	11.124	(15)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	450	(3)	-	-	-	-	-	-	-	-
B.4 Other exposures	802.413	(1.746)	115.252	(1)	8.329	(1)	20	-	2	-
TOTAL B	**814.692**	**(1.771)**	**115.252**	**(1)**	**8.329**	**(1)**	**20**	**-**	**2**	**-**
TOTAL (A+B) 31/12/2011	**10.472.260**	**(440.076)**	**282.290**	**(2.371)**	**19.603**	**(102)**	**1.059**	**(24)**	**10.143**	**(108)**
TOTAL (A+B) 31/12/2010	**10.647.951**	**(418.349)**	**240.128**	**(2.509)**	**13.307**	**(155)**	**1.265**	**(12)**	**13.837**	**(161)**

The following provides detail on exposures in Italy.

B.2 Banking group - Geographical distribution of cash and off balance sheet credit exposures to customers (book value)								
Exposure/Geographical area	**NORTH WEST**		**NORTH EAST**		**CENTER**		**SOUTH AND ISLANDS**	
	Gross exposure	**Net exposure**	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**
A. Cash exposures								
A.1 Non-performing exposures	89.851	(155.006)	37.274	(47.388)	22.661	(49.527)	52.740	(89.953)
A.2 Watchlist exposures	108.888	(19.160)	59.359	(9.117)	33.911	(9.660)	64.052	(11.331)
A.3 Restructured exposures	14.085	(1.203)	1.838	(168)	862	(24)	3.340	(59)
A.4 Past due exposures	16.808	(557)	10.305	(246)	5.218	(235)	6.629	(536)
A.5 Other transactions	3.979.751	(21.114)	1.252.124	(6.483)	2.222.841	(6.502)	1.675.031	(10.036)
TOTAL A	**4.209.383**	**(197.040)**	**1.360.900**	**(63.402)**	**2.285.493**	**(65.948)**	**1.801.792**	**(111.915)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	458	(5)	128	(1)	95	(1)	24	-
B.2 Watchlist exposures	4.420	(6)	4.271	(2)	915	(5)	1.518	(2)
B.3 Other impaired assets	356	(3)	64	-	-	-	30	-
B.4 Other exposures	432.868	(1.026)	87.798	(169)	166.316	(217)	115.431	(334)
TOTAL B	**438.102**	**(1.040)**	**92.261**	**(172)**	**167.326**	**(223)**	**117.003**	**(336)**
TOTAL (A+B) 31/12/2011	**4.647.485**	**(198.080)**	**1.453.161**	**(63.574)**	**2.452.819**	**(66.171)**	**1.918.795**	**(112.251)**
TOTAL (A+B) 31/12/2010	**4.843.678**	**(210.790)**	**1.540.159**	**(60.451)**	**2.347.735**	**(47.942)**	**1.916.379**	**(99.166)**

B.3 Banking group - Geographical distribution of cash and off balance sheet credit exposures to banks (book value)

Exposure/Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	500.700	(7)	269.004	(40)	6.474	(1)	3.904	-	521	-
TOTAL A	**500.700**	**(7)**	**269.004**	**(40)**	**6.474**	**(1)**	**3.904**	**-**	**521**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	91.083	(5)	77.511	-	-	-	-	-	-	-
TOTAL B	**91.083**	**(5)**	**77.511**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**591.783**	**(12)**	**346.515**	**(40)**	**6.474**	**(1)**	**3.904**	**-**	**521**	**-**
TOTAL (A+B) 31/12/2010	**564.892**	**-**	**298.304**	**(21)**	**4.826**	**-**	**2.883**	**-**	**174**	**-**

The following provides detail on exposures in Italy.

B.3 Banking group - Geographical distribution of cash and off balance sheet credit exposures to banks (book value)

Exposure/Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-
A.5 Other transactions	82.967	(6)	161.944	-	254.819	(1)	969	-
TOTAL A	**82.967**	**(6)**	**161.944**	**-**	**254.819**	**(1)**	**969**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	69.914	(5)	45	-	21.124	-	-	-
TOTAL B	**69.914**	**(5)**	**45**	**-**	**21.124**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**152.881**	**(11)**	**161.989**	**-**	**275.943**	**(1)**	**969**	**-**
TOTAL (A+B) 31/12/2010	**116.216**	**-**	**217.341**	**-**	**153.879**	**-**	**77.456**	**-**

B.4 Large risks	
Amount	
- non weighted	1.129.332
- weighted	-
Number	2

The only two positions present are with the Tesoro dello Stato and the European Investment Bank.

C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securitization transactions

QUALITATIVE INFORMATION

Beginning in financial year 2000 the Bank has carried out four securitization transactions of a traditional kind.

Two of these, concluded before 1st January 2006, were carried out by Banca Sella S.p.A., now Banca Sella Holding S.p.A., and involved performing mortgage loans. The assets associated with these transactions were conferred, on 1st January 2006, by Banca Sella Holding S.p.A. (formerly Sella Holding Banca S.p.A.) to the "new" Banca Sella S.p.A..

On 31 October 2010 the securitization carried out with Secursel S.r.l. in 2000 was concluded. Banca Sella bought back the loans from the vehicle company, which provided for the early reimbursement of the securities still existing.

On 4 April 2008 and on 02 January 2009, Banca Sella S.p.A. completed two securitization transactions, again of performing mortgage loans.

The transactions were conducted in order to diversify the types of funding in order to improve the correlation of maturities between funding and lending.

The role of servicer in the four securitization transactions was always played by the originators (Banca Sella S.p.A.).

Banca Sella S.p.A, as the originator of the transactions, subscribed the entire amount of the junior titles issued in relation to the various securitizations. The securities are still held by the same. In addition, in regards to the securitizations of 2008 and 2009, the Bank subscribed the entire amount of the securities issued. These securities can be used as collateral for repurchase agreements with the ECB.

The risk of the assets sold is still borne by Banca Sella S.p.A., which, consequently, monitor performance constantly, preparing also regular reports.

For transactions completed during 2005 and 2008, the assets sold continue to be represented in the financial statements in that the sale did not substantially transfer the risks to third-parties.

A brief account of the securitization transactions is provided below.

a) Banca Sella S.p.A. securitization of performing loans – financial year 2005

The transaction was completed at two subsequent moments: on 04 October 2005 the agreement to purchase the loans was entered into by the special purpose vehicle Mars 2600 S.r.l. , while the securities financing the acquisition of the credit were issued on 20 October 2005.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 263,3 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 248,9 million euro, Class B notes amounting to 11 million euro, Class C notes amounting to 3,5 million euro and Class D notes amounting to 3,5 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 for the class A securities (at issue Aaa) - A1 for the class B securities – Baa2 for the class C securities. At 31 December 2011 the securities in classes A-B-C had generated interest in the amount of 1,6 million euro. The Class D securities are not listed are were subscribed by Banca Sella S.p.A.: in the 2011, they recorded interest in the amount of 1,2 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. During the course of the year, the servicing fees collected by Banca Sella S.p.A. were 0,1 million euro.

Mars 2600 S.r.l. completed, together with the issuing of the securities, an interest rate swap contract with Banca Sella, through B.N.P. and Sella Holding Banca, in order to hedge the interest rate risk inherent in the structure due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

The sum paid for the subscription of the class D securities was used for the creation of a cash reserve.

b) Banca Sella S.p.A. securitization of performing loans – financial year 2008

The transaction was completed at two subsequent moments: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 4 April 2008, while the securities were issued on 22 April 2008.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 217,4 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 207,3 million euro, Class B notes amounting to 8,1 million euro, Class C notes amounting to 2,8 million euro and Class D notes amounting to 6,5 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 for the class A securities (at issue Aaa) - A2 for the class B securities – Baa2 for the class C securities. The class D securities are not listed. The same securities have the following ratings from Standard & Poor's: AA+ for the class A securities (AAA when the rating was first assigned) - AA for the class B securities – AA- for the class C securities.

The total amount of the notes was subscribed by Banca Sella S.p.A..

At 31 December 2011 the Class A-B-C notes earned interest of 2,9 million euro. The class D securities recorded interest of 1 million net of commission expenses for renegotiation of the guarantees which the bank paid to Mars S.r.l. in the amount of 1,9 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2011 the servicing fees collected by Banca Sella S.p.A. were 0,12 million euro.

Mars 2600 S.r.l. completed, together with the issuing of the securities, an interest rate swap contract with Banca Sella, through B.N.P. Paribas and Banca Sella Holding, in order to hedge the interest rate risk inherent in the structure due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

The sum paid for the subscription of the class D securities was used for the creation of a cash reserve.

c) Banca Sella S.p.A. securitization of performing loans – financial year 2009

The transaction was completed at two subsequent moments: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 08 January 2009, while the securities were issued on 29 January 2009.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 226,6 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 212,9 million euro, Class B notes amounting to 4,6 million euro, Class C notes amounting to 9,1 million euro and Class D notes amounting to 4,6 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 for the class A securities (at issue Aaa) - A1 for the class B securities – Baa2 for the class C securities. The class D securities are not listed. The same securities have the following ratings from Standard & Poor's: AA+ for the class A securities (AAA when the rating was first assigned) - AA for the class B securities – A- for the class C securities.

The total amount of the notes was subscribed by Banca Sella S.p.A..

At 31 December 2011 the Class A-B-C notes earned interest of 3,7 million euro. In 2011, the class D securities recorded interest of 2,5 million net of commission expenses for renegotiation of the guarantees which the bank paid to Mars S.r.l. in the amount of 1,5 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2011 the servicing fees collected by Banca Sella S.p.A. were 0.1 million euro.

Mars 2600 S.r.l. completed, together with the issuing of the securities, an interest rate swap contract with Banca Sella, through B.N.P. Paribas (since June 2011) and Banca Sella Holding, in order to hedge the interest rate risk inherent in the structure due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

The sum paid for the subscription of the class D securities was used for the creation of a cash reserve.

"Third party" securization operation

The Bank's company portfolio includes ABSs issued in securitization of residential and non-residential loans and leasing credits carried out by European banks (Spain and the United Kingdom). The total held at 31 December 2011 amounted to an equivalent value of 2,603 million euro, thus representing a residual part of the whole portfolio, about 0,17%.
The portion of Italian company ABSs is not indicated in that the only security held at the end of 2010 matured during the course of 2011.

QUANTITATIVE INFORMATION

The first update to the Bank of Italy Circ. 262 states that the securitization transactions in which the Bank has subscribed the deed for the issue of all liabilities issued are not subject to reporting ; consequently in the tables that follow, the securitization data are reported for Mars 2600 S.r.l. for 2005.

C.1.1 Banking group - Exposures deriving from securization transactions divided by quality of underlying assets

	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Quality of underlying assets/ Exposures	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	13.164	-	4.015	3.500	3.500	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	2.603	2.603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.2 Banking group - Exposures deriving from main "own" securization transactions divided by type of securized asset and type of exposures

Type of securized assets/Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
A. Subject to total derecognition																		
B. Subject to partial derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognized	**13.164**		**4.015**		**3.500**													
C.1 Mars 2600 S.r.l.																		
- Performing loans	13.164	-	4.015	-	3.500	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3 Banking group - Exposures deriving from main "third party" securization transactions divided by type of securized asset and type of exposures

Type of underlying assets/Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
BUMF Commercial Mortagage Backed Securities"	866	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAJA - mutui residenziali (SPA)	1.201	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TDAC 8A TV 49	535	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Banking group - Exposures to securizations divided by portfolio of financial assets and by type

Exposure / Portfolio	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets available for sale	Financial assets held to maturity	Loans & receivables	Total 31/12/2011	Total 31/12/2010
1. Cash exposure							
- " Senior"	-	-	-	-	2.603	**2.603**	**3.339**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**
2. Off balance sheet exposures							
- " Senior"	-	-	-	-	-	**-**	**-**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**

C.1.5 Banking group - Total amount of securized assets underlying junior securities or other forms of credit support

Assets/Amount	Traditional securizations	Synthetinc securizations
A. Own underlying assets		
A. 1 Subject to total derecognition		
1. Non performing exposures	-	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.2 Subject to partial derecognition		
1. Non performing exposures	-	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.3 Not derecognized		
1. Non performing exposures	759	-
2. Watchlist exposures	461	-
3. Restructured exposures	-	-
4. Past due exposures	552	-
5. Other assets	90.044	-
B. Third parties' underlying assets		
B.1 Non performing exposures	-	-
B.2 Watchlist exposures	-	-
B.3 Restructured exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	-	-

C.1.6 Banking group - Interests in vehicle companies

Company name	Headquarter	Interest %
Vehicle company - Mars 2600 Srl	Treviso	10%

C.1.7 Banking group - Servicer activity - collection of securized receivables and redemption of securities issued by special purpose vehicles

Servicer	Vehicle company	Securized assets (end of period data)		Recievables collected during the year		Percentage redemptions (end of period data)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Banca Sella S.p.A.	**Mars 2600 Srl**	1.772	90.044	325	22.546	1%	69%	-	-	-	-

C.2 Sale transactions

C.2.1 Banking group - Financial assets sold but not derecognized

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit or loss			Financial assets available for sale			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	2011	2010
A. Cash assets																				
1. Debt securities	5.629	-	-	-	-	-	24.840	-	-	24.426	-	-	-	-	-	-	-	-	54.895	33.205
2. Share capital securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91.382	-	-	91.382	111.506
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2011	**5.629**	**-**	**-**	**-**	**-**	**-**	**24.840**	**-**	**-**	**24.426**	**-**	**-**	**-**	**-**	**-**	**91.382**	**-**	**-**	**146.277**	
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.772	-	-	1.772	
Total 31/12/2010	**28.117**	**-**	**-**	**-**	**-**	**-**	**2.637**	**-**	**-**	**2.451**	**-**	**-**	**-**	**-**	**-**	**111.506**	**-**	**-**		**144.711**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	649	-	-		649

KEY

A= financial assets sold and fully recognized (book value)

B= financial assets sold and partially recognized (book value)

C= partially recognized financial assets (full value)

C.2.2. Banking group - Financial liabilities against financial assets sold but not derecognized

Liability/Asset portfolio	Financial assets held for trading	Financial assets at fair value through profit or losso	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers							
a) against fully recognized assets	5.813	-	24.757	21.845	2.978	68.540	123.933
b) against partially recognized assets	-	-	-	-	-	-	-
2. Due to banks							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
3. Outstanding securities							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
Total 31/12/2011	**5.813**	**-**	**24.757**	**21.845**	**2.978**	**68.540**	**123.933**
Total 31/12/2010	**28.849**	**-**	**2.636**	**2.429**	**-**	**84.959**	**118.873**

1.2 Banking group - Market risk

Market risk relates to unexpected variations in market factors such as interest rates, exchange rates and share prices that may cause fluctuations in the value of a position held in the trading book and in the values of investments arising from commercial operations and strategic choices (banking book).

The management and control of market risks (interest rate risk, price risk, exchange rate risk) is provided for by Group Regulations which lay down the rules under which the single Group companies may take on exposures to these types of risk.

The entity on which the market risks of the Banca Sella Group are concentrated is the Parent Company Banca Sella Holding, which carries on the finance activities.

1.2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

For the compilation of this section we will consider the financial instruments (assets and liabilities) falling within the "regulatory trading book", as defined in the provision on market risk regulatory reporting (cf. Circular no. 155 of 18 December 1991 "Instructions for the compilation of reports on the regulatory capital and prudential coefficients" issued by the Bank of Italy and following amendments).

QUALITATIVE INFORMATION

A. General aspects

This section deals with the risk that a fluctuation in interest rates may have a negative effect on the value of the regulatory trading book arising from the financial positions assumed by the Banca Sella Group within the assigned limits and powers.

The price risk inherent in the trading book is mainly a result of trading on the bank's own behalf in debt and equity securities and UCITS.

The Group's trading book includes assets held as financial instruments for its own account. Most of these instruments can be traded on regulated markets (mainly fixed and variable-income securities). The rate risk and the price risk arising from it are often mitigated by having recourse to rate derivatives in regulated markets.

The goals and strategies underlying the trading activity involving the own securities portfolio aim to limit risks and maximize returns on the portfolio itself in the restricted and prudential field of action laid down in the Group rules on the subject.

The Parent Company Banca Sella Holding is also the market broker for third-party trading carried on by customers of the Banca Sella Group.

B. Interest rate risk and price risk management processes and measurement methods

The Finance area of the Parent Company has the mission of managing market risk and coordinating the finance activities of the Banca Sella Group (management of owned portfolios, treasury and management of minority shares), also carrying out the specialised activities within the Parent company (trading on own account).

The Parent Company's Risk Management Unit is responsible for the market risk monitoring methods of all Group companies, and also has an advisory and recommendatory role in the definition of methodological guidelines for the creation of Group risk measurement and control models.

For prudential purposes, in measuring the rate risk and price risk concerning the regulatory trading portfolio, the Banca Sella Group applies the "standardised" approach defined in Bank of Italy Circular no. 263/2006. It follows that the equity used against the market risk consists of the sum of capital requirements to cover the individual risks that make up market risk on the basis of the so-called "building-block approach".

QUANTITATIVE INFORMATION

1. Regulatory trading book: distribution for remaining duration (re-pricing date) of the financial assets and liabilities in cash and financial derivatives.

The table is omitted in as much as a sensitivity analysis is provided.

2. Regulatory trading book: distribution of exposures in equity securities and equity indices by main quotation market countries.

It is not regarded as necessary to fill in the Table as the overall exposure to shares and stock exchange indexes, equal to 0,45% (4,6 million euro) of the Banca Sella Group regulatory trading books, is concentrated solely on domestic securities.

3. Regulatory trading book: internal models and other methods used for sensitivity analysis.

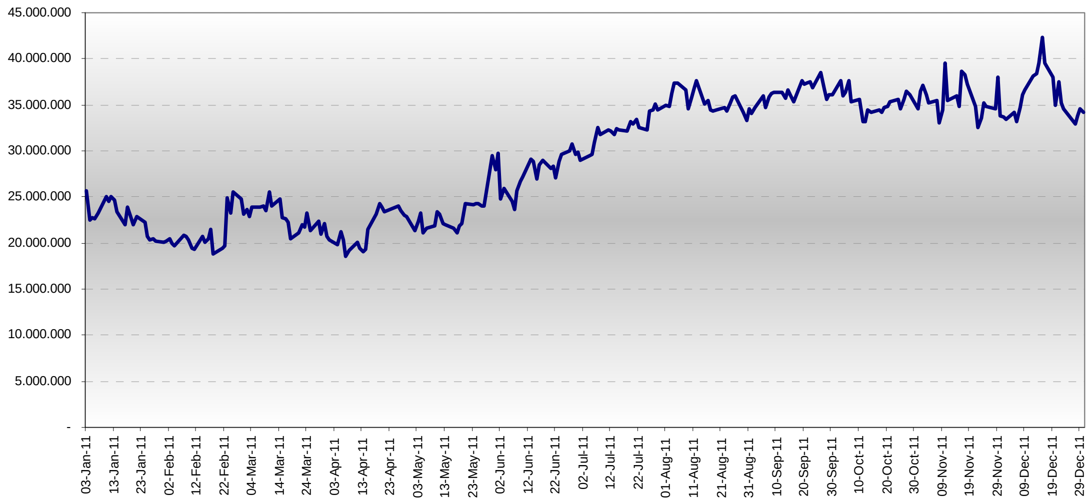
For management purposes, the trading book market risk is measured and monitored on the basis of the VaR (value at risk), which is basically assessed according to the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time. Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of gains/losses that results is analyzed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

The Group Risk Management Unit measures the VaR (horizon 10 days and 3 months and confidence margin 99%) of the Banca Sella Group portfolios, and analyses sensitivity factors, namely: portfolio duration, effects of sudden interest rate shocks and finally the check on the operational limits on investment in securities.

The average duration of the Banca Sella Group trading book is equal to 0,72 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 9,86 million euro (about 0,72% of the portfolio).

The trend in the VaR of the Banca Sella Holding (confidence interval 99%, time horizon 3 months, historical method) is shown in the chart below. These values have always remained within the prudential limits set by the Parent Company.

Banca Sella Group – Trading Book
Market Risks VaR (time horizon 3 months - confidence interval 99%)



Risk Management also controls trading operations on own account.

The trend of the VaR (horizon 10 days, confidence margin 99%) of the trading of Banca Sella Holding is shown in the graph below:

VaR Decomposition - Banca Sella Holding al 30.12.11

Trading Book - Area Finanza

Orizzonte Temporale 10 giorni, intervallo di confidenza 99%

Dati al		30-dic-11			30-giu-11		
		VaR Medio	VaR Minimo	VaR Massimo	VaR Medio	VaR Minimo	VaR Massimo
Tipologia di Rischio							
Fixed Incoı	€	320.845	22.144	1.213.455	364.521	58.837	1.184.616
Foreign Ex	€	11.582	816	200.180	18.379	816	200.180
Equities	€	64.711	1.673	307.233	71.434	7.217	205.607
Equitiy Der	€	79.283	-	255.447	67.354	17.086	221.565
Derivatives	€	793	578	858	729	578	858
Treasury	€	39.224	13.924	70.177	32.327	13.924	70.177
Total VaR(b)	€	**516.438**	**39.135**	**2.047.350**	**554.743**	**98.458**	**1.883.003**

(b) Il Value-at-Risk totale è calcolato come la somma dei singoli VaR per tipologia di rischio

1.2.2 INTEREST RATE AND PRICE RISKS – BANKING BOOK

QUALITATIVE INFORMATION

A. Interest rate risk and price risk: general aspects, management procedures and measurement methods

The main sources of interest rate risk generated in the banking book can be traced back to:

- maturity mismatches (risk connected with the exposure of positions to changes in the slope and the shape of the yield curve);
- mismatches arising from the imperfect correlation between changes in earned and paid interest rates on the various instruments (so-called indexing risk).

Interest rate risk is mainly generated by deposits and loans to customers, bank portfolio fixed-rate securities and interbank deposits (made and received), as well as derivative instruments created to mitigate exposure to the fair value rate risk generated by them. The Group's policy is to provide a high hedge to fixed-rate items, while strategic and management choices are aimed at minimising the volatility of the total economic value when the rate structure changes.

B. Fair value hedging activity

Hedging transaction strategies are mainly aimed at mitigating the exposure to interest rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit (general hedges, such as mortgage loans and consumer credit, and regular leasing instalments) or bond loans issued by the Banca Sella Group, held in the banking book (specific hedges).

Exposure to interest rate risk inherent in the disbursement of credit is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the loan portfolio disbursed and the average maturities of this portfolio. Other interest rate swaps were implemented when fixed-rate bonded loans are issued. Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

The Parent Company generally adopts measurement methods and techniques based on the Black-Scholes, Monte Carlo and Net Present Value models using a number of parameters, which vary depending on the financial instrument to be measured. These parameters, which are approved by the Group Risk Management and Control Service, are chosen and set up on the calculation software at the moment of a request for measurement of a new derivative instrument. Every time the fair value of the financial instrument is calculated, the above parameters are rechecked and updated both by the area that performs the calculation and by the Group Risk Management and Control Service.

C. Cash flow hedging activities

Due to the substantial balance of assets and liabilities, no hedging is provided for cash flow interest rate risk arising from variable rate items.

D. Foreign investment hedging activities

Due to the minor amount of foreign investments, no hedging is provided for the interest rate risks arising from them.

QUANTITATIVE INFORMATION

1. Banking book: distribution for remaining duration (re-pricing date) of the financial assets and liabilities.

The table is omitted in as much as a sensitivity analysis is provided.

2. Banking book: - Internal models and other methods used for sensitivity analysis

Internal interest rate risk management and control processes are based on an organizational structure, which provides that the information is analyzed at operational level and critically assessed by the Group's ALM Committee every month. This Committee also provides appropriate operational guidelines. For management purposes, besides the 20% risk indicator limit defined in the regulation, the internal organization has been provided with more prudential danger thresholds, which, when exceeded, imply the assessment of operational strategies aimed at reducing the exposure.

The rate risk is measured using owned models for the processing of items with undefined contractual due dates (on demand items). For all other items of the assets and liabilities, the rules set out in the Bank of Italy Circular no. 263/2006. The control is carried out taking into consideration all balance-sheet and off-balance-sheet positions, as regards interest-bearing assets and liabilities.

To calculate the internal capital, parallel shifts are hypothesised to the rate curve, respectively of +200 basis points (rise) and -100 basis points (lowering, compatible with the constraint of a non-negativity of rates).

The sensitivity analysis figures at 31 December 2011 show a low risk for the banking book (see the table below for total and percentage impact on the economic value).

Shift	Total Sensitivity	Regulatory capital	Sensitivity %
+200 bps / -100 bps	31,39	991,1	3%

Amounts in euro Millions

The price risk of the portfolio is attributable mainly to equity interests held by the Parent Company and Banca Patrimoni Sella & C. for long-term investment purposes. These positions are adopted following the provisions of the Board of Directors and managed by the Finance business area of the Parent company on the basis of the provisions of the Board of Directors itself.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. Exchange rate risk: general aspects, management processes and measurement methods

Currency transactions mainly take place at the Finance business area of the Parent Company, in which the Treasury carries out lending and inter-bank funding operations in foreign currency, and manages the exchange risk connected with currency imbalances. Exchange rate risk is monitored through the application of the "standardized approach" defined by Bank of Italy Circular No. 263/2006, which during the year never showed an absorption greater the 2% of Shareholders' Equity.

The Risk Management division of the Group monitors exchange risk exposure values and reports them to the Group's ALM Committee. Such body, with the assistance of the Parent Company Treasury, assesses possible hedging actions, should the exposures towards currencies be judged as too high.

B. Exchange rate risk hedging activities

Over the years, Banca Sella Holding has progressively reduced its market making activity on the exchange market. The transactions conducted during the financial year can be mainly traced back to exchange rate risk hedging activities for the Group's banks and companies.

Micro-hedging is instead put in place, with third parties, with the aim of mitigating the risk of simple derivatives such as domestic currency swaps, currency options and forward contracts traded by customers with the Bank.

1. Distribution by currency of denomination of assets, liabilities and derivatives

Item	Currencies					
	US Dollar	Swiss Franc	British pound	Japanese Yen	Australian dollar	Other currencies
A. Financial assets	**59.381**	**54.804**	**5.070**	**6.875**	**5.126**	**13.389**
A.1 Debt securities	52	19.584	-	-	2	66
A.2 Equity securities	13	1	1.673	-	-	-
A.3 Loans and advances to banks	31.682	10.132	2.247	1.538	2.209	11.609
A.4 Loans and advances to customers	27.634	25.087	1.150	5.337	2.915	1.714
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**10.706**	**36.894**	**1.170**	**618**	**610**	**4.024**
C. Financial liabilities	**199.060**	**49.247**	**9.452**	**752**	**10.686**	**7.486**
C.1 Due to banks	3.534	24.706	1.728	1	2.960	1.215
C.2 Due to customers	195.526	24.541	7.724	751	7.726	6.271
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**10.471**	**2.103**	**207**	**424**	**238**	**2.077**
E. Financial derivatives	**136.190**	**8.055**	**9.152**	**(6.649)**	**5.647**	**(2.178)**
- Options	(1)	-	-	-	-	-
+ Long positions	27.547	1.991	3.956	2.812	45	17
+ Short positions	27.548	1.991	3.956	2.812	45	17
- Others	136.191	8.055	9.152	(6.649)	5.647	(2.178)
+ Long positions	340.993	10.182	18.307	17.419	14.024	7.466
+ Short positions	204.802	2.127	9.155	24.068	8.377	9.644
Total assets	**438.627**	**103.871**	**28.503**	**27.724**	**19.805**	**24.896**
Total liabilities	**441.881**	**55.468**	**22.770**	**28.056**	**19.346**	**19.224**
Imbalance (+/-)	**(3.254)**	**48.403**	**5.733**	**(332)**	**459**	**5.672**

The imbalance in the position of Swiss francs is almost entirely due to the elimination, in the context of the consolidation process, of the capital and reserves, expressed in Swiss francs, of the subsidiary Sella Bank Ag.

1.2.4 DERIVATIVE INSTRUMENTS

The 1st amendment of 18 November 2009 to Circular 262/2005 issued by the Bank of Italy requires that the derivative tables do not include spot exchange rates and securities.

A. Financial derivatives

A.1 Regulatory trading book: notional end-of-period and average amounts

Ulderlying assets/Type of derivatives	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	766.667	36.700	1.257.154	68.100
a) Options	508.008	-	511.470	-
b) Swap	258.659	-	745.684	-
c) Forward	-	-	-	-
d) Futures	-	36.700	-	68.100
e) Others	-	-	-	-
2. Equity securities and equity indices	-	8.400	-	88.829
a) Options	-	-	-	61.499
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	8.400	-	27.330
e) Others	-	-	-	-
3. Currencies and gold	728.552	-	751.317	2.283
a) Options	208.825	-	225.236	2.283
b) Swap	119.559	-	288.886	-
c) Forward	400.168	-	237.195	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**1.495.219**	**45.100**	**2.008.471**	**159.212**
Average amounts	**2.110.369**	**102.156**	**1.801.929**	**211.417**

A.2 Banking book: notional end-of-period and average amounts

A.2.1 For hedging

Ulderlying assets/Type of derivatives	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	2.393.344	-	1.851.388	-
a) Options	-	-	-	-
b) Swap	2.393.344	-	1.851.388	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**2.393.344**	**-**	**1.851.388**	**-**
Average amounts	**1.729.949**	**-**	**1.425.400**	**-**

A.2.2 Other derivatives				
Ulderlying assets/Type of derivatives	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	2.973.087	-	356.714	-
a) Options	2.973.087	-	356.714	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	19.880	-	68.340	-
a) Options	19.880	-	26.709	-
b) Swap	-	-	-	-
c) Forward	-	-	41.631	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**2.992.967**	**-**	**425.054**	**-**
Average amounts	**1.686.252**	**-**	**422.639**	**-**

A.3 Financial derivatives: positive fair value - breakdown by products

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	32.523	-	21.932	1.366
a) Options	14.845	-	14.304	1.366
b) Interest rate swap	7.520	-	4.870	-
c) Cross currency swap	3	-	89	-
d) Equity swap	-	-	-	-
e) Forward	9.197	-	1.918	-
f) Futures	-	-	-	-
g) Others	958	-	751	-
B. Banking book - hedging	26.633	-	6.793	-
a) Options	-	-	-	-
b) Interest rate swap	26.633	-	6.793	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	60	-	475	-
a) Options	60	-	65	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	410	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**59.216**	**-**	**29.200**	**1.366**

A.4 Financial derivatives: negative fair value - breakdown by products

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	26.786	-	16.939	1.260
a) Options	4.258	-	4.126	1.260
b) Interest rate swap	15.951	-	5.263	-
c) Cross currency swap	4	-	4.194	-
d) Equity swap	-	-	-	-
e) Forward	4.533	-	2.439	-
f) Futures	-	-	-	-
g) Others	2.040	-	917	-
B. Banking book - hedging	128.917	-	91.042	-
a) Options	-	-	-	-
b) Interest rate swap	128.917	-	91.042	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	16.527	-	14.438	-
a) Options	16.527	-	13.510	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	928	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**172.230**	**-**	**122.419**	**1.260**

A.5 Over the counter financial derivatives: regulatory trading book - notional values, gross positive and negative fair value by counterparts - contracts not covered by netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	-	497.877	147.147	5.000	111.878	4.767
- positive fair value	-	-	11.002	3.835	-	3.608	94
- negative fair value	-	-	8.703	6.972	328	339	42
- future exposure	-	-	16.477	1.204	25	503	12
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	392.659	749	-	228.062	107.080
- positive fair value	-	-	9.629	-	-	2.657	1.697
- negative fair value	-	-	2.565	29	-	6.179	1.628
- future exposure	-	-	3.584	7	-	3.493	1.210
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 Over the counter financial derivatives: regulatory trading book - notional values, gross positive and negative fair value by counterparts - contracts covered by netting agreements

Contracts covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 Over the counter financial derivatives: banking book - notional values, gross positive and negative fair value by counterparts - contracts not covered by netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	1.411	2.342.080	57.425	-	1.027.761	1.937.753
- positive fair value	-	-	26.633	-	-	-	-
- negative fair value	-	-	118.116	10.800	-	345	16.122
- future exposure	-	3	28	622	-	7.973	15.596
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	9.940	-	-	4.322	5.617
- positive fair value	-	-	-	-	-	2	57
- negative fair value	-	-	59	-	-	-	-
- future exposure	-	-	-	-	-	202	272
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Residual life of over the counter financial derivatives: notional value

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total
A Regulatory trading book	**754.103**	**232.402**	**508.620**	**1.495.125**
A.1 Financial derivatives on debt securities and interest rates	31.174	226.781	508.620	766.575
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	722.929	5.621	-	728.550
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book	**1.078.474**	**1.279.730**	**3.028.197**	**5.386.401**
B.1 Financial derivatives on debt securities and interest rates	1.058.594	1.279.730	3.028.197	5.366.521
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	19.880	-	-	19.880
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2011	**1.832.577**	**1.512.132**	**3.536.817**	**6.881.526**
Total 31/12/2010	**906.134**	**(657.793)**	**(516.312)**	**(267.971)**

1.3 Banking group - Liquidity risk

QUALITATIVE INFORMATION

A. Liquidity risk: general aspects, management procedures and measurement methods

The liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by the inability to raise funds (funding liquidity risk) or by the presence of asset liquidity limits (market liquidity risk)[1].

Liquidity monitoring and management operations for Banca Sella Group are formalized in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. Such strategies are an integral part of the emergency plan called *Contingency Liquidity Plan.*

The governance model defined for managing and controlling the Banca Sella Group liquidity risk is based on the following principles:

- conformity of liquidity risk management and monitoring processes and methods with prudential regulatory indications;
- decision-sharing and distinction of responsibilities among management, controlling and operating bodies.

The Group's liquidity monitoring follows the directives issued in Circular 263/2006 (Title V, chapter 2), 11th update of 31 January 2012, integrating the national regulations with the principles governed by the Basel Committee (Basel III: *International framework for liquidity risk measurement, standards and monitoring*") which will be applied starting on 01 January 2015.

The liquidity level is managed by the Banca Sella Holding Finance Department, which in case of need promptly takes remedial actions with the support of the ALM Committee. The second level audits of liquidity risk are performed by the Parent Company Risk Management Service.

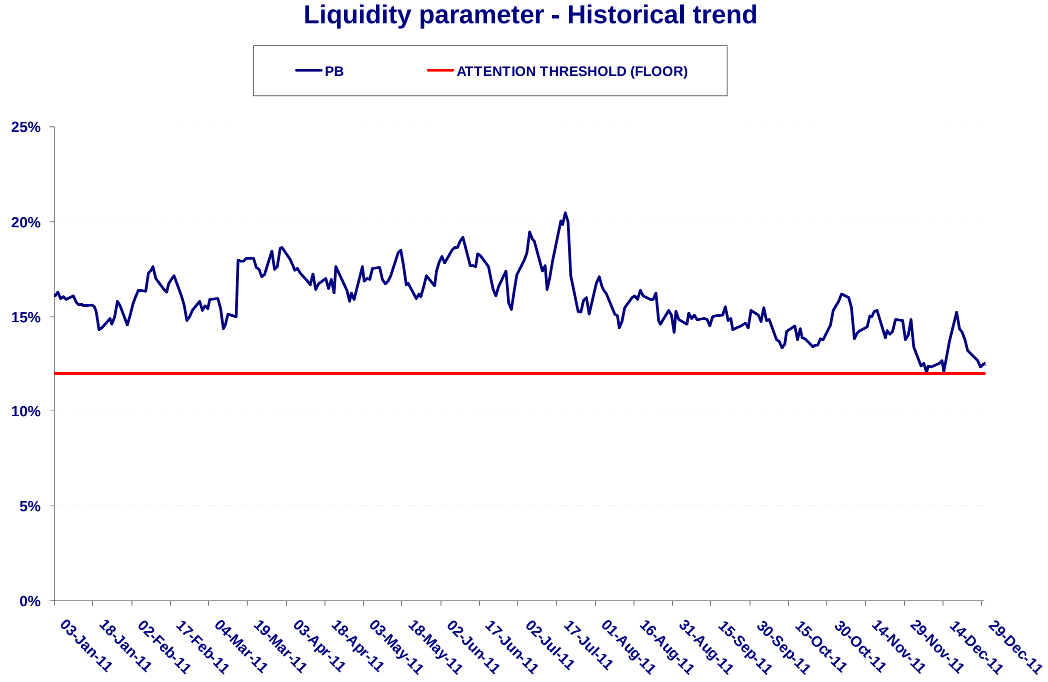
The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short-term and medium and long-term systemic and specific liquidity.

Below is the trend of the Banca Sella Group short-term liquidity indicator, which provides indications about the ability to fulfil the obligations taken both with regular customers and banks in case of a sudden liquidity strain. The minimum limit for this indicator is prudentially set at 12%. The effective level of the indicator was always over this threshold during the course of the year, testifying to the fact that the liquidity reserves are sufficient to account for the commitments made, even under conditions of stress.

This indicator, a management one, is calculated daily by the Parent Company Risk Management Service.

[1] *Banca d'Italia circular note n.263/2006, title III, chap.1, Annex D*

Trend of Gruppo Banca Sella short term liquidity indicator



In addition to the information provided by liquidity indicators, the Banca Sella Group Risk Management and Control Service and Finance business area have the task to carry out stress analyses on the liquidity reserve of the Group itself.

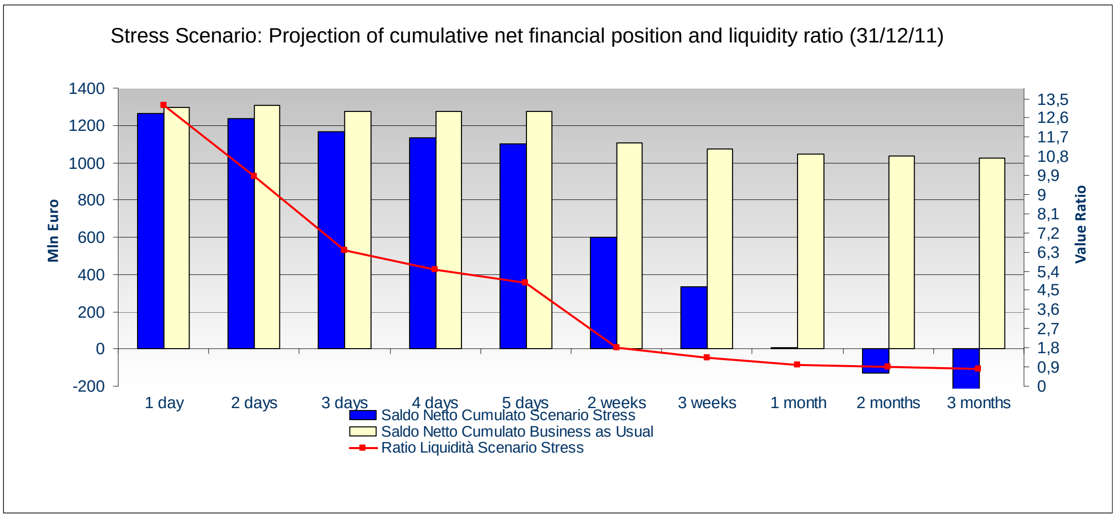
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated with the assumption that the business structure and capital profile of the Group will not be altered. The stress scenarios used are based on those envisaged in Basel III, integrated with internal hypotheses in order to make the analysis better representative of the Bank's operations.

The Maturity Ladder is realized through the time-band mapping (horizon up to 3 months) of current and expected cash flows, together with items regarded as “potential liquidity reserves”. This instrument allows assessing in various operational scenarios (business as usual and stress scenario) the net financial position as to liquidity in different time buckets.

Stress testing has always shown liquid assets or assets that are readily liquidated to be suitable to coping with any systemic or specific original crisis.

[2] A Maturity Ladder is the projection of the net financial position over time

Stress Scenario: Projection of cumulative net financial position and liquidity ratio (Stress test at 30 December 2011)



The scenario analysis envisaged by the Banca Sella Group is structured from different stress hypotheses, in compliance with the provisions of Bank of Italy Circular no. 263/2006 (New provisions of prudential supervision for banks, Title III, Chapter 1) 11th updated of 31 January 2012 and consider the onset of events that may alter some items during the various bands comprising the maturity ladder.

The two hypotheses, which are linked to an equal number of occurrence configurations (frequency of onset) and severity (impact on the bank) are:

- acute tension in individual banks that requires extraordinary counter-measures, often linked to interventions lying outside the actual bank;
- systemic crisis, involving the market as a whole.

QUANTITATIVE INFORMATION

As concerns the information to be supplied at the foot of the table, required by the first update to Circ. 262/2005 of the Bank of Italy in relation to the financial assets concerned by the securitisation transactions in which the Bank has subscribed the deed for the issue of all liabilities issued by the special purpose vehicle, please refer to Part E – C. Securitisation transactions – Quality information, of these consolidated financial statements.

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination:

Currency of denomination: Euro

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**1.088.491**	**206.718**	**149.610**	**359.519**	**876.496**	**712.023**	**868.642**	**3.545.563**	**2.721.835**	**10.981**
A.1 Government securities	-	1.498	57	2.579	19.694	79.242	102.035	492.980	286.478	-
A.2 Other debt securities	7.400	3.496	2.098	65.621	45.755	75.758	141.365	282.231	54.010	-
A.3 UCITS units	10.806	-	-	-	-	-	-	-	-	8.357
A.4 Loans and advances	1.070.285	201.724	147.455	291.319	811.047	557.023	625.242	2.770.352	2.381.347	2.624
- Banks	25.829	105.001	-	2.288	82.036	3.331	102	626	201	-
- Customers	1.044.456	96.723	147.455	289.031	729.011	553.692	625.140	2.769.726	2.381.146	2.624
Cash liabilities	**6.952.005**	**17.928**	**78.547**	**237.077**	**280.213**	**515.958**	**8.773**	**1.563.223**	**376.220**	**308**
B.1 Deposits and current accounts	6.905.518	5.664	11.803	22.073	77.189	213.097	145.996	33.190	11.044	308
- Banks	17.764	-	-	-	1.057	-	-	842	11.042	-
- Customers	6.887.754	5.664	11.803	22.073	76.132	213.097	145.996	32.348	2	308
B.2 Debt securities	429	(16.955)	14.023	9.522	103.584	271.728	63.642	1.210.184	343.871	-
B.3 Other liabilities	46.058	29.219	52.721	205.482	99.440	31.133	(200.865)	319.849	21.305	-
Off balance sheet transactions	**183.148**	**113.933**	**46.056**	**12.574**	**37.524**	**(39.105)**	**9.441**	**(41.152)**	**13.650**	**20.963**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(1.800)	(142.315)	(11.217)	(12.274)	(53.338)	(132.322)	(26.149)	(76.980)	(67.560)	-
- Short positions	34.900	267.571	57.245	24.366	88.841	89.915	31.269	48.620	55.791	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(36.398)	(413)	-	-	-	(433)	(667)	(6.604)	(5.509)	-
- Short positions	134.507	-	-	76	154	299	560	4.047	2.467	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(11.000)	-	-	-	-	-	-	-	-
- Short positions	11.000	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	(127)	-	(31.167)	-	-
- Short positions	31.294	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	9.645	90	28	406	1.867	3.563	4.428	20.932	28.461	20.963

Currency of denomination: Swiss Franc										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**8.562**	**5.961**	**3.973**	**3.562**	**10.402**	**321**	**56**	**19.235**	**3.080**	**-**
A.1 Government securities	-	-	-	-	-	-	-	18.576	1.007	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	8.562	5.961	3.973	3.562	10.402	321	56	659	2.073	-
- Banks	4.705	2.879	2.550	-	-	-	-	-	-	-
- Customers	3.857	3.082	1.423	3.562	10.402	321	56	659	2.073	-
Cash liabilities	**23.008**	**-**	**-**	**24.704**	**97**	**467**	**958**	**-**	**-**	**-**
B.1 Deposits and current accounts	23.001	-	-	24.704	97	467	958	-	-	-
- Banks	3	-	-	24.704	-	-	-	-	-	-
- Customers	22.998	-	-	-	97	467	958	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	7	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**217**	**(1.324)**	**-**	**(1.070)**	**(823)**	**205**	**15**	**-**	**-**	**(763)**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(1.503)	-	(1.070)	(1.721)	(420)	(1.705)	(4)	-	-
- Short positions	-	179	-	-	898	625	1.720	4	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(47)	-	-	-	-	-	-	-	-	-
- Short positions	10	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	(763)
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	254	-	-	-	-	-	-	-	-	-

Currency of denomination: US Dollar										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**26.264**	**3.191**	**2.342**	**17.768**	**10.065**	**1.168**	**73**	**606**	**-**	**885**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	26	-	24	1	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	26.264	3.191	2.342	17.768	10.039	1.168	49	605	-	885
- Banks	18.307	-	-	12.905	-	-	-	-	-	570
- Customers	7.957	3.191	2.342	4.863	10.039	1.168	49	605	-	315
Cash liabilities	**128.572**	**-**	**-**	**553**	**4.050**	**5.752**	**59.288**	**-**	**-**	**605**
B.1 Deposits and current accounts	127.271	-	-	553	4.050	5.752	59.288	-	-	605
- Banks	3.536	-	-	-	-	-	-	-	-	-
- Customers	123.735	-	-	553	4.050	5.752	59.288	-	-	605
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1.301	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**1.371**	**(79.264)**	**(45.978)**	**(7.873)**	**(34.284)**	**2.167**	**(8.932)**	**153**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(119.905)	(57.278)	(19.564)	(108.929)	(23.676)	(23.972)	(1.991)	(743)	-
- Short positions	-	40.826	11.300	11.691	74.645	25.843	15.040	2.144	743	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(687)	-	-	-	-	-	-	-	-	-
- Short positions	1.382	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(185)	-	-	-	-	-	-	-	-
- Short positions	185	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	491	-	-	-	-	-	-	-	-	-

Currency of denomination: Japanese Yen										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**1.089**	**1.239**	**1.749**	**473**	**1.729**	**233**	**6**	**746**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	1.089	1.239	1.749	473	1.729	233	6	746	-	-
- Banks	638	499	399	-	-	-	-	-	-	-
- Customers	451	740	1.350	473	1.729	233	6	746	-	-
Cash liabilities	**658**	**-**	**-**	**-**	**-**	**-**	**92**	**-**	**-**	**-**
B.1 Deposits and current accounts	600	-	-	-	-	-	92	-	-	-
- Banks	1	-	-	-	-	-	-	-	-	-
- Customers	599	-	-	-	-	-	92	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	58	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(94)**	**9.635**	**1.796**	**(3.009)**	**672**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(11.434)	-	(3.009)	(361)	(1.523)	(1.120)	(40)	-	-
- Short positions	-	21.069	1.796	-	1.033	1.523	1.120	40	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(105)	-	-	-	-	-	-	-	-	-
- Short positions	11	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Australian Dollar										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**2.464**	**-**	**709**	**1.167**	**1.023**	**-**	**-**	**2**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	2	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	2.464	-	709	1.167	1.023	-	-	-	-	-
- Banks	2.209	-	-	-	-	-	-	-	-	-
- Customers	255	-	709	1.167	1.023	-	-	-	-	-
Cash liabilities	**7.690**	**865**	**-**	**-**	**656**	**-**	**1.475**	**-**	**-**	**-**
B.1 Deposits and current accounts	7.661	865	-	-	656	-	1.475	-	-	-
- Banks	2.096	865	-	-	-	-	-	-	-	-
- Customers	5.565	-	-	-	656	-	1.475	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	29	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**1.389**	**(11.721)**	**-**	**-**	**(19)**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(12.205)	-	-	(64)	-	-	(4)	(2)	-
- Short positions	-	1.349	-	-	45	-	-	4	2	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(80)	-	-	-	-	-	-	-	-	-
- Short positions	604	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(865)	-	-	-	-	-	-	-	-
- Short positions	865	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Canadian Dollar										
Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**748**	**-**	**10**	**206**	**228**	**-**	**-**	**36**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	29	-	-	36	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	748	-	10	206	199	-	-	-	-	-
- Banks	748	-	-	-	-	-	-	-	-	-
- Customers	-	-	10	206	199	-	-	-	-	-
Cash liabilities	**734**	**-**	**-**	**-**	**41**	**-**	**333**	**-**	**-**	**-**
B.1 Deposits and current accounts	734	-	-	-	41	-	333	-	-	-
- Banks	2	-	-	-	-	-	-	-	-	-
- Customers	732	-	-	-	41	-	333	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(1)**	**861**	**1**	**-**	**76**	**(75)**	**-**	**12**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(3.672)	(268)	-	-	(166)	(1.454)	(4)	-	-
- Short positions	-	4.533	269	-	76	91	1.454	16	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(20)	-	-	-	-	-	-	-	-	-
- Short positions	19	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: other currencies										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**14.213**	**180**	**-**	**107**	**623**	**1.163**	**-**	**1**	**-**	**114**
A.1 Government securities	-	-	-	-	-	-	-	1	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	14.213	180	-	107	623	1.163	-	-	-	114
- Banks	12.560	180	-	-	-	1	-	-	-	-
- Customers	1.653	-	-	107	623	1.162	-	-	-	114
Cash liabilities	**9.797**	**-**	**-**	**235**	**2.614**	**519**	**360**	**56**	**-**	**-**
B.1 Deposits and current accounts	9.553	-	-	235	2.614	519	360	-	-	-
- Banks	1.088	-	-	143	1.711	-	-	-	-	-
- Customers	8.465	-	-	92	903	519	360	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	244	-	-	-	-	-	-	56	-	-
Off balance sheet transactions	**(4)**	**(3.670)**	**(1.941)**	**61**	**(1.945)**	**(745)**	**-**	**1**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(27.477)	(1.941)	(1.076)	(5.578)	(747)	(659)	(8.492)	(3)	-
- Short positions	-	23.807	-	1.137	3.633	2	659	8.493	3	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(19)	-	-	-	-	-	-	-	-	-
- Short positions	15	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

1.4 Banking group - Operational risks

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring operational risk

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes. Operational risk includes legal risk, but does not include strategic and reputational risks.

Banca Sella Holding performs a function of management and coordination for the control of exposure to the risks assumed by the Banca Sella Group companies in carrying on their ordinary and extraordinary business, delegating the operational aspects to the Risk Management and Audit Service. This service has the responsibility to measure, monitor and manage the Group's exposure to the risks indicated under the First and Second Pillars of Basel 2, continuously improving the instruments and methods for assessing quantitative and qualitative risk exposure aspects.

The operational risk measurement, management and control systems adopted by the Banca Sella Group can be summed up in the operational risk management framework, which is made up of:

- operating loss quantitative data collection and income statement (net interest income);
- mitigation and control organizational structures;
- operational risk exposure assessment;
- output and tools to assist in managing operational risk.

The data collection activity allows collecting the necessary information to assess the operational risk exposure of the Group as a whole and individual Companies. In addition, the data collection activity allows to promptly inform the Risk Management and Audit Service about operational risks taking place inside the Group and the respective operating loss, in order to take remedial action. The operational risk detection instruments include:

- the computer applications for the collection of operating losses (Anomaly Detection procedure to support the "Control Cycle");
- the Risk Self Assessment (RSA) is a qualitative and quantitative analysis for operational risk exposure, whose added value consists of estimating the Group's expected and unexpected losses (quantification of possible risk events both in terms of economic impact and frequency of occurrence) attributed to the various corporate processes mapped and validated at the Group's Company;
- operating risk loss data from external sources (DIPO - Italian Operational Loss Database, joined by the Banca Sella Group)[3];
- the factors of the operating context and the internal control system, that is specific KPIs *(Key Performance Indicators*) or KRIs (*Key Risk Indicators*) that reflect improvement or worsening of the bank/group's risk profile following actions taken or reinforcement of controls (e.g.: service level indicators, anomalies and inspection findings, process ratings and business growth). These factors are part of the calculation of the Internal Operational Risk Rating[4].

[3] *DIPO information also allow comparing internal operating loss data and system operating loss data (DIPO - Italian Operational Loss Database).*

[4] The "*internal operational risk rating*" is a summary indicator calculated internally and ordered into discrete risk classes in increasing order from 1 to 5 (where 5 is the maximum value) that make it possible to represent the operational risk exposure of a given Service, Area or Group company.

The Control Cycle is an internal process that has been effectively adopted by the entire Group for several years for the processing of anomalies and removing the effects and the causes that generated them. This process, through the use of a specific software application, presides over the work of surveying, monitoring and managing all the anomalous events that occur in all the Group companies, so as to facilitate the consequent follow-up activities.

The beforehand and after the fact organisational protections, established to mitigate and control operational risk, make it possible to monitor and limit the occurrence of operational risk events and their associated losses. In fact, effective organisational protections allow for timely identification of any inefficiencies and the establishment of appropriate mitigation strategies.

Among the main organisational supervisory items adopted by the Banca Sella Group to mitigate and control operating risk, in addition to the above-mentioned Control Cycle process, are activities of mapping and validating company processes, certifying and reporting service levels and line controls, and controls by means of the so-called "alarm bells" (automatic processing in order to detect and/or prevent any internal and/or external anomalies).

In the context of company process validation, each process is “assigned” a rating of the operational risk inherent in a process (which assesses the risk factors on the process without taking into account the mitigating effect of existing audits) and a rating of the residual operational risk of the process (obtained by assessing the mitigating effect of audits of the inherent risks). The risk ratings are measured on a discrete scale with values from 1 (minimum risk) to 5 (maximum risk). Particular attention is paid to correspondence between the operational map and the reality of the underlying process.

The introduction of new processes or the modification of existing processes with a residual operational risk rating equal to or higher than 4, is previously examined and assessed by the Operational Risk Committee.

With a view to pursuing the continuous improvement of the Group’s capacity to intercept symptoms of process vulnerability in advance and have an immediate perception of the areas most greatly exposed to risks, in 2011 a reorganisation project was continued involving business processes with an “end-to-end"[5] approach. This project involves processes being regrouped into macro-processes and then into macro-classes. An operating risk rating will also be assigned, not only to the individual process but also to the higher levels of regrouping, with a view to providing an overview of the areas of intervention under the scope of the entire process chain and planning action to reduce comprehensive exposure to operating risk.

Further operational risk mitigation support is provided by the “Operational Control” division of the Consortium Company aimed at mitigating risks through second level operational controls on the “administrative service” area of the Company itself and centralized first level controls and outsourced second level controls for the Group Companies. The work performed by this service, formalized in outsourcing contracts and provided with service levels, consist of systematic and sample checks aimed at mitigating operational risks. In particular, we mention the control carried out through so-called “warning signals”, that is to say automatic processing on a number of areas (such as: company data and authorizations; personal credit and loans; flows; credit cards; operativity of financial advisors) with the purpose to identify and prevent any internal and/or external anomalies.

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organization, in accordance with the legislation which states that timely information must

[5] *The process is defined as end-to-end when it is set up in such a way as to form a "value flow" in complete logic of satisfying the intended purposes of the customer, whether internal or external, starting from the request and running through to delivery of the service.*

be provided on the subject of operational risks. The Control Cycle provides the information basis which, at the occurrence of the anomaly and according to a precise escalation, generates and sends communication flows to the parties concerned.

In addition, in order to ensure proactive management of operational risk, the Risk Management and Audit Service produces regular summary and detailed statements which show for each Group company the degree of risk assumed in relation to:

- prejudicial events and operating losses reported in the Control Cycle database, highlighting the most serious anomalies
- the outcome of line audits;
- the trend in service levels;
- the "internal operational risk rating" (R.I.R.O) on the basis of an analysis of some KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).

This evidence is disclosed, at different levels of details and according to severity, to the managers overseeing risks, the CEOs, appointed committees and corporate bodies.

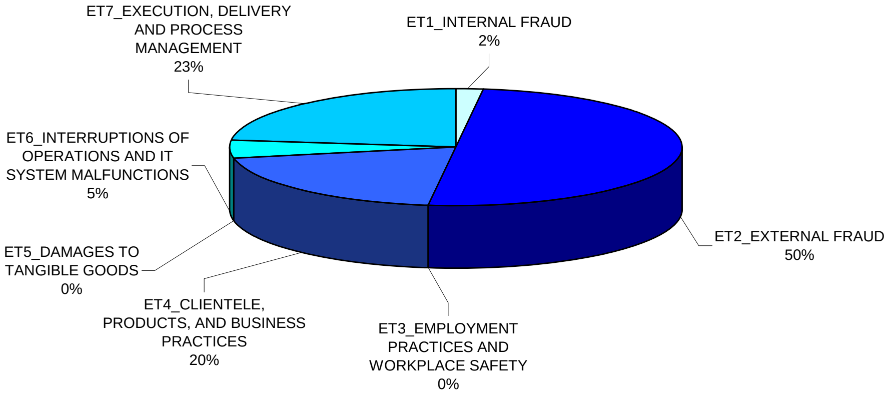
With regards to the pending legal issues, we would point out that there are no individual disputes of any particularly relevant amount. There are, instead, several cases, particularly concerning investment services, for which the assessment process of the risk of adverse judgement has resulted in the determination of an allocation. In this regard, please refer to "Part B – Information on the liabilities – Section 12 "Provisions for risks and charges".

For the purposes of calculation of the capital requirement to cover exposure to operational risk, the Banca Sella Group uses the Basic Indicator Approach (BIA). In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net interest and other banking income available a regulatory ratio of 15%.

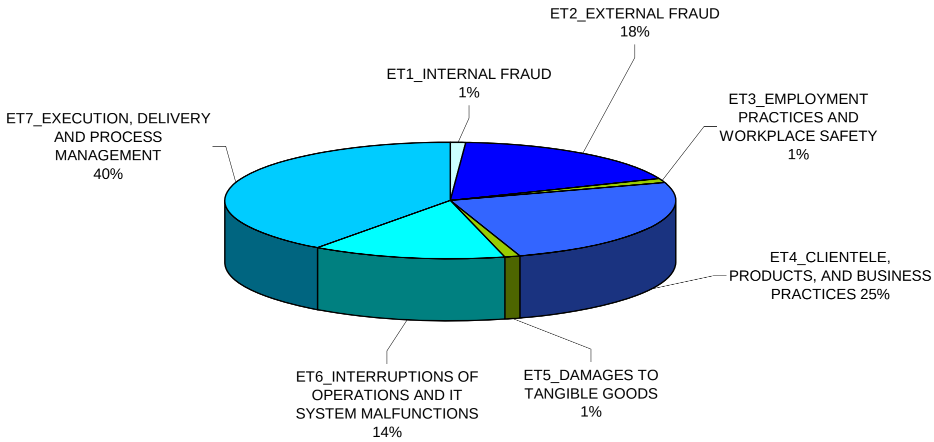
QUANTITATIVE INFORMATION

The graphs below, resulting from the processing of the information contained in the Loss Data Collection of the Group, illustrate the data of operating loss relevant to the period 01/01/2011 13/12/2012 classified by type of event according to Basel 2 and subdivided in terms of impact and frequency.

Banca Sella Group
breakdown of gross losses



Banca Sella Group
composition frequency



» SECTION 2 - INSURANCE COMPANY RISKS

The Banca Sella Group holds a majority interest in two Insurance Companies located in Ireland and Italy and specialised in terms of their products and clientèle. The first is aimed at *private* customers and offers products aimed mainly at meeting needs to diversify investments, while the second, which focusses on a diversified audience of customers, offers a complete product line, hence, with the presence of risks connected to human life expectancy.

Sella Life Ltd.

The insurance activities of Sella Life deal exclusively with Class III of Life Business, and in particular "Linked" products. Due to their nature, these products do not have a financial risk for the Company in that said risk is completely transferred to the policy holder.

The insurance cover provided by the company for the products that it sells amounts to at most 101% of the value of the policy and therefore the risk of mortality is covered by the company's own funds.

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

CBA Vita mainly operates in the life insurance field and, to a very small extent, in the accident and health insurance fields.

The main risks assumed by the company in the course of its activities are described below, as well as the acceptance and management of such risks.

Mortality Risk

Mortality risk is the risk of the unfavourable trend recorded in the actual loss ratio compared with the trend estimated when the policy premium was calculated.

CBA Vita has a diversified risk assumption policy depending on the type of premium. Special attention is paid when opening temporary polices payable on death, for which the existing procedures envisage precise methods based on the amount of capital being insured and the age of the insured individual, within pre-established limits on age and capital.

CBA Vita provides life-insurance reinsurance cover that is commensurate with the products marketed and the conservation levels that are more than appropriate for company equity (in compliance with the general directive issued by the Board of Directors in accordance with the provisions of ISVAP memorandum no. 574/D of 2005.

The quality of these assumptions can be seen by comparing the effective mortality of the portfolio with theoretical mortality for the same, which shows in 2011 effective mortality inferior to theoretical mortality.

Morbidity risk

Morbidity risk is the risk of the unfavourable trend recorded in the actual morbidity ratio compared with the trend estimated when the policy premium is calculated and new invalidating pathologies arise.

CBA Vita has a diversified risk assumption policy depending on the type of premium. Particular attention is paid when accepting temporary life-insurance policies for which the procedures adopted require precise acceptance criteria.

CBA Vita sets aside a part of the premium collected to face up to the worsening of the risk associated with the ageing of policyholders in order to cope with the obligations deriving from insurance activities (set-up of ageing reserve).

CBA Vita provides an insurance cover that is commensurate with the products marketed and conservation levels that are more than adequate for the Company’s capital structure (in compliance with the framework directive adopted by the Board of Directors in accordance with the provisions of ISVAP memorandum no. 574/D of 2005).

Longevity Risk

Longevity risk is the risk due to the trend of increasing life expectancy on life insurance policies which directly provide an income or, when they mature, permit customers to opt for an annuity instead of cashing in the accrued capital with pre-set conversion ratios.

Some life insurance policies directly provide income or, when they mature, permit customers to opt for an annuity instead of cashing in the accrued capital with pre-set conversion ratios. For these contract, the Company is hence exposed to longevity risk, due to the trend which of a progressive extension in human life. This risk has been limited in new capital contracts with income options for some years now, as the calculation of the conversion coefficient is postponed to the time at which the option is exercised.

For existing portfolio contracts, with guaranteed income coefficients calculated non-updated demographic foundations, reserves have been appropriately added to.

Financial Risk

Market risk relates to unexpected variations in market factors such as interest rates, exchange rates and share prices that may cause fluctuations in the value of a position held in the Company's portfolio and the investments allocated to insurance products.

CBA Vita sells, among other things, products with performance that can be revalued on the basis of the performance obtained by their own Separate Management, with a guaranteed minimum.

Hence, the Company is exposes to the risk of obtaining, from the underlying investments, profits inferior to those guaranteed to the insured parties.

The risk connected with these policies is periodically monitored and assessed in order to ensure optimum allocation of financial resources in terms of ALM (Asset Liability Management).

In order to cover the risk of a possible disparity between the expected yield rates from the investments hedging the separately managed technical reserves and the undertakings given the mathematical reserves of the company have been increased by 1,698 million in compliance with regulation Isvap regulation no. 21 of 28 March 2008.

The Liability Adequacy Test is conducted using the modelling that has already been set up for the analysis specified in regulation 21 with an extension of the assessments to the contractual maturity of the portfolio It has shown that the additional mathematical reserves calculated using local principles are adequate.

Lastly, financial risks include a limited number of index policies that were taken out in past years, where customer risk is borne by the company.

In the context of CBA Vita's company portfolio, management and control of market risk is governed by internal regulations that establish the rules by which the company can expose itself to this type of risk.

The average duration of the Banca Sella Group trading book at 31 December 2011 is equal to 1,50 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately -2,58 million euro (1,50% of the portfolio).

Reinsurance risk

As a general rule, the reinsurers with which CBA Vita works must meet quality, commitment and solvency requirements.

In particular, the selection criteria for reinsurance partners imply the choice of high-rated reinsurers and a continuous monitoring of the total exposure for individual reinsurers, grouped by consistent rating classes.

The Risk Management service ensures that the company’s exposure to individual reinsurers complies with the following limits, established by the Board of Directors:

- 75% of the total exposure or 10 millions for reinsurers with an A or higher rating;
- 25% of the total exposure or 3 millions for reinsurers whose rating is lower than A.

The following table indicates the Group's exposure to reinsurers at 31 December 2010 and their relative rating class:

RIASSICURATORE	Rating Mody's	Rating S&P	Rating Fitch	Esposizione al 31/12/2011 (euro)	Esposizione al 31/12/2011 (% su totale)	Esposizione massima (euro)
Swiss Reinsurance Company	A1	AA-	NR	433.871	8,56%	10.000.000
Score Global Life (rating capogruppo Scor SE)	A2	A	A	984.883	19,43%	10.000.000
Hannover A.G.		AA-	A+	859.484	16,95%	10.000.000
Cardiff (rating capogruppo BNP Paribas)	Aa3	AA-	A+	2.791.303	55,06%	10.000.000
Totale				**5.069.541**	**100%**	

» SECTION 3 - OTHER COMPANIES RISKS

This type of business does not exist within the Banca Sella Group.

PART F INFORMATION ON CONSOLIDATED CAPITAL

As required by Bank of Italy Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it, Investor Relations section.

» SECTION 1 - CONSOLIDATED CAPITAL

A. QUALITATIVE INFORMATION

In the light of its strategic development lines and objectives, the Group has adopted the measures necessary to guarantee adequate capital requirements.

An initial audit is performed during preparation of the Group's three year strategic plan, comparing the growth trends of activities that affect the magnitude of risks with the expected evolution of the capital structure. Respect for capital adequacy is obtained via:

- pay out policies;
- issues of subordinated bonds.

As of 31 December 2011, the excess Regulatory Capital with respect to the compulsory levels is of an amount in line with the risk profile adopted by the Group, permitting development in keeping with the expected growth targets.

B. QUANTITATIVE INFORMATION

B.1 Consolidated equity: breakdown by type of company

	Banking group	Insurance companies	Other companies	Consolidation Eliminations and adjustments	Total
Capital	564.005	61.301	-	(469.875)	155.431
Share premiums	399.157	-	-	(300.428)	98.729
Reserves	488.186	8.391	-	(53.572)	443.005
Equity instruments	-	-	-	-	-
(Treasury shares)	-	-	-	-	-
Valuation reserves:	(21.458)	(15.892)	-	(511)	(37.861)
- Financial assets available for sale	(29.951)	(15.688)	-	(511)	(46.150)
- Actuarial profits (losses) on defined benefit pension plans	2.556	(7)	-	-	2.549
- Quote of valuation reserves for minority equity interests accounted with equity method	-	(197)	-	-	(197)
- Special revaluation laws	5.937	-	-	-	5.937
Profit (loss) for the year (+/-) of the group and of third parties	5.547	(8.438)	-	20.171	17.280
Shareholders' equity	**1.435.437**	**45.362**	**-**	**(804.215)**	**676.584**

B.2 Valuation reserves of financial assets available for sale: breakdown

Asset/Amount	Banking group		Insurance companies		Other companies		Consolidation Eliminations and adjustments		Total	
	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.
1. Debt securities	-	30.157	36	15.724	-	-	-	511	36	46.392
2. Equity securities	211	-	-	-	-	-	-	-	211	-
3. UCITS units	-	5	-	-	-	-	-	-	-	5
4. Loans and advances	-	-	-	-	-	-	-	-	-	-
31/12/2011	**211**	**30.162**	**36**	**15.724**	**-**	**-**	**-**	**511**	**247**	**46.397**
31/12/2010	**3.611**	**9.593**	**-**	**11.318**	**-**	**-**	**-**	**(16)**	**3.611**	**20.895**

B.3 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**(20.890)**	**3.611**	**(5)**	**-**
2. Increases	**25.167**	**-**	**-**	**-**
2.1 Increases in fair value	9.470	-	-	-
2.2 Reversal to income statement of negative reserves	11.962	-	-	-
- following impairment	10.877	-	-	-
- following realization	1.085	-	-	-
2.3 Other changes	3.735	-	-	-
3. Decreases	**50.633**	**3.400**	**-**	**-**
3.1 Reductions in fair value	50.581	1.304	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	52	2.096	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**(46.356)**	**211**	**(5)**	**-**

» SECTION 2 - BANK REGULATORY CAPITAL AND CAPITAL RATIOS

2.1 Scope of application of the regulation

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

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

2.2 Bank regulatory capital

A. QUALITATIVE INFORMATION

1. Tier 1 capital

This comprises:

- Share capital
- Share premiums
- Capital reserves
- Profit for the period

net of intangible fixed assets and negative valuation reserves on securities available for sale and 50% of equity investments in credit, financial and insurance institutions equal to or greater than 10% of the company in which the interest is held.

2. Tier 2 and Tier 3 capital

This comprises:

- Positive valuation reserves of tangible assets
- Hybrid capital instruments
- Subordinated liabilities

net of intangible fixed assets and negative valuation reserves on securities available for sale and 50% of equity investments in credit, financial and insurance institutions equal to or greater than 10% of the company in which the interest is held.

Issuer	Interest rate	Interest type	Issue date	Maturity date	Currency	Original amount *(euro thousand)*	Contribution to regulatory capital *(euro thousand)*
Banca Sella Holding S.p.A.	2,05%	variable	16-Sep-02	16-Mar-13	Euro	50.000	49.993
Banca Sella Holding S.p.A.	1,95%	variable	01-Sep-03	01-Sep-14	Euro	24.612	24.068
Banca Sella Holding S.p.A.	2,10%	variable	15-Jul-04	15-Jul-15	Euro	18.560	17.681
Banca Sella S.p.A.	2,58%	variable	03-Jun-09	03-Jun-19	Euro	850	850
Banca Sella S.p.A.	2,37%	variable	15-Jul-09	15-Jul-19	Euro	438	438
Banca Sella S.p.A.	2,17%	variable	10-Sep-09	10-Dec-19	Euro	10.000	9.163
Banca Sella S.p.A.	4,10%	fixed	15-Oct-09	15-Jan-20	Euro	5.000	4.379
Banca Sella S.p.A.	4,10%	fixed	26-Oct-09	26-Jan-20	Euro	5.000	4.641
Banca Sella S.p.A.	4,10%	fixed	29-Oct-09	29-Jan-20	Euro	10.000	8.693
Banca Sella S.p.A.	4,00%	fixed	16-Dec-09	16-Mar-20	Euro	5.000	4.770
Banca Sella S.p.A.	4,10%	fixed	23-Nov-09	23-Feb-20	Euro	5.000	4.687
Banca Sella S.p.A.	2,18%	variable	04-Sep-09	04-Dec-19	Euro	2.500	1.799
Banca Sella S.p.A.	4,075%	fixed	04-Sep-09	04-Dec-19	Euro	1.000	969
Banca Sella S.p.A.	4,10%	fixed	26-Oct-09	26-Jan-20	Euro	2.500	2.465
Banca Sella S.p.A.	4,10%	fixed	05-Oct-09	05-Jan-20	Euro	2.500	2.319
Banca Sella S.p.A.	2,29%	variable	31-Jul-09	31-Jul-19	Euro	701	701
Banca Sella Nordest Bovio Calderari S.p.A.	2,13%	variable	16-Sep-09	16-Dec-19	Euro	930	680
Total hybrid instruments (Upper Tier II)							**138.296**
Banca Sella Holding S.p.A.	2,576%	variable	15-Dec-04	15-Dec-14	Euro	30.000	30.000
Banca Sella Holding S.p.A.	2,574%	variable	28-Nov-06	28-Nov-16	Euro	50.000	50.000
Banca Sella Holding S.p.A.	1,818%	variable	21-Jun-07	21-Jun-17	Euro	10.000	750
Banca Sella Holding S.p.A.	2,210%	variable	27-Dec-07	27-Dec-17	Euro	30.000	15.500
Banca Sella Holding S.p.A.	1,77%	variable	6-Jun-08	6-Jun-14	Euro	8.340	5.700
Banca Sella S.p.A.	2,37%	variable	15-Jul-09	15-Jul-19	Euro	1.692	1.441
Banca Sella S.p.A.	4,65%	fixed	15-Mar-11	15-Mar-21	Euro	10.000	9.689
Banca Sella S.p.A.	2,58%	variable	3-Jun-09	3-Jun-19	Euro	3.450	2.000
Banca Sella S.p.A. (*)	2,06%	variable	4-Jan-06	4-Jan-13	Euro	40.000	0
Banca Sella S.p.A.	1,72%	variable	24-Jun-08	24-Jun-14	Euro	30.000	22.575
Banca Sella S.p.A.	1,75%	variable	30-Sep-08	30-Sep-16	Euro	30.000	17.901
Banca Sella S.p.A.	2,23%	variable	16-Mar-09	16-Mar-15	Euro	16.000	13.409
Banca Sella S.p.A.	3,45%	fixed	18-Feb-09	18-Feb-15	Euro	8.000	7.680
Banca Sella S.p.A.	4,30%	fixed	15-Jun-11	15-Jun-18	Euro	8.267	7.992
Banca Sella S.p.A.	2,50%	variable	20-Oct-10	20-Oct-17	Euro	5.000	4.500
Banca Sella S.p.A.	5,10%	fixed	11-Nov-11	11-Nov-17	Euro	9.801	9.800
Banca Sella S.p.A.	4,55%	fixed	25-May-09	25-May-19	Euro	1.000	950
Banca Sella S.p.A.	5,30%	fixed	16-Jul-08	16-Jul-15	Euro	8.000	6.732
Banca Sella S.p.A.	4,90%	fixed	22-Sep-08	22-Sep-14	Euro	6.000	5.792
Banca Sella S.p.A.	4,00%	fixed	15-Dec-08	15-Dec-14	Euro	1.500	1.389
Banca Sella S.p.A.	4,00%	fixed	12-Jan-09	12-Jan-15	Euro	2.000	1.748
Banca Sella S.p.A.	3,50%	fixed	24-Feb-09	24-Feb-15	Euro	2.000	1.774
Banca Sella S.p.A.	3,90%	fixed	6-Feb-09	6-Feb-15	Euro	2.000	1.693
Banca Sella S.p.A.	3,50%	fixed	21-May-09	21-May-16	Euro	5.000	4.730
Banca Sella S.p.A.	2,29%	variable	31-Jul-09	31-Jul-19	Euro	1.799	530
Banca Sella S.p.A.	2,95%	fixed	12-Oct-10	12-Oct-17	Euro	2.500	2.416
Banca Sella S.p.A.	3,15%	fixed	22-Oct-10	12-Oct-17	Euro	2.500	2.454
Banca Sella S.p.A.	3,70%	fixed	14-Jan-11	14-Jan-17	Euro	10.000	9.843
Banca Sella S.p.A.	5,75%	fixed	12-Dec-11	12-Dec-17	Euro	20.000	20.000
Banca Sella S.p.A.	5,60%	fixed	30-Dec-11	30-Dec-17	Euro	1.862	1.862
Banca Sella Nordest Bovio Calderari S.p.A.	2,37%	variable	15-Jul-09	15-Jul-19	Euro	210	190
Banca Sella Nordest Bovio Calderari S.p.A. (*)	1,967%	variable	23-Nov-06	23-Nov-12	Euro	1.500	0
Banca Sella Nordest Bovio Calderari S.p.A.	1,97%	variable	27-Jun-08	27-Jun-14	Euro	6.000	5.307
Banca Sella Nordest Bovio Calderari S.p.A.	2,18%	variable	27-Oct-08	27-Oct-14	Euro	4.500	3.614
Banca Sella Nordest Bovio Calderari S.p.A.	2,55%	variable	5-Mar-09	5-Mar-15	Euro	4.800	3.901
Banca Sella Nordest Bovio Calderari S.p.A.	5,20%	fixed	25-Oct-11	25-Oct-17	Euro	2.280	2.280
Total eligible subordinated (Lower Tier II)							**276.142**
Total							**414.438**

(*) Subscribed by other Group companies and hence not ascibable to Group regulatory capital.

Hybrid instruments (Upper Tier 2)

The Upper Tier 2 subordinated loans comply with Bank of Italy requisites to be counted among the components of "Regulatory Capital". In particular:

- they are not subject to advance redemption clauses;
- redemption on maturity is conditional on previously obtaining consent from the Bank of Italy;
- where there are accounting losses which lead to a reduction of paid-in capital and reserves below the minimum level of capital required for authorisation for the banking business, the

amounts originating from the above-mentioned liabilities and accrued interest can be used to cover the losses, in order to permit the issuing entity to continue its business;
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off.

Lower Tier 2 subordinated liabilities

The subordinated liabilities as above comply with the requisites set out by the Bank of Italy to be counted among the components of “Regulatory Capital”. In particular:
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off;
- there are no advance redemption clauses save at the initiative of the Bank subject to consent from the Bank of Italy.

Lower Tier 3 subordinated liabilities

These bond loans comply with the requisites set out by the Bank of Italy for deductibility of capital requirements to cover market risks. In particular:
- payment of interest and principal is suspended to the extent that the capital requirement of the issuing entity falls below the capital requirement laid down in the “Bank of Italy Supervisory Instructions”;
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off;
- the original term is not less than two years.

B. QUANTITATIVE INFORMATION

	Total 2011	Total 2010
A. Tier 1 capital before application of prudential filters	**644.942**	**614.827**
B. Tier 1 capital prudential filters:	(2.950)	(653)
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(2.950)	(653)
C. Tier 1 capital including ineligible items (A + B)	**641.992**	**614.174**
D. Tier 1 capital ineligible items	19.879	10.695
E. Total Tier 1 capital (C - D)	**622.113**	**603.479**
F. Tier 2 capital before the application of prudential filters	**420.582**	**410.470**
G. Tier 2 capital prudential filters	(119)	(1.806)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(119)	(1.806)
H. Tier 2 capital including ineligible items (F + G)	**420.463**	**408.664**
I. Tier 2 capital ineligible items	19.879	10.695
L. Total Tier 2 capital (H - I)	**400.584**	**397.969**
M. Total Tier 1 and 2 capital ineligible items	31.625	37.913
N. Regulatory capital (E + L - M)	**991.072**	**963.535**
O. Tier 3 capital	-	11.242
P. Regulatory capital including Tier 3 (N + O)	**991.072**	**974.777**

The Tier 1 capital does not include financial instruments increasing the capital other than ordinary shares. Consequently, the Group's Tier 1 also represents its Core Tier 1.

With reference to the 18th May 2010 initiative by the Bank of Italy "Regulatory Capital - prudential filters," the Group opted (with the aim of rendering regulatory capital less volatile in a highly volatile market) for the complete neutralization, for the purposes of calculating Regulatory Capital, of both capital gains and losses in regards to debt securities held in the "Assets available for sale" portfolio and limited neutralization for securities issued by the central public entities of countries belonging to the European Union included in said portfolios.

In 2010, the negative component of goodwill, which is part of the calculation of Tier 1 capital, included goodwill in reference to the interest in Banca Monte Parma, which was classified under assets held for sale and was sold during the course of financial year 2011, as explained in the Report on Operations in these Financial Statements.

In 2011, nominative UCITS units at the companies of Sella Gestioni Group and Banca Sella Holding were included in the items "elements to be deducted from Tier 1 capital" and "elements to be deducted from Tier 2 capital". The period of comparison was adapted accordingly.

Changes from 2010 also include the effects of IAS 8 regarding actuarial reserves relative to the severance indemnity provision. (for further details, please refer to Part A - Accounting Policies).

This adjustment also influenced calculation of the capital requirements indicated in the table below.

The negative component in relation to goodwill, which is included in the calculation of the Tier 1 capital, has also included goodwill in relation to the investment in Banca Monte Parma, which, during the period, was classified amongst assets held for disposal.

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

In financial year 2009 the “New capital adequacy rules for Banks” (Bank of Italy Circular No. 263 of 27 December 2006) came into effect, incorporating the regulations on the subject of international Convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the Group must represent at least 8% of total weighted assets (total capital ratio) deriving from the typical risks of the banking and financial business (credit, counterparty, market and operational risks), weighted on the basis of regulatory segmentation of the counterparty debtors and taking account of credit risk mitigation techniques.

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the company exhibits a ratio between Tier 1 capital and risk weighted assets of 7,51% and a ratio between total regulatory capital and risk weighted assets of 11,96%, well above the minimum requirement of 8%.

Periodically, patrimonial adequacy and respect for requested requisites is monitored by the Asset and Liability Management Committee.

B. QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
A. RISK ASSETS				
A.1 Credit and counterparty risk	**11.417.732**	**15.947.684**	**7.146.754**	**7.211.184**
1. Standardized approach	11.415.129	15.944.816	7.145.873	7.210.215
2. Internal rating based approach				
2.1 Basic				
2.2 Advanced				
3. Securitizations	2.603	2.868	881	969
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	x	x	**571.740**	**576.895**
B.2 Markets risks			**9.589**	**15.745**
1. Standardized approach	x	x	9.589	15.745
2. Internal models	x	x		
B.3 Operational risk			**81.832**	**79.117**
1. Basic approach	x	x	81.832	79.117
2. Standardized approach	x	x		
3. Advanced approach	x	x	-	-
B.4 Other capital requirements	x	x	-	-
B.5 TOTAL CAPITAL REQUIREMENTS (B1+B2+B3+B4)	x	x	**662.711**	**671.757**
C. RISK ASSETS AND CAPITAL RATIOS	x	x		
C.1 Risk weighted assets	x	x	8.283.892	8.396.959
C.2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	x	x	7,51%	7,19%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	x	x	11,96%	11,61%

» SECTION 3 - INSURANCE REGULATORY CAPITAL AND CAPITAL RATIOS

The solvency margin, calculated in accordance with the law, amounted to 34,350 million euro for life insurance. For non-life insurance, the solvency margin amounted to 2,3 million euro, equal to the minimum guarantee fund envisaged under article 46 of Legislative Decree 209 of 17 September 2005 and under articles 5 and 11 of Isvap Regulation no. 19 of 14 March 2008, adjusted according to the instructions of Isvap provision no. 2768 of 29/12/2009. These amounts are fully hedged by the Company's equity with an excess of 5,280 million euro for life insurance and Capitalisation and 1,913 million euro for non-life insurance.

SOLVENCY MARGIN

At 31 December the solvency margin to be set up, the guarantee fund and the total components of the margin itself, separately for non-life and life insurance items, consisted of the following amounts:

Solvency margin	
(euro thousands)	**31/12/2011**
Life insurance	
Solvency margin to be set up	34.350
Guarantee fund	11.450
Margin components	39.630
Non-life	
Solvency margin to be set up	2.300
Guarantee fund	2.300
Margin components	4.213

At the end of the financial year life-insurance solvency margin components amounted to 39,630 million euro against an amount to be set up of 34,350 million; non-life solvency margin components amounted to 4,213 million euro against an amount to be set up of 2,300 million.

ADJUSTED SOLVENCY

Verification of adjusted solvency at 31 December 2010, envisaged under article 217 of Legislative Decree 209/2005 and implemented according to the provisions of Isvap regulation no. 18 of 12 March 2008, showed the following situation:

Adjusted solvency	
(euro thousands)	**31/12/2011**
Required amount for adjusted solvency margin	41.865
Total components	37.521
Excess	-4.344

The adjusted solvency margin benefits from the provisions introduced by Isvap Regulation no. 37 of 16 March 2011, which allows the inclusion of a greater amount equal to 3,105 million euro among the total components.

Insufficiency of the adjusted solvency margin totalled 4,344 million euro at the end of financial year 2010. The extraordinary shareholders' meeting of 22 February 2011 authorised the first tranche of the share capital increase equalling 5 million euro, of which 4,5 million paid. After said payment, the required margin is covered.

PART G AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

During the year no operations regarding companies or business lines took place.

PART H RELATED PARTY TRANSACTIONS

In accordance with IAS 24, the types of related parties significant for the Banca Sella Group, with reference to the specific organisational structure and governance, comprise:

a) subsidiaries over which the parent company directly or indirectly exercises control;
b) associated companies over which the parent company directly or indirectly exercises significant influence;
c) directors and managers with strategic responsibilities;
d) close family members of directors and managers with strategic responsibilities;
e) companies controlled by or associated with one of the subjects described in points c) and d).

» SECTION 1 – INFORMATION ON DIRECTORS' AND MANAGERS' REMUNERATION

In the light of the current organisational structure of the Group, the following are included in the definition of "managers with strategic responsibility": Directors and members of the General Management of Banca Sella Holding in relation to the exercise of the functions of management, coordination and control.

Fees paid as of 31 December 2011 to the above-mentioned key company personnel in the parent company are set out in the following table:

Fees paid to managers with strategic responsibilities *(amounts in euro thousands)*	31 December 2011
a) short-term employee benefits	4.899,8
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	167,5
e) share-based payments	-
Total	**5.067,3**

The following table shows payments received in 2011 by Directors and Statutory Auditors of the Company:

Fees received in financial year 2011 *(amounts in euro thousands)*	
Directors	2.035,8
Statutory Auditors	478,5

» SECTION 2 – INFORMATION ON RELATED PARTY TRANSACTIONS

Information on related party transactions

Transactions with related parties were carried out, as a rule, on the basis of terms equivalent to those applied for operations performed with independent third parties.

Intra-group transactions were carried out following assessments of mutual benefit, in line with market terms, with the aim of creating value within the Group.

In preparing the consolidated financial statements, transactions and existing balances with intra-group related parties are eliminated.

The table below sets out assets, liabilities, guarantees and commitments existing as of 31 December 2011 differentiated by the different types of related parties:

Related-party transactions
(amounts in euro thousands)

	Subsidiaries	Associated companies	Directors and Managers
Loans & Receivables	-	7.489,33	1.391,97
Payables	-	763,33	4.073,97
Guarantees given	-	135,07	958,95
Guarantees received by the Group	-	-	448,88

PART I PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

The Banca Sella Group has not carried out this type of operation.

PART L SEGMENT REPORTING

In accordance with the provisions of accounting principle IFRS 8, the segment report was prepared with reference to the Group's operational features and organisational and management structure.

Segment reporting – breakdown by business area

The "operating segments" identified at group level are the following:

Commercial and Networks

Commercial and Networks includes organisations whose missions include the development and management of client relations, governing of commercial offers, distribution activities and marketing initiatives, as well as acquiring information about customer needs and identifying their expectations in order to achieve economic and growth objectives and customer satisfaction. It therefore includes the following companies: Banca Sella (net of the component that specifically refers to Banking Services), Banca Sella Nord Est Bovio Calderari, Banca Patrimoni Sella & C., Family Advisory, Sella Bank AG, Biella Leasing, Consel and Selfid.

Products Companies

The Product Companies comprise the entities whose business is mainly focused on the creation of products or the provision of specialist services.

It therefore includes the following companies: Sella Gestioni, Cba Vita, Sella Life, Brosel and Selgest.

Finance

The task of the Finance department is to direct, coordinate and control the financial activities of the Banca Sella Group, pursuing careful risk management and a solid liquidity position.

The Finance department also oversees own account trading activities carried out by the trading room of the business segment, and manages Parent company's Own Securities Portfolio and Corporate Finance.

The Finance department therefore comprises the corresponding "operating segment" of Banca Sella Holding.

Bank services

The mission of the Banking Services Department is to provide the group with an adequate technical and organizational structure characterized by efficiency, excellence, innovation and the highest quality. It also coordinates the development of a number of specific businesses associated with this operational activity. Its task is also, therefore, to provide information systems and the products and services it performs to the Group banks and companies in outsourcing.

As such activities may also take the form of offers to institutional operators outside the Banca Sella Group (banks, stock-brokerage companies, savings management companies, etc.), one of the tasks of the Area is to offer its services also outside the Group.

This area includes the group's service companies (Immobiliare Lanificio M. Sella, Immobiliare Sella, Selir and Easy Nolo), the parts of Banca Sella Holding and Banca Sella that refer to management of Banking Services (Payment Systems, Administration, Correspondent Bank, Trading, Technical and Real Estate, IT Services and Management Planning Execution and Control).

Central Structure and other services

The main component consists of bodies performing duties relating to the governance, support and auditing of the Group's other business sectors.

The central structure also comprises holding companies and companies no longer operational or held for sale.

In addition to the Group's Central Management Department and staff and co-ordination units of the Parent company, the central unit also includes the following companies: Finanziaria 2010, Miret, Sella Capital Management and Sella Synergy India.

Criteria for the calculation of profitability for operating segments:

The income statement of operating segments has been drawn up using the following methods:

- *For companies whose operations involve a number of operating segments, the relevant economic components were allocated on the basis of the evidence obtained through management controls. In particular:*
  - *net interest income was calculated using appropriate internal transfer rates;*
  - *in addition to actual fees, withdrawals for activities performed in relation to services rendered by one business unit to another were also quantified;*
  - *costs under the direct responsibility of each entity were calculated and special internal invoicing mechanisms were used to attribute the payments in reference to services rendered by one business unit to another.*
- *For companies whose operations are carried out entirely in one operating segment, their entire income statement was reported.*

The condensed income statement was reclassified the same way as in the Directors' Report.

Below is the table on segment reporting – breakdown by business area:

Segment report statement - breakdown by business area *(amounts in euro millions)*	Networks department	Product companies	Banking services	Finance department	Central structure	Total
INCOME STATEMENT:						
NET INTEREST INCOME [1]						
year 2011	272,1	1,7	1,9	12,0	-6,4	281,4
year 2010	267,7	0,9	2,9	21,8	0,4	293,7
NET INCOME FROM SERVICES						
year 2011	193,8	15,5	37,0	21,4	4,6	272,3
year 2010	182,9	8,1	38,3	12,8	3,5	245,5
NET BANKING AND INSURANCE INCOME						
year 2011	465,9	17,3	38,9	33,4	-1,8	553,7
year 2010	450,7	9,0	41,3	34,5	3,8	539,2
OPERATING COST						
year 2011	-301,8	-10,5	-29,8	-11,0	-26,6	-379,7
year 2010	-312,1	-11,5	-29,0	-11,0	-27,4	-391,1
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS						
year 2011	-8,0	-0,4	-20,2	-0,4	-2,0	-31,1
year 2010	-7,8	-0,5	-23,1	-0,3	-1,9	-33,5
OPERATING PROFIT/(LOSS)						
year 2011	164,2	6,7	9,1	22,4	-28,3	174,1
year 2010	138,6	-2,6	12,2	23,5	-23,6	148,1
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES						
year 2011	-115,9	0,0	0,0	0,0	0,0	-115,9
year 2010	-96,3	0,0	0,0	0,0	-0,1	-96,4
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES						
year 2011	37,4	-8,3	8,1	22,4	-24,2	35,5
year 2010	36,7	1,4	11,8	23,5	-20,1	53,3
PROFIT/(LOSS) FOR THE PERIOD (including minority interest)						
year 2011	15,6	-9,8	5,3	15,1	-8,9	17,3
year 2010	17,8	-4,1	7,8	16,2	-17,3	20,3
OTHER INFORMATION:						
TOTAL ASSETS (before cancellations)						
year 2011	13.420	1.479	177	2.367	1.361	
year 2010	13.218	1.677	238	2.573	1.313	
DUE FROM CUSTOMERS (before cancellations)						
year 2011	9.478	8	75	825	3	
year 2010	9.317	9	76	826	3	
DUE TO CUSTOMERS (before cancellations)						
year 2011	8.237	5	78	0	1	
year 2010	8.185	5	133	0	1	
OUTSTANDING SECURITIES (before cancellations)						
year 2011	1.796	15	0	1.070	0	
year 2010	1.989	15	0	1.083	0	
NO. EMPLOYEES						
year 2011	2.976	99	887	55	148	4.165
year 2010	2640	105	1271	53	204	4.273

[1] *Interest income are reported net of interest payable in the item Net interest income (IFRS 8 paragraph 23)*

Segment reporting – breakdown by geographical area

The segment reporting by geographical areas required under IFRS 8 contains a condensed outline the main operating figures for Italy, which is where most of the Group's business was carried out, and the Rest of the world.

Below is the table on segment reporting – breakdown by geographical area:

Segment report statement - geographical breakdown *(amounts in euro millions)*

	Italy	Rest of the world	Total
INCOME STATEMENT:			
NET INTEREST INCOME (1)			
year 2011	279,1	2,3	281,4
year 2010	291,6	2,1	293,7
NET INCOME FROM SERVICES			
year 2011	263,6	8,7	272,2
year 2010	234,6	10,9	245,5
NET BANKING AND INSURANCE INCOME			
year 2011	542,7	11,0	553,6
year 2010	526,2	13,1	539,2
OPERATING COST			
year 2011	-371,9	-7,7	-379,7
year 2010	-381,6	-9,5	-391,1
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS			
year 2011	-30,2	-0,9	-31,1
year 2010	-32,5	-1,0	-33,5
OPERATING PROFIT/(LOSS)			
year 2011	170,8	3,3	174,1
year 2010	144,5	3,6	148,1
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES			
year 2011	-115,9	0,0	-115,9
year 2010	-96,4	0,0	-96,4
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES			
year 2011	32,8	2,7	35,5
year 2010	51,2	2,1	53,3
PROFIT/(LOSS) FOR THE PERIOD			
year 2011	8,1	9,2	17,3
year 2010	19,3	1,0	20,3
OTHER INFORMATION:			
TOTAL ASSETS (before cancellations)			
year 2011	17.978	826	
year 2010	18.032	987	
DUE FROM CUSTOMERS (before cancellations)			
year 2011	10.363	26	
year 2010	10.198	32	
DUE TO CUSTOMERS (before cancellations)			
year 2011	8.154	167	
year 2010	8.207	117	
OUTSTANDING SECURITIES (before cancellations)			
year 2011	2.881	-	
year 2010	3.088	-	
NO. EMPLOYEES			
year 2011	3.718	447	4.165
year 2010	3.801	472	4.273

(1) *Interest income are reported net of interest payable in the item Net interest income (IFRS 8 paragraph 23)*

Independent Auditors' Report

Deloitte & Touche S.p.A.
Galleria San Federico, 54
10121 Torino
Italia

Tel: +39 011 55971
Fax: +39 011 544756
www.deloitte.it

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY, 2010

To the Shareholders of
BANCA SELLA HOLDING S.p.A.

1. We have audited the consolidated financial statements of Banca Sella Holding S.p.A.and subsidiaries ("Banca Sella Group") as of and for the year ended December 31, 2011, which comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes to the financial statements. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art.9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, the data of which are presented for comparative purposes, reference should be made to our auditors' report issued on 13 April, 2011.

3. In our opinion, the consolidated financial statements of Banca Sella Holding S.p.A. as of and for the year ended December 31, 2011 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art.9 of the Italian Legislative Decree n.38/2005; accordingly, they give a true and fair view of the financial position of Banca Sella Holding S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of Banca Sella Holding S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on the corporate governance, with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 2, letter b), with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 2, letter b) included in the specific section on corporate governance are consistent with the consolidated financial statements of Banca Sella Group as of, and for the year ended 31 December, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 12, 2012

This report has been translated into the English language solely for the convenience of international readers.