BANCA SELLA GROUP

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

2012

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 2012".
It contains the Consolidated Financial Statements at 31 December 2012, 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%.

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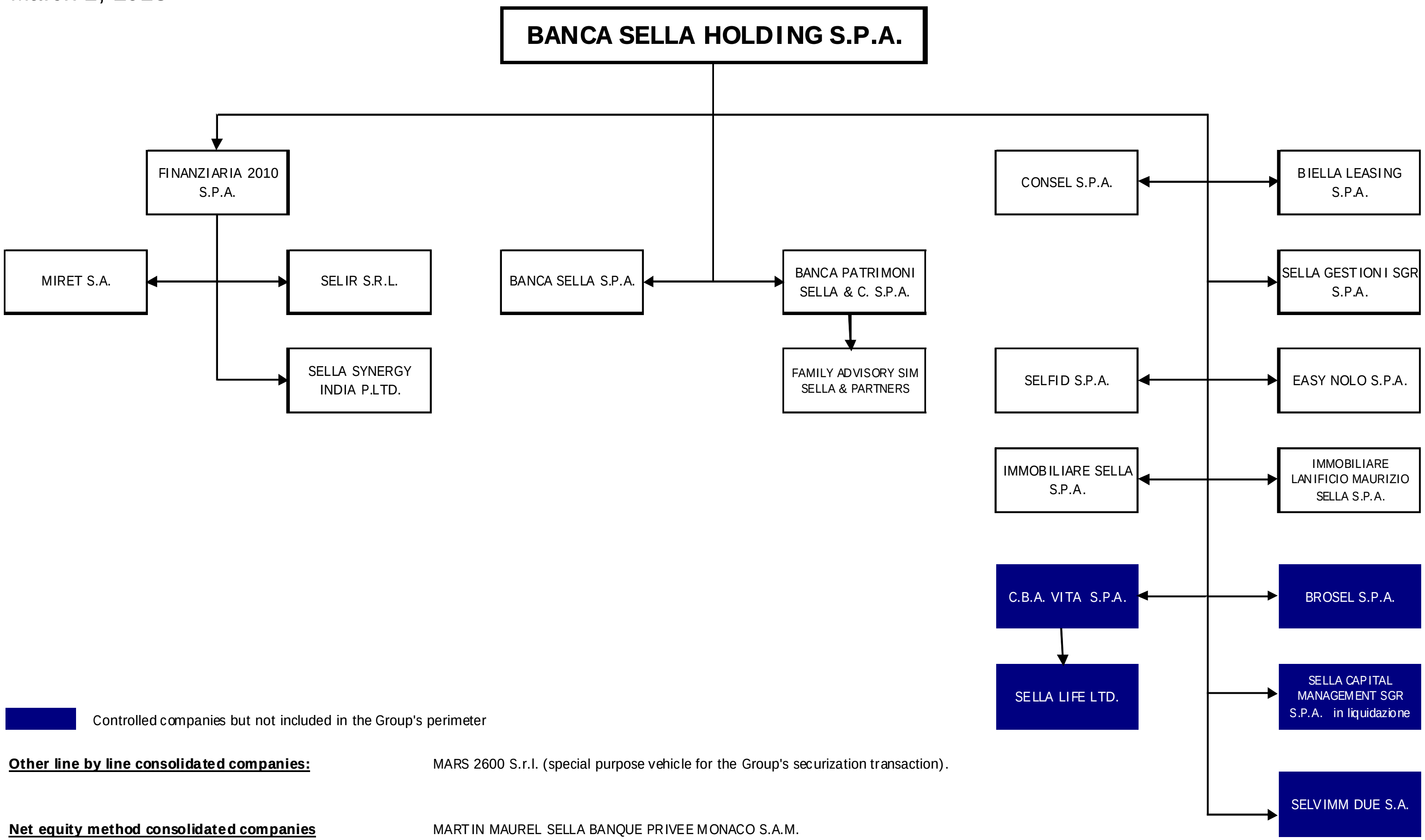
Map of the Banca Sella Group

at the March 1, 2013



Controlled companies but not included in the Group's perimeter

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.

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.

REPORT ON CONSOLIDATED OPERATIONS AT 31 DECEMBER 2012

» BANCA SELLA GROUP
MAIN FIGURES AND INDICATORS

BANCA SELLA GROUP SUMMARY DATA *(euro millions)*				
Item	**31/12/2012**	**31/12/2011**	**Variation**	
			absolute	**%**
BALANCE SHEET				
Total assets	13.135,9	12.946,8	189,1	1,5%
Cash loans[1] (excluding reverse repurchase agreements)	8.741,7	8.793,1	(51,4)	-0,6%
Reverse repurchase agreements	61,7	1,3	60,4	-
Guarantees given	324,0	330,7	(6,7)	-2,0%
Financial assets	3.046,9	2.973,7	73,2	2,5%
Equity investments	13,0	12,3	0,7	5,7%
Non-current assets and asset groups held for sale [2]	93,2	-	93,2	-
Tangible and intangible fixed assets	280,3	284,5	(4,2)	-1,5%
Direct deposit[3] (excluding repurchase agreements)	9.483,3	9.659,2	(175,9)	-1,8%
Repurchase agreements	122,2	57,8	64,4	111,6%
Indirect deposit [4]	14.688,9	14.500,6	188,3	1,3%
Total deposit	24.294,4	24.217,6	76,8	0,3%
Regulatory capital	1.034,1	991,1	43,0	4,3%
INCOME STATEMENT[5]				
Net interest income [6]	286,6	281,4	5,2	1,8%
Net income from services	261,9	258,8	3,1	1,2%
Net banking income	9,9	13,6	(3,7)	-26,8%
Net banking and insurance income	558,4	553,7	4,7	0,8%
Operating costs	381,2	379,7	1,5	0,4%
Operating profit	177,1	174,1	3,0	1,7%
Net value adjustments for impairment losses	127,5	115,9	11,6	10,0%
Income tax	16,4	20,6	(4,2)	-20,2%
Profit for the year (net) pertaining to the Parent Company	21,0	15,7	5,3	33,6%

(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.

STAFF AND BRANCHES *(year end)*						
	2012	**2011**	**2010**	**2009**	**2008**	**2007**
Employees of banking group	4.100	4.121	4.229	4.383	4.412	4.327
Employeees of insurance companies	42	44	44	46	44	43
Gruppo Banca Sella total employees[7]	4.142	4.165	4.273	4.429	4.456	4.370
Branches in Italy and abroad	332	334	335	334	332	332
Financial promoters	292	281	295	291	299	351

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

ALTERNATIVE PERFORMANCE INDICATORS BANCA SELLA GROUP		
Item	**31/12/2012**	**31/12/2011**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [8]	3,2%	2,5%
R.O.A.A. (return on average assets) [9]	0,17%	0,13%
Net interest income / Net banking and insurance income	51,3%	50,8%
Net income from service [10] / Net banking and insurance income [10]	46,9%	46,7%
Net income from insurance activity[10] / Net banking and insurance income[10]	1,8%	2,5%
Cost to income [11]	65,3%	66,3%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income [10] / Average number of employees	134,4	131,2
Gross operating profit [10] / Average number of employees	42,6	41,3
Cash loans / Number of employees at year end	2.110,5	2.111,2
Direct deposit / Number of employees at year end	2.289,5	2.319,1
Total deposit / Number of employees at year end	5.865,4	5.814,5
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	92,2%	91,0%
Cash loans / Total assets	66,5%	67,9%
Direct deposit / Total assets	72,2%	74,6%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	7,0%	6,0%
Net value adjustments to loans / Cash loans	1,5%	1,3%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	7,80%	7,51%
Total Capital Ratio	12,50%	11,96%

[8] *Ratio of period profit and equity, net of valuation reserves, both including minority interests*
[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 of operating costs, net of IRAP tax applied to payroll costs and net of losses connected with operational risk and net of net banking and insurance income.*

» THE 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 March 2013:

Rating	
Long Term Global local currency deposit rating	**Baa3**
Short term	**P–3**
Bank Financial Strength Rating	**D+**
Outlook	**Negative**

» MACROECONOMIC SITUATION

World context

2012 was marked by a weakening of the world economy. In the Eurozone, tax austerity policies and the lesser drive of the export demand made a significant contribution towards the deceleration of economic activities; moreover, the continued restrictive financial conditions penalised the countries characterised by critical situations in terms of their public accounts, despite the progressive recovery from the tension associated with the sovereign debt crisis recorded during the latter months of the year. In the United States, the recovery of the residential market and the positive dynamics, albeit moderate, of private consumption represented the main elements supporting growth, offsetting the weakening seen in non-residential investments and the negative contribution made by stocks and public spending. Japan benefited from post-earthquake interventions and the tax incentives in support of personal spending during the first part of the year; subsequently, the lack of these factors of support and the cooling off of export demand resulted in a sudden slow to growth. Emerging countries suffered the weakness of the major advanced economies, showing a progressive deceleration during 2012: expansive monetary and tax interventions adopted by the economic policy authorities have, however, successfully limited the intensity of this decline and laid the basis for the start to a recovery in some of the main emerging economies even from the last few months of the year.

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

- the **US economy** concluded 2012 with an average annual gross domestic product rate of change of 2,2%, an improvement on the +1,8% year on year seen in 2011. Residential investments, which in 2011 made virtually no contribution to growth, recorded positive increase rates in all quarters of 2012: encouraging signs that confirm the recovery underway in the residential segment also came from the monthly indexes concerning house prices, house sales and constructor faith. Non-residential investments have been characterised by a positive start to the year, followed by a cooling-off phase during the central quarters, and recovery, albeit limited, enjoyed by the machinery and software component during the closing months.
The trend of family wealth, characterised by the continued recovery of the financial component and the first signs of recovery of the real estate component, provided important

support to personal spending; other factors that helped support private consumption, against an employment market situation that remains poor, can be seen in the rapid progress made in reducing family debt and the very accommodating monetary policy orientation. The difficulties experienced by the US employment market in recovering the ground lost during the major recession are behind the decision by the Federal Reserve to pursue the support of employment as a priority objective and to adopt further monetary stimulation steps: more specifically, in September the US Central Bank announced a new purchase plan of securities linked to the real estate market ("mortgage-backed securities") at a rate of 40 billion dollars a month, and in December, in the run-up to the expiry of the programme to extend the average duration of the government securities held, it introduced a purchase plan of US public debt securities, for a value of 45 billion dollars a month; in both cases, the Federal Reserve did not specify the terms within which purchases were to be made, reserving the right to decide on the basis of the evolution of the reference macro-economic context. Important news was also announced with regards to the indications of the Federal Reserve on the future level of the policy rate: after having extended the time frame to mid-2015, during which it undertook to keep the official rate at exceptionally low levels, in December the Central Bank decided to restrict the objective rate on the Federal Reserve funds to the evolution of the forecast inflation and unemployment rate, in order to make its communication with the public more effective and transparent. As concerns the tax policy, the understanding reached right at the end of the year concerning the "fiscal cliff" successfully avoided the drastic budget restrictions envisaged by current legislation: more specifically, the agreement entailed the extension of much of the encumbrances and tax benefits expiring, thereby limiting the increase in the tax burden. As concerns expenditure, on the other hand, the bipartisan agreement has postponed the sequester of public spending of approximately 90 billion dollars per year, as established by the 2011 Budget Control Act, by two months; it should have come into force in January. Some major issues remain to be faced and in particular the definition of a cost-cutting plan, as supported by the Republicans and essential in guaranteeing the return of public debt to a sustainable path, and the raising of the debt ceiling limit: in this respect, the decision to suspend the debt limit until 19 May, passed by Congress early 2013, will enable the matter to be dealt with somewhat less urgently and will thereby assure the prioritisation of discussions on public spending;

- the **Euro zone** saw a negative trend in gross domestic product at 0,4% in 2012, worse than the +1,4% recorded in 2011. The fragility of the domestic demand, worsened by fiscal austerity policies in the countries committed to public deficit repayment plans, and the process of reducing de-stocking, were only partially offset by the positive contribution of net exports. As already seen in 2011, the area's aggregated growth figure is the summary of the trends of the individual States that are fairly heterogeneous: the countries that are most vulnerable to the sovereign debt crisis, like Italy and Spain, have continued to accumulate a gap with respect to the more solid economies, like that of Germany, although even this latter has not been immune to a progressive weakening seen in 2012 and which became even more evident towards the close of the year. With respect to the sovereign debt crisis, some important decisions have been made in order to strengthen European governance and the integration process. The European Council of 1 and 2 March concluded with the signing of the Fiscal Compact by twenty-five States (all the European Union Member States with the exception of the United Kingdom and the Czech Republic): the Fiscal Compact establishes that all countries subscribing to it must include the rule of balancing the budget in their national legal orders, with the application of automatic corrective mechanisms in the event of deviation. At end June, moreover, the Heads of State and Government reached an agreement on making the move to a single supervisory mechanism of banks Europe-wide, to be implemented quickly and which, in actual fact, lays the basis for a future banking union: once the mechanism has been introduced, the European Stability Mechanism (ESM) can intervene directly in the recapitalisation of the banks, in order to break the vicious cycle of banks and sovereign states. At the European summit of December, work continued on the development of the banking union project: the general agreement reached between the Heads of State and Government establishes that the single supervisory mechanism will come into force as from 1 March 2014 or, at the latest, within twelve months of the definition of the related legislative framework, and that the direct supervision of the banking institutes of the Eurozone shall be entrusted to the European Central Bank, paying close attention to the independence of the departments responsible for managing monetary policy, and those responsible for supervising it. The major efforts made throughout the European Community to manage the crisis are part of a stage of growing fear for the situation currently seen in Spain: in June, Rajoy's government made a request for support for its domestic banks, which was favourably upheld by the Euro-group through the concession of aid of up to € 100 billion. Subsequently, the approval of the restructuring plans of the four state-controlled Spanish banks enabled the recapitalisation needs to be quantified as e 37 billion. In turn, the European Central Bank showed very willing to intervene in favour of restoring the correct function of the monetary policy transmission and its support of economic growth: on 29 February, the second extraordinary three-year refinancing operation took place, at which point the European Central Bank assigned € 529,5 billion euros to the 800 applicant banks of the European Central Bank; on 5 July, the official rate was reduced by 25 basis points and taken to the current level of 0,75%; at the meeting held on 6 September, the Frankfurt institute disclosed details of a new plan to purchase the government securities of countries belonging to the monetary union, which the European Central Bank is willing to undertake. The purchases, referred to as Outright Monetary Transactions (OMTs) may involve countries that in the future could request the financial assistance of EFSF/ESM and countries that are already subjected to an adjustment programme once access to markets has been re-acquired and will concern securities with residual term/maturity of between one and three years, with no quantitative limits set outright; a condition essential to activating the purchase of government securities by the European Central Bank will be respect of the conditions established by the State-saving provisions EFSF/ESM. The Greece assistance programme has been subsequently reviewed with the aim of bringing the Greek public debt back along a sustainable path: in February and March a second aid plan was defined, which envisaged a commitment of the official segment for e 130 billion in 2012-2014 and at the same time a debt restructuring programme has been implemented, held by the private segment, which has reached an investment of € 199 billion out of the total nominal value of € 206 billion. The worsening of the outlook, the political uncertainty and the delays in implementing reforms have, however, prevented Greece from respecting the commitments made, driving the European Union, the European Central Bank and the International Monetary Fund to suspend payment of the second tranche of aid. The EuroGroup of 26 November finally introduced less ambitious budget objectives and provided for measures aimed at making Greece's adjustment less onerous; these include the buyback of public debt securities for a nominal figure of € 31,9 billion: the success of this latter enabled the definitive approval of the second payment of aid to the country. With specific reference to Italy, the recession that began in the third quarter of 2011 continued throughout 2012, although the second part of the year showed some attenuation of the drop in economic business. The 2,1% reduction, archived by the gross domestic product in 2012 and which is compared with the +0,4% of the previous year, is the result of the continued weakness of the domestic demand, which suffers the effects of the severe manoeuvre to restore balance to the public accounts and the high costs of finance; the interchange with other countries has proved to be the only support of the economic business;

- in Asia, **Japan**, after having outperformed the other economies of the G3 in the first half of 2012, from July to September slowed sharply (-3,5% as an annualised result, as compared with the -0,1% of the second quarter and +5,7% of the first three months of 2012), which led to a technical recession, partly also due to the weakening of the domestic demand and export demand, in a context of generalised weakness of its main commercial partners and also involving the deterioration of relations with China following the territorial dispute connected with the Senkaku islands.

  The elections held on 16 December in the meantime sanctioned the victory of the Liberal Democratic Party guided by Shinzo Abe, and with it important news in the management of the economic policy: the new administration, respecting its claims made during the election campaign, immediately announced expansive tax measures for 20,2 trillion yen (4,2% of the GDP), including direct public expenditure of 10,3 trillion (2,1% of the GDP) allocated, according to the government, to have most of its impact in the tax year 2013/2014. The Central Bank, acting on the instructions of the Prime Minister Abe, during the first meeting held in 2013 when it left the reference spread of the official rate unchanged at 0-0,1%, introduced an explicit inflation target of 2% and announced a new method by which to purchase securities as from 2014, which, with respect to that in place until December 2013, has no time limit. Despite continuing to record sustained growth rates, if compared with those of developed economies, China and India have continued the slowing up seen in 2011 and ended up archiving 2012 as the worst performance in the last decade. With a change in the gross domestic product of 7,8%, following the 9,3% recorded in 2011, China, and India, which closed 2012 with growth just above 5%, following the 7,5% of the previous year, suffered both the weakness of the advanced countries, transmitted on the related export demand, and the lesser dynamism of domestic demand. A favourable inflationist trend and a reassuring public budget situation enabled the economic policy authorities of China to take action in support of the cycle, reducing the cost of money in June and July, and encouraging investments, particularly in infrastructures. In India, dealing with high inflation and twin deficits (budget and current items), the Central Bank cut the official rate just once in 2012, postponing a second expansive intervention to January 2013, with signs of a moderation of prices.

THE FINANCIAL MARKETS

The long-term market interest rates in the USA have been affected by a tendency to decline in March-July 2012, benefiting from tension on the sovereign debt of the more vulnerable countries of the Eurozone; subsequently, the announced willingness by the European Central Bank to embark on a new purchase plan of the government securities of Eurozone countries favoured a slight upward turn of the US ten-year returns. The extremely accommodating approach maintained by the Federal Reserve in managing the monetary policy has, however, contributed towards keeping US interest rates at historically-low levels. The average 10-year rate in the USA was 1,78% in 2012, as compared with the average of 2,76% recorded in 2011. The German long-term rate, after a first quarter of basic stability, started to decline until reaching an all-time low of 1,17% at the start of June; the following months saw no single-direction trend, yet the German ten-year return continued to stand at historically very low levels. The average 10-year rate in Germany was 1,57% in 2012, down on the 2,65% seen in 2011. The progress made throughout the European Community in managing the sovereign debt crisis in the Eurozone have encouraged the return recorded by interest rates on Italian government securities as from August; despite this, the annual average Italian 10-year rate (5,47% in 2012), is slightly up on the 5,35% average in 2011.

In 2012, the stock markets saw an increase of approximately 13,4% (MSCI World). The stock markets have benefited from the downsizing of fears of the Eurozone holding out and the accommodating approach seen in the management of the monetary policy by the main world Central Banks.

THE BANKING SYSTEM

In this context, the credit business of the Italian banking system continued its weakening, which was most marked in the component towards businesses. The credit trend has suffered the major weakness in demand by business and families, on the one hand, and restrictive supply conditions, despite the attenuation towards the end of the year, on the other. The recession has inevitably affected the quality of loans; the deterioration of the credit rating of the public issuer has also increased the cost of deposits and made it particularly difficult for Italian banks to obtain funds on the international markets. The policies implemented during the year by the Eurosystem have enabled the gradual removal of the restrictions to liquidity borne by the Italian banks; retail deposits have grown and, also thanks to the repayment of financial tension in the peripheral countries of the Eurozone, towards the end of 2012, some intermediaries returned to gaining finance on the capital market.

Italian bank loans to the private residential sector in December 2012 stood at € 1.722 billion, recording annual progress of 0,6% after 3 months of moderate decline; the trend shows a significant deceleration with respect to the growth of 1,8% seen in 2011. The reduction in loans to businesses (-3,3% at € 865 billion) and families (-1,4% at € 610 billion), was more than offset by the growth in the residual loan categories to other financial institutions (+24%, € 248 billion), which in December 2012 accounted for approximately 14% of loans to private individuals. In the family segment, the drop in loans (-1,4%) seen during the year is compared with a growth rate of 4.4% recorded the previous year. As concerns loans to non-financial companies, the decline in volumes (-3,3%) was particularly marked for the amounts due in 1-5 years throughout all months of the year, until reaching an annual drop of 8,5% in December 2012; the shorter-term component reduced by 1,9%, whilst a less intense negative trend was recorded for loans beyond 5 years with deceleration rates that went from growth of 2,8% in 2011 to a drop of 2,7%.

In 2012, credit quality continued to decline. The volume of gross non-performing positions at year end stood at € 125 billion, up 16,6% on last year with a ratio of gross non-performing positions and loans of 6,28% (from 5,44% at end 2011) and a ratio of net non-performing positions and loans of 3,33% (from 2,7% at end 2011).

At the end of the year, deposits in Euro with Italian banks represented by residents' deposits and bonds, reached 2.318 billion euro, representing growth of 7,1% on an annual basis, faster in respect to the rates seen in 2011. The acceleration is evident in the bond component, which grew in the first eleven months of the year at rates higher than 10%, before closing December by slowing to annual growth of 5% and € 951 billion; the bond segment incorporates state-backed bank issues and those held by the banks themselves, as they are used as collateral in refinancing operations with Central Banks. The deposits component returned to sustained growth in 2012, at year end reaching an annual growth rate of 9,9%.

With regards to the figures of the income statement, the main listed banking groups recorded a reduction of both interest margins during the first nine months of the year, penalised by the reduction in the volumes of loans and the drop of market rates only partially offset by the repricing of loans, and net commission, due to the reduced financial intermediation business and the weight of commission expenses connected with state guarantees of bond emissions to be used as collateral with the European Central Bank. The drop in the interest margin and net commission was in any case extensively offset by the progress made by net proceeds from trading, which enabled the banks to achieve modest improvement in net receipts from banking. In terms of costs, efforts continued to limit payroll and other administrative costs, whilst the cost of poor credit continued the growth that had begun during the second half of 2011.

The strengthening of equity continued in 2012, in line with the indications given by the supervisory authorities, and was particularly marked during the first half. The strengthening mainly took place through capital increases, the reduction of risk-weighted assets and, to a lesser extent, through self-financing and the buy-back of hybrid capital instruments. For the top 5 Italian banking groups in particular, a major acceleration in the adjustment to meet new minimum capital requirements was forced on them by the recommendations following the so-called "capital exercise" carried out by the European Banking Authority (EBA).

The financial wealth of the private families segment

At market values, in 2012 the financial wealth of the families belonging to the private segment grew by 2,3%. The positive impact determined by the effect of the trend in the markets, 2,5%, more than offset the negative net funding (-0,2%).

The trend in 2012, after a 2011 which bucked that of the last the years, was back on the previous path of growth, taking the total amount of wealth above the level at which it stood in 2007 (891 billion euro).

The assets of "private" families, that is of the approximately 600 thousand families with assets of more than 500 thousand euro, amounts in 2012 to approximately 898 billion euro (it must be stressed that from 2009 to today the number of families thus defined fell slightly).

The proportion of customers served by structures dedicated to private banking amounted to more than 46%, leaving to the segment ample growth margins, above all for operators that manage better to get their customers to appreciate the special features of the services offered compared to the retail segment.

» STRATEGIC ISSUES

During financial year 2012 the 2010-2012 strategic plan came to an end, and work was done on preparing and approving the new one, which was subsequently issued, and which will guide the Group in the next three years.

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 2012 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.

Over the period of the 2013-2015 Strategic Plan there will be a gradual revision and evolution of the Vision as well as of the organization and communication of its management, giving room also for the concepts of innovation, involvement, productivity and consulting.

Operating in the context of the 2013-2015 Strategic Plan, given the scenario analysis carried out, we believe we can trace the route of the Banca Sella Group in the next three years to certain Strategic Lines, which are described in brief below.

- **Capital Strengthening;**
- **Risk management;**
- **Human capital, mentality and Organisation;**
- **Structural cost reduction, increasing productivity;**
- **Growth and Business Mix.**

The 2013-2015 Strategic Plan will be developed and implemented mainly through the creation of specific initiatives, which are mostly the evolution of initiatives already launched in the previous strategic plan, expanding them, modifying them and/or completing them where necessary.

The Capital will be strengthened also through the following strategic initiative:

- **Capital Management Plan** which provides for continuation along the route of capital strengthening already taken.

The following initiatives will contribute to risk management:

- **Credit Quality:** launched in mid-2011, its purpose is to continue to pursue the improvement of credit quality.
- **Credit processes revision:** this initiative is associated with recovering productivity and reducing costs.
- **IRB (Internal Rating Based): adopting advance credit management models:** the focus of this initiative is to reduce the risk for capital reinforcement purposes.

The following will contribute to the Human Capital:

- **Human Resources:** this initiative involves continuing the actions undertaken in 2012 in order to motivate, encourage, develop, increase and care for human capital.

The following initiatives will contribute to the objectives of rationalising it and making it more efficient:

- **Organisation**: the evolution of the Banca Sella Group's organisation, in line with observance of cost cutting targets, aims at significantly improving productivity, in particular by means of an intense activity of revising processes to make them more efficient.
- **Efficiency and quality through regulation**: the initiative, launched in 2011, is aimed at reviewing and rationalising the production and management of the Group's “regulatory corpus ”.
- **2012 -2014 Management Control:** the initiative, launched in 2012, is aimed at achieving qualitative levels of excellence in the Group's Planning and Control services.
- **Property Initiatives**: the initiative involves the commissioning, renovation, transfer, and sale of a number of Group properties as well as the conservative restoration of Lanificio Maurizio Sella (the Maurizio Sella Woollen Mill).

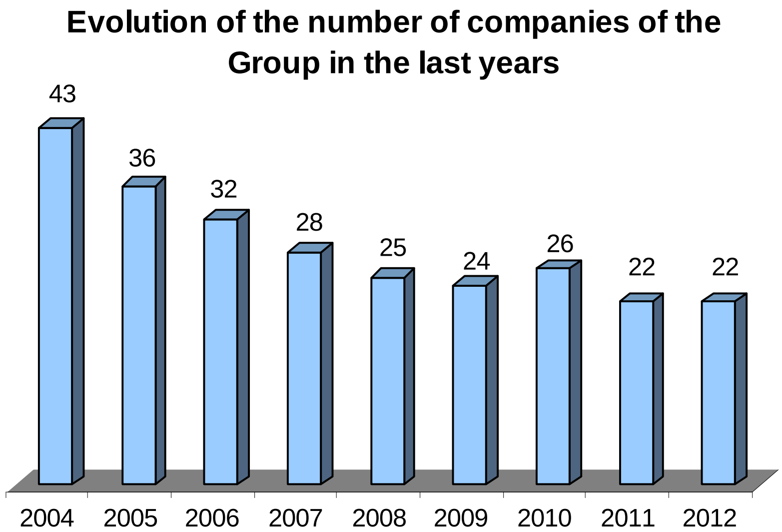
The following will contribute to developing the business :

- **New commercial model:** through this initiative, launched at the end of 2011, the Banca Sella Group is busy creating a profound transformation of the Commercial Bank network model, with which it intends to conceive and implement a new business model, for the purpose of ensuring competitiveness on the market, increasing customer satisfaction and boosting commercial development;
- **The bank in the digital revolution**: in order to seize the business opportunities associated with the Digital Economy, the Group has decided to launch a dedicated initiative, which embraces at 360° all the areas which, for different reasons, are connected with innovation and the Internet.

» 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 has led to a gradual decrease in the number of companies, which went down from 43 companies in 2004 to 22 (of which two in liquidation) at the end of 2012, witch fell to 19 on February 28, 2013.

The important corporate operations also continued to be carried out, implementing the planned Group rationalisation projects and thus laying the foundations for future years. These operations, as well as a simplifying the Group's structure, will 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.

"ONE BANK"

On 1 October 2012 the strategic initiative “One Bank step II” was completed with the aggregation into Banca Sella of Banca Sella Nord Est Bovio Calderari.

Following the above operation Banca Sella has 319 branches with which it is present all over Italy and a staff of 2.829 employees.

Banca Sella's mission, which is the same as 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 can be defined as to act as a bank in a prudential, responsible and proper manner, respecting the values of the Banca Sella Group, creating value over time for customers 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.

INCORPORATION OF SELVIMM DUE S.A.

In November 2012 a new real estate company was incorporated under the laws of Switzerland. It is 90% controlled by the Parent Company, but is not part of the Banking Group, as it is not instrumental.

The purpose of the company, which is based in Lugano, is the purchase, completed on 14 December 2012, and the management of the property that belonged to Sella Bank AG.

LIQUIDATION OF SELGEST S.A.

With a view to rationalising the Group on 4 December 2012 the Shareholders' Meeting resolved to liquidate the company Selgest; at the same time it was cancelled from the official list of management companies.

In October 2012 the transfer from Selgest to Sella Gestioni of the function of management company of the SICAV Sella Capital Management had been completed.

On 28 February 2013 the liquidation was closed.

AGREEMENT WITH CASSA DI RISPARMIO DI BOLZANO

At the end of 2012 an agreement was signed with Cassa di Risparmio di Bolzano SpA/Sudtiroler Sparkasse AG to transfer to the latter the business unit made up of 26 bank branches and a private banking office of Banca Sella in the provinces of Trento, Bolzano and Belluno.

The agreement was based on a binding offer formulated by Cassa di Risparmio di Bolzano/ Sudtiroler Sparkasse accepted by Banca Sella. The activity of analysing the unit in detail is therefore in progress. At the end of this work the final contract will be signed and, subsequently, the transfer will be completed. This is expected to be in June 2013.

The operation determines a rationalisation of Banca Sella's distribution network and a capital reinforcement for the Bank and the Group, guaranteeing continuity of the service provided to Customers.

The sale therefore has specific origins and motivations and thus does not modify the more general and consolidated development strategy of the commercial bank network which, in fact, remains to expand and strengthen the commercial capacity, identified as the main lever for customer satisfaction and for the Group's development, with the objective of increasing market share.

SALE OF SELLA BANK AG

On 29 November 2012 the contract of sale of the entire equity interest in Sella Bank AG, a Swiss bank held by Banca Sella Group and by Banque Martin Maurel was signed with Banca Privata Edmond de Rothschild Lugano SA., the leading Swiss listed bank. The operation was completed on 28 February 2013.

Changes in the consolidation scope

The structure of the Banca Sella Group at 31 December 2012, 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 2012 the following changes were recorded to the percentage stakes of the Group:

CHANGE IN EQUITY INTERESTS			
Company	**From**	**To**	**Operation**
Banca Sella S.p.A.	94,801%	92,970%	Merger by incorporation of Banca Sella Nord Est S.p.A. into Banca Sella S.p.A.
Banca Sella Nord Est Bovio Calderari S.p.A.	56,752%	0	Merger by incorporation into Banca Sella S.p.A.
Banca Patrimoni Sella & C. S.p.A.	71,730%	74,356%	Purchases
Biella Leasing S.p.A	77,136%	99,193%	Purchases
Consel S.p.A.	52,079%	66,966%	Purchases
Sella Gestioni SGR S.p.A.	86,350%	94,701%	Purchases
Brosel S.p.A	71,500%	93,750%	Purchases
Sella Capital Management S.p.A. in liquidation	98.841%	98,897%	Purchases
Selvimm S.A.	---	90,000%	Incorporation (*)

(*) Swiss-law real estate company not included in the scope of the banking group.

In addition during 2012 the company Selgest S.A. was place in liquidation.

COMPANIES CONSOLIDATED AT NET EQUITY

As regards companies consolidated at Net Equity, we can note the purchase of 250.000 Hi-Mtf SIM S.p.A. shares, representing 5,000% of the company's share capital, with a consequent increase in the stake held from 20,000% to 25,000%.

» COMMERCIAL AND DISTRIBUTION POLICIES

During the year, as provided for in the 2010-2012 strategic plan, the “new commercial model and bank of the future” stage was completed. This was envisaged in the old strategic plan, and continues in the new plan approved. The commercial model pursued the following objectives:

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

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 operating channels and assistance, involving the customer more, better overseeing of pricing and, finally, supplying better central support to consultants, bankers, tellers and other operators for a quality service.

This evolution, together with a serious organisational review of the branch operations, enabled greater awareness of our customers' needs, and an increase in the time devoted to commercial activities, thanks to the improved efficiency it brings. No attempt was made therefore, in 2012, to increase the number of branches, but rather to redistribute them strategically around the country.

The marketing service analyses customer needs and expectations, market trends and demands; it promotes the offer studying the best possible solutions for customers using mixed marketing levers: advertisement, sales points, product and price.

In 2012, the two initiatives that most involved the marketing service were the projects and needs offer and the digital economy, flanked by more circumscribed initiatives such as Sella Fidelity and on-line communication campaigns. The project offers projects and needs as from 2012 over 72 branches; a project devoted to private (non-private) customers of Banca Sella through which we place the customer at the centre of our work in order to best satisfy its needs. Behind the offer is the greatest possible knowledge of our customers, of their needs, of their projects and demands. Through customised consulting, the objective is to proactively propose products and services that meet their needs even before they realise their actual requirements, and thereby increase fidelity.

Early 2012, commercial activities were supported by important local communication initiatives on the retired target to promote the acquisition of new customers hence a specific offer has been created in order to meet the demands in view of the change in legislation.

The offer of projects and needs at end 2012 has been opened to the whole network and the project has been enhanced with support/commercial flanking and communication initiatives.

The digital economy is an initiative that was created early 2012 to disseminate the digital culture and have Banca Sella known as a partner for the development of digital projects of our customers. The pilot project was Biella Città Digitale which has had and continues to have the aim of involving relations with institutional and commercial players of the "città digitale" and saw the involvement of the marketing department in the organisation of initiatives that have reached all components of the civil society (families, institutions, no-profit organisations, businesses, trade, artisans), the project scopes: involvement and training, business development, infrastructures and promotion of on-line banking services. The series of Biella Città Digitale meetings was preceded by a meeting on the matter of national scope, held on 7 June.

The project established in Biella has become a FORMAT proposed to additional sites: Lecce, Salerno, Treviso and Trento.

With the aim of measuring the concept of customer satisfaction, each year the marketing service follows a customer satisfaction survey that is carried out regularly in order to gather customer suggestions and comments and verify where intervention is needed to ensure continuous improvement. To that end, we note that in 2012 the NPS (net promoter score) index of the Group is 35,40%, recording an increase over the previous year by 2,6%.

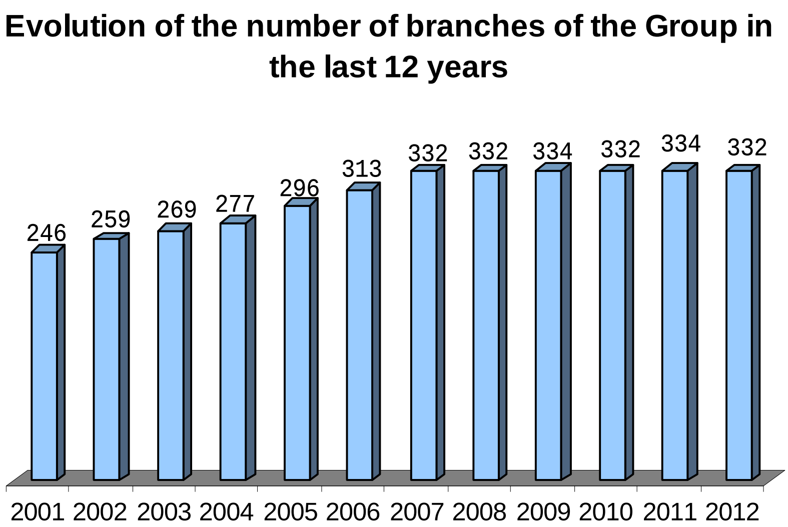
Bank branches

At the end of 2012, the number of Group branches had decreased by two with respect to 31 December 2011, bringing the total to 332. The reduction of two branches was not due to actual closures, but to a different classification criterion compared to the one followed up to 2011 which included in the list also two sub-units of the single Banca Sella branch at Via Italia 2 in Biella.

During the year the operations that involved the Banca Sella branches, with a view to rationalising the network and to respond better to customers' needs, were:

- on 16 July 2012, 3 new branches were opened in Foglizzo (TO), Rubiana (TO) and Lerna (AL);
- at the same time three branches were closed in Pontecagnano (SA), Turin C.so Stati Uniti (TO) and Bologna in via Massarenti (BO);
- on 1 October 2012 the second and final part of the One Bank operation was completed, with the merger by incorporation of Banca Sella Nord Est Bovio Calderari into Banca Sella together with its branches.

The diagram below shows the evolution in the number of Group branches in the last 12 financial years. It can be noted that over this period of time the number of branches, after a gradual increase, has seen a pause for consolidation, precisely to better interpret the needs of customers who already in the last few years had shown progressively less and less need for a "physical" presence on the ground in exchange for greater support and advice at the multimedia level.



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 31/12/2012**	**Proportion % of total 2012**	**Branches at 31/12/2011**	**Proportion % of total 2011**
Banks in Italy				
Banca Patrimoni Sella & C. S.p.A.	10	3,0%	10	3,0%
Banca Sella S.p.A.	319	96,1%	280	83,8%
Banca Sella Nordest Bovio Calderari S.p.A.	0	0,0%	41	12,3%
Banca Sella Holding S.p.A.	1	0,3%	1	0,3%
Total branches in Italy	**330**	**99,4%**	**332**	**98,8%**
Foreign banks				
Sella Bank A.G. - Svizzera	2	0,6%	2	0,6%
Total branches abroad	**2**	**0,6%**	**2**	**0,6%**
Total Group branches	**332**	**100,0%**	**334**	**99,4%**
Geographical distribution of branches				
North West (Piedmont, Aosta Valley, Lombardy, Liguria)	168	50,6%	168	50,3%
North East (Veneto,Trentino, Emilia Romagna, Friuli)	57	17,2%	58	17,6%
Centre (Toscany, Lazio, Molise, Abruzzo, Marche)	35	10,5%	35	10,5%
South and Islands (Campania, Apulia, Sicily, Sardinia)	70	21,1%	71	21,3%
Abroad (Switzerland)	2	0,6%	2	0,6%
Total branches	**332**	**100,0%**	**334**	**100,0%**

Following the conclusion of the second and last stage of the One Bank project, Banca Sella concentrates in itself all the branches as the Group's only network bank. In fact the proportion of the total stands at 96,1%; the remaining 3,9% is divided between Banca Patrimoni Sella & C. which with 10 branches presides in the territory over the private banking component and the financial advisers network, the Swiss subsidiary Sella Bank AG, which however has already been sold in the early months of 2013 as reported above, and the Parent Company Banca Sella Holding present with the head office.

Financial advisers

The commercial network of Banca Patrimoni Sella & C. includes 292 financial advisers, 11 more than the 281 of the previous year. They operate mainly on investment services at the bank itself and in synergy with the Group's other commercial channels.

They carry on their business at 10 branches and 20 financial advice offices distributed all over the country.

Private Banking

The Private Banking sector of the Banca Sella Group includes the company Banca Patrimoni Sella & C. and Banca Sella's Private Banking division. The total stock of the Private Banking sector of the Banca Sella Group as of 31 December 2012 amounted to approximately 10.600 million euro, compared with 9.885 million euro as of 31 December 2011.

Total net deposits for the Group's Private Banking grew by 455 million euro over the course of 2012, consolidating the trend towards both volume and economic growth already noted in 2010 and 2011. 2012 was characterised by a general positive trend on the equity and bond markets. The asset mix of customers for Banca Patrimoni Sella & C. recorded stability in the component devoted to Individual Portfolio Managements, and a further increase in Mutual Investment Funds. The grand total represents 51,5% of the portfolio. For BSE Private Banking the total of Individual Managements and Mutual

Funds accounts for 34,2%. Also for 2012, there was again overall growth in the managed component within the Group's Private Banking. The same aggregate for the Italian private banking market (source: AIPB) was 21,3%, down from the figure for 2011.

As regards the trend in revenues, net banking and insurance income for the Group's Private Banking sector recorded an 11,4% improvement over the previous year.

In 2012 the trend in net deposits, the good performance of the Individual Portfolio Managements which recorded overperformance fees and effective management of customer relations made it possible to tackle with professionalism and alternative offers the moments in which many competitors introduced aggressive pricing policies on deposits aimed at acquiring and/or keeping customers.

Canali telematici

Contact Center

In 2012, contacts increased by 2% over 2011, with customers appreciating alternative options to the telephone, such as chat and e-mail.

On the Telephone Banking service, call devices performed directly on the automatic answering service remain stable and the percentage of orders placed on the operator stands at 72%.

The SAS (Development Support) service has strengthened its commercial development activities, increasing products emitted in support of the network by 33% and dedicating its work to engaging with customers to establish appointments in branches with the aim of examining relationships and commercial activities.

Thanks to the synergy with the branches, the percentage of calls managed centrally has increased up to 41% of the telephone traffic of the centralised telephone numbers.

Direct channels

The direct channel service, being responsible for creating services that extend customer interaction methods, during the year initiated numerous strategic projects and initiatives.

As concerns Mobile Banking, the new smart phone and tablet platform has been released, with a particular focus on user experience for the customer and the functions available have been extended. Again under the scope of a mobile project, the concept of the family budget has been created, before also being extended to home banking; this is a tool that enables customers to better manage their income and expenses and allows the Bank to propose/suggest specific products for the customer.

Under the scope of the Direct Channels, a Customer Intelligence service has started to operate, which through business intelligence customer analyses has the aim of improving knowledge of the customer, therefore aimed at improving relations with the customer and the efficiency of the commercial business and proposals.

During the year, a new application was acquired, installed and configured that enables the automated, centralised management of commercial campaigns. Together with the analyses performed by the Customer Intelligence group, the new application aims to guarantee a better result than commercial campaigns.

Extension also continued of the functions available within the internet banking service, which enabled an 8% extension of the number of customers operating.

On-Line Trading

For 2012, the on-line trading business was influenced by the reduction of trade seen on a system level (Borsa Italiana recorded a total reduction of volumes of -16% for the share segment and -23% for derivatives during the year), consequently Banca Sella recorded net banking income from on line trading that had dropped 9,9% on the previous year, despite the fact that the first 3 months of 2012 recorded positive results.

The On Line Trading Service activities developed mainly in the following directions:

- consolidation of the service levels intended as an improvement of the system stability and the performance in sending orders;
- innovation in the product array offered and increasing the number of instruments tradeable on-line;
- diversification of the offer between Trader and Investor customers;
- execution of commercial initiatives aimed at acquiring new Trade customers, carried out in part through the organisation of training events to support customer operations.

In relation to product innovation, 2012 was the occasion to release various new features, such as the Options Viewer, the Excel information plug-in, the on-line trading on Mini Future Ftse 100 (IDEM market), the Future OAT and the main Stock Options (listed on the Eurex Market) as well as the extension of computer services by means of the introduction of Eurostoxx indices and the BTP-Bund spread.

As concerns the segmentation of the offer, interventions were organised on the economic conditions and specific functions released with a view to more greatly diversifying the offer according to the operations and different needs of customers (traders or investors). To this end, trading commission dedicated to investors making sporadic purchases and sales of securities on-line, to whom a new version of the "Tol Investor" platform has also been released, designed to be simple and user-friendly and therefore suited to less evolved customers wishing to operate on financial markets through the electronic channel.

With reference to activities aimed at ensuring the commercial development of new relations and the delivery of quality training to customers, in 2012 too teaching meetings were organised, held by the best market professionals, both of the Group and externally, with 72 training days involving 1.355 people (customers or potential customers). With respect to previous years, specific events have also been activated on trading in shares, options and automatic trading organised in collaboration with Borsa Italiana, held in the historic Palazzo Mezzanotte in Piazza Affari. Finally, as in previous years, the on-line trading area participated in the two main sector fairs held in Rimini and Milan.

Payment Systems Agents

As of 31 December 2012, the commercial network of the Banca Sella Group also included 34 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 cards and Gift cards) and the Acquiring service (intermediation of cash flows relating to the acceptance of cards with validity on the international circuits) with Banca Sella throughout Italy.

Other channels

The Group's commercial business is carried on also:

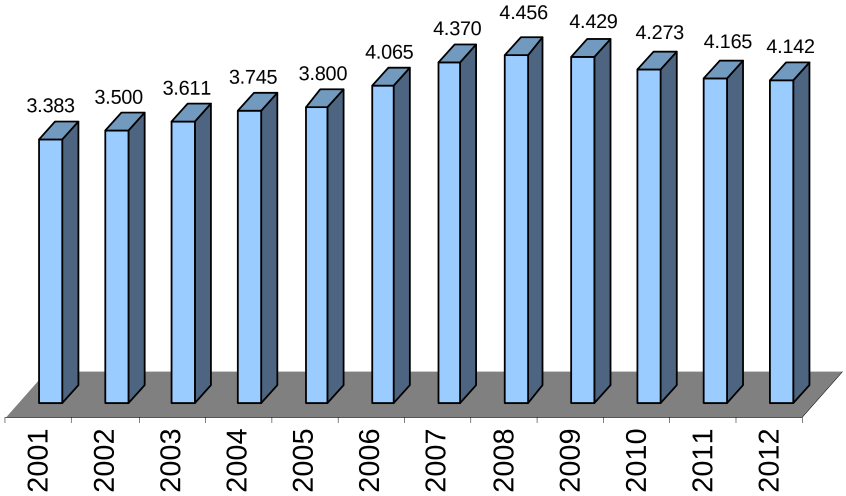
- in the consumer credit sector, through 19 branches run by the Consel company, 13 affiliated "Consel Points" and more than 2.800 partner sales points active in 2012 all over Italy.
- in the financial leasing sector through 9 branches of the company Biella Leasing, as well as the Biella headquarters;
- in the sectors of managed savings and investment advice, insurance services and insurance brokerage respectively through the companies: Sella Gestioni Sgr and Family Advisory Sim, CBA Vita and Sella Life, Brosel.

» HUMAN RESOURCES

Human resources management and development

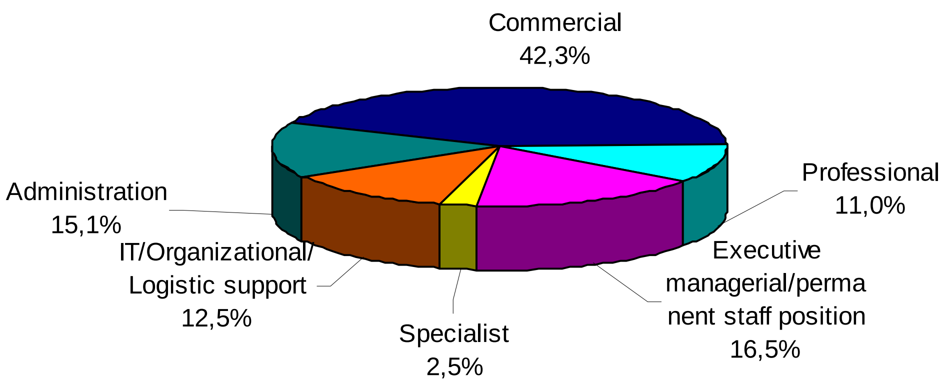
At 31 December 2012 the Banca Sella Group's staff totalled 4.142 employees, a decrease of 23 with respect to the figure at the end of 2011. The personnel relating to the banking group alone (hence excluding the companies in the insurance sector) showed a number of employees at the end of the year of 4.100, a decrease of 21 from 2011.

Evolution of the number of employees of the Group in the last 12 years



At the end of 2012 the average age of the Group's employees was approximately 39,21 with women representing 49,9% of the total workforce. Both of these figures increased over the previous year, when the average age was 38,4 and women represented 49,5% 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 the previous financial year were partly due to the transactions described in the section “Strategic issues” (which can be referred to for additional information), with particular reference to the merger by incorporation into Banca Sella of Banca Sella Nord Est Bovio Calderari.

GROUP STAFF STRUCTURE						
Company	**Employees at 31/12/2012**	**Proportion % of total 2012**	**Employees at 31/12/2011**	**Proportion % of total 2011**	**Changes**	
					absolute	**%**
Parent Company						
Banca Sella Holding S.p.A.	235	5,7%	250	6,0%	-15	-6,0%
Banking Group Banca Sella						
Banca Patrimoni Sella & C. S.p.A.	179	4,3%	174	4,2%	5	2,9%
Banca Sella S.p.A.	2.829	68,3%	2.675	64,2%	154	5,8%
Banca Sella Nordest Bovio Calderari S.p.A.	-	0,0%	191	4,6%	-191	-100,0%
Biella Leasing S.p.A.	62	1,5%	62	1,5%	0	0,0%
Consel S.p.A.	263	6,3%	276	6,6%	-13	-4,7%
Easy Nolo S.p.A.	2	0,0%	2	0,0%	-	0,0%
Family Advisory SIM S.p.A.	3	0,1%	-	0,0%	3	-
Selir S.r.l.	275	6,6%	246	5,9%	29	11,8%
Sella Bank A.G.	36	0,9%	35	0,8%	1	2,9%
Miret S.A	4	0,1%	5	0,1%	-1	-20,0%
Sella Gestioni SGR S.p.A.	45	1,1%	50	1,2%	-5	-10,0%
BS IBO Chennai	167	4,0%	154	3,7%	13	8,4%
Selgest S.A.	-	0,0%	1	0,0%	-1	-100,0%
Total Banking Group Banca Sella	**4.100**	**99,0%**	**4.121**	**98,9%**	**-21**	**-0,5%**
Average total Banking Group Banca Sella	**4.111**		**4.175**		**-65**	**-1,5%**
Brosel S.p.A.	15	0,4%	17	0,4%	(2)	-11,8%
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 group statements Banca Sella Group	**4.142**	**100,0%**	**4.165**	**100,0%**	**-23**	**-0,6%**
Average total group statements Banca Sella Group	**4.154**		**4.219**		**-66**	**-1,6%**

Analysing these data we can see that, also as a consequence of the corporate transaction mentioned above, the company with the highest proportion of the total number of staff is Banca Sella, the Group's main commercial bank (with 68,3% of the total).

The Group's foreign companies (Selir in Romania, Sella Bank in Switzerland, Miret in Luxembourg, Sella Life in Ireland and Sella Synergy India in India) together account for 7,6% of the total. If the figures for Chennai Branch, Banca Sella's stable Indian organisation, are added, the percentage of the total rises to 11,6%.

Training

Again in 2012, as in the previous year, the Banca Sella Group identified people and their professionalism as one of the fundamental factors in continuing its story of success and services to customers in the current macroeconomic scenario. In this context, the activities of the Company University continued. This is 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.

Of particular significance during the year was the project of mapping the knowledge of all employees in relation to:

- main knowledge characterising the commercial network profiles;
- specific technical skills characterising certain crucial areas such as organisation, management control and risk management.

The mapping involved all employees in a first step of self-assessment and will be completed, within the annual assessment process, with the validation by the managers and discussions between staff and management in the 2012 assessment interview. Knowledge mapping in self-assessment and assessment by others is a fundamental moment for the professional improvement of each employee because it makes it possible to align the reciprocal expectations and to build a shared annual professional improvement plan.

In relation to the contents of training activities, besides the traditional areas (regulations, operations, behaviour, technical and commercial) four specific projects were begun in 2012:

- a project aimed at the commercial network, relating to financial advice, for the purpose of sharing and disseminating the new advice model, focused on the customer's needs;
- a pilot project, aimed at the commercial network, which will continue in 2013, related to the introduction of the new commercial workstation, a platform which supports commercial operators in customer relations and in the commercial management of their customer portfolios;
- a project dedicated to training in the lending field, which involved all the roles occupied in the lending process in actions of a technical and commercial nature, and which ended with participation in a workshop devoted to credit quality and relations with borrower customers;
- the launch of a project, which will continue in 2013, aimed at all commercial network operators, specifically dedicated to regulatory training, with particular attention to the issues of preventing money laundering, crime prevention security, workers' safety, training on the subjects of privacy and transparency.

Overall, in the Group as a whole about 107 thousand hours of training were provided, of which about 22.375 in the form of e-learning. The total number of hours was down slightly on the previous year, while the distribution between corporate and external courses, although with a slight decline in the percentage of the latter due to the greater use of inter-company external courses for the development of specialist technical skills and leadership, confirms the orientation begun in previous years toward greater use of instructors from within the Group to support the spread of the corporate values and culture. Specifically, training hours provided by internal instructors totalled 75% of all hours provided.

Training activities involved approximately 81% of employees (a decrease of approximately 4% with respect to the previous year) for a cost of approximately 900 thousand euro (25% less than the previous year, a figure in line with the strategy of providing training through internal instructors).

At the end of the year 1.448 members of staff were qualified as insurance brokers, (+10% as compared with last year, in line with the reorganisation of the commercial network), of whom 8,5% were employees trained and certified during the year, while the remaining 91,5% consisted of staff trained for the annual renewal of certification awarded in previous years.

As regards e-learning instruments, in 2012 the number of hours taught in virtual rooms was more than that in the previous year (approximately 35.878 thousand hours, equal to 33,5% of the total hours delivered), as this method combines the advantages of synchronous learning with the organisational and logistical advantages of remote learning. It makes it possible, in particular, to provide short training courses regularly, with the aim of encouraging the alignment/orientation/supervision of conduct.

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 year, Group companies took part in the work of the Technical Committees and the Work Groups set up by the A.B.I. (Italian Banking Association).

Among these it is worth noting:

- the work groups within the Credit sector: “Land and Mortgage Loans”, “Consumer Credit”, “Small Business”, “Insurance Policies”, “Bank Contracts and Guarantees”;
- the work groups within the Tax sector: "Bank Investigations," “Minor Taxes," "Financial Profit," "Corporate Income." In the same context, we can also note participation in the ABI, ANIA, Confindustria, and Assonime Inter-Association Group on the subject of taxation.
- the work group “Internal communication”;
- the work groups “Claims Office”, “Consumer Bank”;
- the work group “Liquidity risk: limits and stress tests” and the Permanent Committee on Banking Risks;
- the work group“Technical Study Group for Crime Prevention Security”;
- within ABILAB (Centre for Research and Development of Banking Technologies, set up in 2002 on the ABI's initiative in order to create a context for meetings and discussions among banks and ICT partners and to carry on research and development activities on innovative technologies for managing processes, channels and security in banks) the work groups “Electronic Document” and “Standard Support for Funds” and the observatories “IT Architecture Observatory”, in the context of the IT and TLC Systems subject area, “Renewables Observatory”, “Observatory on the Electricity Market and Purchasing Instruments”, “Observatory on the Gas Market and Purchasing Instruments” in the context of the Energy subject area; “Observatory on Security and Computer Fraud”, in the context of the Security subject area.

INFORMATION TECHNOLOGY

During the course of the year, Information Technology's activities focussed on updating existing applications developing new 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 of the IT structure.

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 of Banca Sella Nord Est Bovio Calderari into Banca Sella:
- 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 savings of 11% on energy absorption of the Data Centers with respect to last year, and the simplification and optimisation of Disaster Recovery and Business Continuity procedures, as well as a significant reduction in provisioning times for new servers;
- the application changes necessary to manage the new organisational models introduced to the commercial network, in the context of the "New Commercial Model" initiative, which led to the introduction of specific scopes for both Territories and Aggregations areas;
- the introduction of new functions on ATMs combined with the increased number of advanced ATMs installed, resulting in a significant increase in the overall number of transactions carried out using this channel;

- the creation of new services in relation to our Mobile Payment solution in collaboration with an external technological partner;
- the comprehensive improvement of customer response times on all internal and on-line applications, thanks to the technological renewal applied to the central Storage component and the constant attention to monitoring and continuous improvement of applications, particularly of the on-line components of trading and home/mobile banking, which have halved response time and reduced peaks;
- 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 pursue an additional decrease in operational costs of 5% with respect to last year;
- the experimental use on a first group of employees of latest generation devices, tablets, to manage activities on the move, with the possibility of using functions of the computer system, a project that will be extended and enhanced during the three years 2013-2015;
- the release of integrated solutions focused on evolved investment consulting;
- the improvement of the management system for the start-up of production of departmental components that minimise the relevant impacts;
- continuation of activities to optimise printing processes, in particular in reference to increasing the use of electronic versions by customers, available on the SellaBox application, and review of communication aggregation mechanisms aimed at limiting paper printing, has resulted in an overall 6% reduction of volumes printed with respect to last year and the consequent reduction of environmental impacts;
- continuous evolution of the multi-bank computer system to keep suitability to new external legislative demands;
- the extension of the quantity of services available on the internet from the Company Computer System, thereby enabling an extension of the functions offered on the multi-channel mobile banking and home banking platforms and for the project under development of the new Commercial Workstation at present in a pilot version;
- 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 processes and control methods under the scope of software development aimed at generating greater internal efficiency;
- the selection and experimentation of a BPM (Business Process Management) tool with which to apply a structural review of processes including the effective measurement of times; a project that will gradually be released during the three years 2013-2015;
- updating of the Data Center by renovating the technology of central servers, with the purpose of keeping them technologically suitable and making them suitable for supporting the growth in volumes, also allowing a reduction in energy consumption with Green IT solutions;
- the progressive adoption of open source software in production areas;
- research and development activity aimed at the selection of the technological solutions with which to operate next year, revision, with a multi-device viewpoint, of the information system interfaces used by colleagues;
- the introduction into the Application Development segment of an organisational model that clarifies the separation of operational activities and the project component with a consequent improvement of project delivery times and an improvement of the efficiency and quality under the scope of the management of application procedures;
- the orientation on the growth of new roles of Business Analyst with the foreign companies of the Group in order to enable greater efficiency in the development of design solutions.

Report on corporate governance and ownership structure

Banca Sella Holding is the parent company of the Banking Group named "Banca Sella Group". The ownership structure which, right from the start (1886) has always characterised the Company, has, also, determined the governance structure, facilitating the maintenance over time of the values and principles at the base of a prudent way of doing business as a bank, oriented to stability and sustainability of development in the long term, based on knowing how to work in the Customer's interest, taking care to cautiously assume and manage risk and pursuing a high level of self-financing.

Exercising good corporate governance requires a corporate structure that best achieves the necessary relationship of correspondence between the ownership structure and the governance structure, the presence of which constitutes a fundamental factor for the company's success.

The amount in euro of the subscribed and paid-up share capital of 104.988.000,00 euro is divided into 209.976.000,00 nominative, exclusively ordinary shares, each with a face value of euro 0,50. The ordinary shares are associated with all the administrative and economic rights and obligations provided for by law. There are no shares with limited voting rights or shares with no voting rights. No financial instruments have been issued which would give the right to subscribe newly-issued shares.

At the date of approval of the Financial Statements there are no restrictions on the transfer of the stock.

It should be noted that Art.8 of the Articles of Association states that the shareholders have the right of pre-emption in the event of disposal of the full or bare ownership of shares, of rights of option or assignment or fractional bonds or usufruct on the same. The shares may be disposed of, with effect on the Company, to subjects other than the blood descendants in direct line of the disposer, than Group companies and than other shareholders, if they have not been offered in advance as an option to the latter with accretion among them. No securities have been issued conferring special rights of control or special powers.

At the date of approval of the Financial Statements there is no employee shareholding system. However the opening of the Banca Sella Holding shareholdings to Employees, former Employees, Pensioners and Stable Collaborators is currently being defined.

At the date of approval of the Financial Statements there are no restrictions on exercising voting rights and there are no shareholders' agreements.

The Board of Directors has not received delegated powers from the shareholders' meeting to carry out share capital increases under the terms of Art. 2443 of the Italian Civil Code, nor can it issue equity instruments.

The shareholders' meeting has not resolved authorisations to purchase treasury shares under the terms of Arts. 2357 and following of the Italian Civil Code.

Banca Sella Holding is not subject to the direction and coordination of any other legal entities.

In conformity with the provisions of section 123 bis, paragraph 2, letter b) of Italian 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 the separate and consolidated financial statements, the Group adopted specific company processes, aimed at supervising the correct preparation of financial statements, as provided for in the legislative, regulatory, civil and fiscal rules. 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 a reasonable guarantee to be obtained for the reliability of the accounting and financial information prepared.

Internal controls

The Banca Sella Group's control system was reinforced in accordance with a detailed action plan that has been constantly updated from time to time taking 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 the adequacy of rules;
c) growth of professional skills and control culture;
d) controls and checks on compliance with rules.

These actions are part of ongoing work to adjust the structural and organisational 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 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 2012 the reorganisation activity continued involving business processes with an "end-to-end" approach[1].

This approach makes it possible to:

- maximise clarity in attributing responsibilities;
- offer a clear and complete "overview" of how processes are carried out (both decision-making and operation) for every service and product provided by the Group;
- make 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 2012 a project continued to review the Group's entire internal regulatory structure, in order to simplify it and adapt it to the corporate organisation. The following benefits are expected from this project:

- greater uniformity in the behaviours induced by the regulations, thanks to greater clarity in the regulatory references linked to corporate 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-compliant behaviour" by personnel;
- simplification of responsibilities related to preparation and maintenance of the said regulations, thanks to the introduction of a new "taxonomy of the regulatory system."

[1] 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 provision of the product/service to the customer (internal or external);

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.

In this context the Compliance department (which is dealt with in more detail in the section on second-level controls) becomes particularly important. It is responsible for supervising the risks of non-compliance with regulations and verifying that internal procedures are in line with the objective of preventing breaches of both external and self-governmental regulations.

Just as important is the role performed by Internal Audit (a more complete description of which is provided in the paragraph on third level controls), whose activity - arranged over time with a view to greater orientation to process audits in order to strengthen the ability to intercept, anticipate and assess the potential risks in being for the Group - is oriented to identifying abnormal trends, breaches of procedures and of the external and internal regulations, to assessing the functioning and adequacy of the overall internal control system and to reporting the potential risks identified during its auditing activity.

In the work of identifying and mitigating risks and eliminating the causes of the possible events, an internal process, known as the “Control Cycle”, which regulates the treatment of anomalies and the 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.

Anomalous events give rise to:

- immediate evaluation of the corresponding degree of seriousness: each anomaly is classified on the basis of a scale of growing 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 actions regarding the organisation of processes or information systems, modification of controls and/or modification of internal standards.

Since its adoption, the “Control 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 perform preventative and in-depth analysis on the compliance of new products with current regulations and the Group guidelines, 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 "assessment form," which contains a check list of the controls performed and verifications carried out on the various services involved, as well as the assessment and quantification of the risks to which the product/service may be exposed.

In addition, in terms of anti-money laundering, the Parent Company's Anti-Money Laundering department, established within the Risk Control department, works with the Parent Company's Compliance department to continuously identify the regulations applicable in terms of combatting 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 skills and control culture

The growth of professionalism and the audit culture are pursued by paying careful attention to resources, whether directly operating in auditing units or in operating 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 compliance and observance of the regulations and to create a common ability to identify suspicious 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 2012, in particular with reference to Loan Officers, Managers, Branch Managers and Deputy Branch Managers, on the subjects of credit risk and capital absorption.

d) Controls and inspection of compliance with rules

The constant qualitative and quantitative reinforcement of the services responsible for second and third level audits, the continual refinement of the organisation of activities and division of roles, and the improvement of information flows between the various audit structures continued further during 2012.

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 observing sound and prudent management principles.

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 it is worth noting the contribution of the following “corporate mechanisms”:

- the Audit Committee, established 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 to which the Group is most exposed;
- the Corporate Development Committee, which is responsible for analysing the relevant issues and practices related to operations of a strategic nature which regard equity investments and which have non-negligible effects on the Group's capital and profitability, for assessing the adoption of appropriate and documented proposals to be put to the Parent Company's Board of Directors and for assuming any and all operating decisions necessary to coordinate their implementation;

- the ALM Committee, a direction and guidance mechanism which has the aim of regularly monitoring the exposures determined by the composition of the assets and liabilities of the Group Companies and of the Group as a whole for the purpose of checking observance of the risk assumption limits assigned by the competent bodies and preparing forecasts on possible future scenarios and identifying each time the most opportune solutions;
- the Operational Risk Committee (CO.R.O.), established with the task of examining, assessing and authorising 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, which is both an advisory board and a decision-making body and whose 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 audit system in place in order to guarantee the uniformity, integrity and efficiency of these measures, in any case only to be implemented with regard to residual cases that are not easy to standardise or not considered by the model.
- the Loans Committee, specialised in matters relating to granting of credit;
- The Market Abuse Committee, which assesses operations in financial instruments admitted to trading or for which an application has been presented for admission to trading on a regulated market of the European Union, in order to identify ones which have to be reported to CONSOB under the terms of the Community "Market Abuse" Directive;
- the Audit Committee, set up 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 effectiveness and efficiency of 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 auditing firm;
- the Appointments Committee, which has investigatory duties, expresses opinions on the suitability of candidates for the Board of Directors of Banca Sella Holding, the Boards of Directors and Boards of Statutory Auditors of the subsidiaries; the appointment of the Chief Executive Officer, the General Manager, the Co-General Managers, the Deputy General Managers, if provided for; the appointment of the members of the Board Committees;
- the Remuneration Committee, set up within the Parent Company's Board of Directors, formulates remuneration proposals for the Chairman, the Deputy Chairmen, the Chief Executive Officer, and for the members of the Board to whom particular posts, powers or duties have been attributed by the Articles of Association or by the Board itself; it expresses itself on the remuneration of the company's top management; it defines the guidelines for determination of the fees of the boards of directors and statutory auditors of the "significant companies" of the Banca Sella Group, identified on the basis of the criteria laid down by the Board of Directors;
- the Supervisory and Control Committee, which is assigned the task of supervising the operations 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 software 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 the professional skills of the structures appointed grew, through suitable internal and external training.

The main activities performed by Banca Sella Holding's Risk Management service include:

- evolutionary maintenance of the “Control Cycle” organisational process;
- continuation of the activity of assigning the operational risk rating to the business processes mapped with an “end-to-end” approach;
- careful assessment of the risks associated with new products and services and with non-standard transactions;
- evolutionary maintenance of credit risk measurement processes and procedures, including:
    - the rating system for determining the credit worthiness of small businesses and SMEs; during 2012, a new rating model, developed in cooperation with Crif, was released. This made it possible to better classify customers and increase predictive capacity. At the same time of introduction of the new rating model, the possibility of using fiscal models to calculate the rating was introduced;
    - the scoring system for determining the credit worthiness of private customers; during 2012 development was completed of a new performance scoring model for private customers which will be released into production if it passes the validation tests currently in progress;
    - IT procedure for identifying legal and economic bonds existing among customers;
    - monitoring of risk-adjusted return;
    - procedures to check the admissibility requirements of credit-risk mitigation techniques.
- 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 can note the following:
    - the constant refinement of the indicators adopted to monitor liquidity risk, with a view to aligning these to future new standards proposed by Basel 3;
    - active participation in internal work groups for improving the ALM management process and for quantifying internal transfer rates (ITRs);
- the refinement of daily monitoring of the Group's exposure to countries on the Euro zone periphery and of country risk;
- continual reinforcement of controls regarding market abuse;
- preparation and updating of risk control and management policies;
- estimates of the quantitative impact of the new capital rules laid down by the revised prudential regulations for banks (Basel 3);

The Risk Management 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 of 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 critical anomalies which have 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 2012 dashboard has been adapted to keep pace with 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 2012 the Group Dashboard showed a total annual average service level of 99,874%.

As regards IT Risk the proactive and effective monitoring to prevent external IT attacks continued.

On the issue of money laundering, the Movement Controls department (part of the BSE Money Laundering Prevention service) carried out the following activities in 2012:

- review of anomalous movements made by customers, 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 the 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 2012, the Banca Sella Group carried out an independent assessment of the Group's capital adequacy, both in current and prospective terms, in relation to the risks assumed and assumable and 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, organise its updating, in order to ensure that it continues 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 compliance tasks, 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-compliance deriving from the introduction of new relevant regulations or amendments to existing ones;

- transform the new regulatory context into opportunities and benefits for customers and for 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) alerting activities;
3) gap analysis;
4) organisational planning, subsequent changes, and full release of the same;
5) control of updates (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:

- to continuously identify applicable regulations and measure/assess their impact, in terms of compliance risk, for company processes and procedures;
- to ensure that the processes, procedures, products and services offered comply with the external and self-regulatory provisions;
- including through direct inspections carried out in the context of the annual plan or through extraordinary inspections requested by Top Management, to verify that the regulations have been adopted by the departments affected by the procedure, processes and internal regulations, as well as verifying the effectiveness of the organisational solutions (structures, processes, and procedures, including both operational and commercial ones) that are suggested to prevent compliance risk;
- to provide advisory assessment to the Top Management on the regulatory compliance of innovative projects and on the prevention and management of conflicts of interest;
- to supply advice and assistance to significant subjects appointed to perform services, in order to ensure fulfilment of the obligations laid down in the legislation;
- to verify the coherence of the bonus system (in particular personnel retribution and incentives) with the objectives of compliance with the regulations;
- to evaluate the compliance risk underlying strategic decisions taken;
- to 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 compliance risk;
- at least once a year, to present the company bodies with the report on activities, in accordance with the provisions of legislation governing the industry;
- to draw up regular reports on instances of non-compliance detected.

In Banca Sella Holding, the BSH Compliance department is operational. It is permanent, independent and an integral part of the internal audit system, and its staff report to General Management. Each company of the Banca Sella Group has established a Compliance Department and/or appointed compliance managers or, on the basis of specific outsourcing contracts, has assigned responsibility for compliance directly to the Parent Company department.

In addition to the responsibilities described above, the Parent Company's Compliance Department has the responsibility for supervising application of the compliance process in the Banca Sella Group and for proposing guidelines at a Group level in terms of managing compliance risk.

THIRD LEVEL CONTROLS

In the context of third level controls, Internal Auditing at Banca Sella Holding consists of three areas: Internal Audit, Investment Services Auditing and EDP Auditing, which operate with the purpose of identifying anomalous trends, violation of procedures and external and internal regulations, and of assessing the functionality and appropriateness of the whole internal control system and reporting any potential risks identified during inspections. Internal Auditing reports hierarchically to the Board of Directors of the Parent Company and, when the Board is not meeting, to the Audit Committee[2]. 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.

Control activities carried out by Internal Auditing are executed through inspections and audits, both planned and unplanned, and with the subsequent 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 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 2012 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 implementation of the corrective actions by the inspected bodies (follow up);
- guarantee the efficacy of the informational and reporting flows to 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 skills available within its services with the purpose of better responding to needs for action;
- 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 managers of 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 audits and on any anomalies that have emerged, and for discussing and agreeing on methods of work and updating;

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

- checking compliance with internal regulations, supervisory regulations and laws (from both a formal and a substantial point of view), effects on capital and income and risks associated with the business;

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[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 2012, 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 Control and Compliance services of Banca Sella Holding and the Controls and Follow Up services of Banca Sella 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;*
- *risk situations for 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.

- 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 in relation 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 or mitigate the shortcomings detected.

From an exclusively quantitative and statistical point of view, considering a workforce of 19,4 (full time equivalent) units in 2012, the audits carried out by the Internal Audit department on site and remotely can be summarised as follows:

INTERNAL AUDIT ACTIVITY			
Audits relating to:	**2012**	**2011**	**2010**
- Areas/Services/Processes of the Parent company Banca Sella Holding S.p.A.	23	27	29
- Areas/Services/Processes of Banca Sella	30	31	38
- Other Group companies and/or their Central Services/Processes	22	25	19
- Banca Sella S.p.A. peripheral business units (with outsourcing contracts)	-	-	15
Total	**75**	**83**	**101**

OVERSIGHT AND CONTROL COMMITTEE LEGISLATIVE DECREE 231/01

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

During 2011, the "Models" were subject to updating mainly as regards the corporate organisation in relation to anti-money laundering regulations, with particular reference to the provisions contained in the Bank of Italy Order of 10 March 2011, effective as of 1 September 2011.

With reference to the introduction of Art. 25 duodecies regarding Italian Law Decree No. 109/12 on the subject of Penalties and measures for employers who take on citizens of Third Countries with no permission to stay and to the changes introduced by Law No. 190/12 on the subject of Rules for the Prevention and Repression of Corruption and Illegality in the Public Administration which modified Arts. 25 and 25 ter of Italian Legislative Decree 231/01, the related changes were the subject of specific recommendations by the Supervisory Body, the changes in which were planned for the early months of 2013.

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 for the activities carried out by the same with relevance also for the activities of the Parent Company.

These inspections were aimed at determining to what degree the rules established in internal regulations are applied, in particular: the adequacy of the payable cycle process regarding purchasing, verification of the Market Abuse controls process, the process of issuing new products related to the Macro-process "Item Collection and Payment", the process to obtain contributions and financing for personnel training, the adequacy of software licenses, the Customer Service Macro-process, the process relating to "Cash Processing" (Counting Room) and adaptation of the new organisational structure of the Anti-Money Laundering department, as well as inspections regarding proper management of the Single Electronic Archive.

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 audit reports.

From these audits carried out no anomalies of any great significance emerged. With reference to adjustment to the new organisational framework of the Money-Laundering Prevention Unit and to the checks on correct management of the Single Electronic Archive issues were noted in order to suggest additions to be made to internal regulations or to the line control manual. In particular, as regards the issues seen in the report on the new organisational structure of the said Unit and the audits regarding proper management of the Single Electronic Archive, examined by the Committee at its last meeting in December 2012, the Committee suggested that the report be immediately submitted to the first meeting of the Board of Directors of the Bank and also recommended that the Anti-Money Laundering service immediately implement the corrective actions suggested therein.

Finally, the Oversight and Control Committee did not receive, through the channel set up for the purpose, any report of behaviour that was abusive or not in line with regulations on the part of the Group's employees or of anyone collaborating with it.

TRANSPARENCY OF TRANSACTIONS AND BANKING SERVICES

During 2012 we received the results of the Transparency audits carried out by the Supervisory Body on a number of group companies between 2011 and 2012: the 5 inspections in the Banca Sella SpA branches and the 5 inspections in Banca Sella Nord-Est Bovio Calderari branches, the general inspections in Banca Sella-Nord-Est-Bovio Calderari and Banca Sella Holding, the remote audit on Consel's new contractual documentation.

The Transparency Service analysed the results and coordinated, together with the Compliance and Legal Services and with the product managers, the responses to the Supervisory Body.

During 2012, particular attention was paid to the network personnel in order to check the effective level of training and remedy the shortcomings found with specific training courses.

Visits were made to 54 Banca Sella branches (Piedmont, Lombardy, Emilia Romagna, Lazio, Sicily) with the aim of checking the Transparency documentation displayed and knowledge of the main Transparency rules.

The information collected during these visits, together with that emerging from the documentary checks and that deriving from the constant monitoring of the anomalies included in the control cycle, was crucial in orienting the contents of the 9 training courses provided during the year aimed at network personnel (branch staff and financial advisers).

» RESULTS FOR THE YEAR
INCOME DATA

Reclassified income statement *(euro million)*

Item	31/12/2012	31/12/2011	% change over 2011
10 Interest and similar income [1]	451,2	444,9	1,4%
20 Interest and similar expenses [1]	(166,1)	(166,3)	-0,1%
70 Dividends and similar income	1,5	2,8	-47,6%
NET INTEREST INCOME AND DIVIDENDS	**286,6**	**281,4**	**1,8%**
40 Fee income [1]	307,4	306,9	0,2%
50 Fee expenses [1]	(93,8)	(85,2)	10,1%
80 Net gains/(losses) on trading activities [1]	43,6	32,3	34,7%
90 Net gains/(losses) on hedging activities	4,7	4,7	-0,5%
Net income from service	**261,9**	**258,8**	**1,2%**
150 Net premiums	201,1	202,4	-0,7%
Other costs/income pertaining to insurance activities [1]	27,6	29,0	-4,6%
110 Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	12,7	(9,4)	-235,5%
160 Balance of other income/expenses from insurance operations	(231,5)	(208,4)	11,1%
Net income from insurance activities	**9,9**	**13,6**	**-26,8%**
NET BANKING AND INSURANCE INCOME	**558,4**	**553,7**	**0,8%**
180 Administrative expenses:			
a) Personnel expenses	(226,6)	(222,0)	2,1%
IRAP on personnel and seconded personnel expenses [2]	(8,1)	(8,1)	0,2%
b) Other administrative expenses	(158,5)	(151,7)	4,5%
Recovery of stamp duty and other taxes [3]	32,1	25,9	24,1%
200 Value adjustments on tangible assets	(16,5)	(16,5)	0,0%
210 Value adjustments on intangible assets	(14,1)	(14,5)	-2,7%
220 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	10,6	7,3	44,9%
Operating costs	**(381,2)**	**(379,7)**	**0,4%**
OPERATING PROFIT/(LOSS)	**177,1**	**174,1**	**1,8%**
190 Net provisions for risks and charges	(9,7)	(7,8)	24,5%
130 Net value adjustments for impairment on:			
- loans and receivables	(127,5)	(115,9)	10,0%
- financial assets available for sale	(0,6)	(16,6)	-96,4%
- other financial transactions	(0,9)	0,4	-360,3%
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	(2,2)	(3,2)	-30,9%
- financial assets available for sale	5,0	(1,0)	-588,4%
- financial liabilities	0,2	2,8	-92,9%
240 Gains/(losses) on equity investments	0,3	(1,1)	-123,6%
260 Impairment of goodwill	(2,5)	(0,9)	172,3%
270 Gain/(loss) on disposal of investments	(0,0)	4,7	-100,4%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**39,1**	**35,5**	**10,2%**
290 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	(16,4)	(20,6)	-20,2%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**22,7**	**14,9**	**52,2%**
310 Profit/(losses) on asset disposal groups held for sale after tax [4]	-	2,4	-100,0%
PROFIT/ (LOSS) FOR THE YEAR	**22,7**	**17,3**	**31,4%**
330 Profit/(loss) for the period pertaining to Parent Company	**21,0**	**15,7**	**33,6%**
340 Profit/(loss) for the period pertaining to minority interests	**1,7**	**1,6**	**9,4%**

(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"*

(4) *The loss of 1.5 million euro of the company Sella Bank AG, discontinued operations, was reassigned to the respective income statement items for a better comparison than the previous year.*

Income Statement Reclassification Criteria

In order to provide a more easily understandable representation of the income results, an income statement has been prepared using presentational criteria more appropriate to represent the content of the items in accordance with principles of operational uniformity.

Reclassifications involved:

- item 70. "dividends and similar income" which fall under net interest income;
- item 100. "gains/(losses) on sale or repurchase of loans, financial assets held for sale, financial assets held to maturity and other financial transactions," which is separated from banking income and considered with item 130. "net value adjustments for impairment";
- IRAP on personnel costs which is separated from the item "Income taxes for the period on continuing operations, and classified under 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.

2012 was characterised by a general weakening trend in the lending activity of the banking industry. This was more marked in the business component. The trend in disbursing loans was affected by the significant weakness of demand from businesses and households owing both to the generalised crisis situation and to the high rates offered following the increase in risk parameters, although it eased towards the end of the year. The recession also inevitably affected the quality of loans to customers while the deterioration of the creditworthiness of the public issuer increased the cost of funding and made it particularly difficult for Italian banks to obtain funding on the international markets.

In this difficult situation, the Banca Sella Group ended the 2012 financial year with an income of 22,7 million euro, of which 21 pertaining to the Parent company. When compared with the previous year, in which profits pertaining to the Parent Company totalled € 15,7 million, an increase of 33,6% can be seen.

The main factors which determined the performance in financial year 2012 (set out in the analysis of the Reclassified Income Statement) were:

- the growth (+1,8%) of net interest income: despite the worsening in the item dividends and other income (- 47,6%) the trend in interest rates and on the markets enabled the item to remain in positive territory;
- the moderate growth of net income from services (+1,2%) due to an excellent result of net trading gains, which offset the drop in the fee component;
- the substantial stability of the operating cost component (+0,4%), in a context of containment and savings, also as a consequence of the corporate operations implemented during the year;
- a worsening (+10%) in value adjustments for impairment losses, mainly due, as mentioned above, to the continuation of the difficult external economic scenario;
- the sharp improvement (+16 million euro) in value adjustments for the impairment of financial assets available for sale. 2011 had, in fact, been heavily penalised by the need to write down Greek government bonds held in this portfolio; in this context there was also the realisation of part of the valuation reserves on the same segment (+ 6 million euro).
- the recognition of the amounts of IRES income tax rebate applications owing to non-deduction, in the tax periods from 2007 to 2011, of the IRAP tax related to expenses for employees and assimilated personnel. Consequently lower taxes were recognised for previous years for approximately 10,6 million euro.

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 a positive result of 17,6 million euro, thanks to the excellent performance of trading together with good performance of net interest income.

The 7 million euro contribution to consolidated income by Banca Sella, the Group's commercial bank operating mainly in the retail business, continued to suffer the consequences of the difficult external context that characterised the year, coming out at slightly less than was recorded in previous years, while Banca Patrimoni Sella & C., the bank operating in the private banking sector, with a result of 6 million euro came back to excellent profit figures.

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 proved its profitability, although it was also affected by the continuation of the criss, recording slightly lower profits than in the previous year.

Consel, a company specialised in consumer credit, reversing the trend of the previous year, recorded a loss which can be attributed mainly to the increase in the cost of funding and a reduction in volumes disbursed following the changes in commercial strategies.

The profits of Sella Gestioni, a company operating in the sectors of asset management, individual management and supplementary pensions, were greatly improved compared with the previous year which had ended with a loss. This profit, in 2012, was positively influenced also by 2,7 million euro of incentive fees earned on managed products.

In the insurance sector, C.B.A. Vita, a company specialised in the segment of life assurance policies, ended 2012 with a profit of 10,7 million euro which derived mainly from the positive result of financial operations. The loss for 2011 had, in fact, been influenced negatively by the writedowns of Greek government bonds held in its 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	**31/12/2012**	**31/12/2011**
Banca Patrimoni Sella & C. S.p.A.	12,5%	2,0%
Banca Sella S.p.A.	1,3%	1,9%
Banca Sella Nordest Bovio Calderari S.p.A.	-	-5,9%
Biella Leasing S.p.A.	4,9%	9,7%
Brosel S.p.A.	12,0%	17,3%
C.B.A. Vita S.p.A.	6,0%	-18,5%
Consel S.p.A.	-1,3%	3,5%
Easy Nolo S.p.A.	19,9%	25,2%
Family Advisory SIM S.p.A. Sella & Partners	-4,2%	-13,9%
Finanziaria 2010 S.p.A.	1,3%	-
Miret S.A.	-10,7%	-32,1%
Selfid S.p.A.	-48,4%	13,5%
Selgest S.A.	-49,4%	-9,7%
Selir S.r.l.	26,4%	35,1%
Sella Bank AG	2,1%	4,3%
Sella Gestioni SGR S.p.A.	8,4%	-4,4%
Sella Life Ltd.	-1,5%	0,3%
Sella Synergy India P.Ltd.	3,9%	0,3%

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

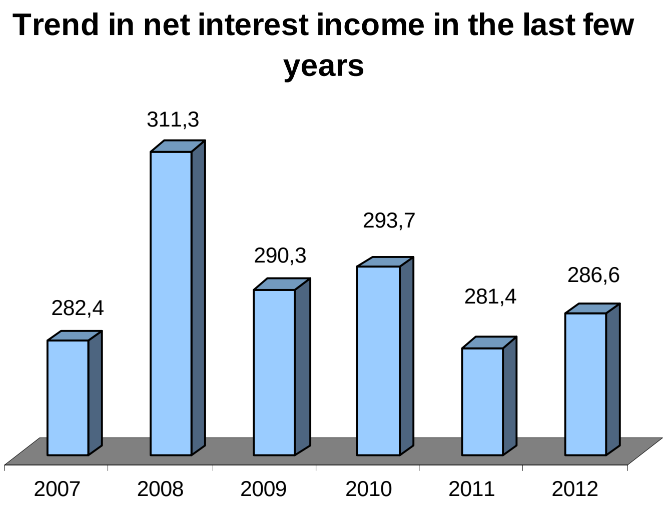
The comments below refer to the Reclassified Income Statement presented at the start of this section.

Net interest income and dividends

At 31 December 2012, net interest income totalled 286,6 million euro: the comparison on an annual basis shows a 1,8% increase over the previous year.

The stability of net interest income was the consequence of the increase in investments in financial assets which benefited on average from a higher return associated with the financial scenario with interest rates on Italian Government Bonds particularly high in the first half of the year.

The chart below shows the trend in net interest income in the last few years.



A breakdown of the items that come together to form the banking income stated in the table below shows how operations with customers produced net interest of 294,5 million euro, showing a drop from 2011, following a contraction in volumes, partially mitigated by the drop in interest expense on bonds issued, due to the same reasons.

The item Dividends and other income, which came out at 1,5 million euro, also fell, by 1,3 million euro from 31 December 2011, as did net interest on insurance activity, which recorded a result of less than 1,2 million euro, 4,1% down on the previous year.

Vice versa, as stressed above, interest on financial assets increased by 38,8% thus leading to total net interest income of 314,7 million euro, an increase of 1,3% compared with the 310,7 million euro of 2011.

Net interest income and dividends *(euro millions)*				
Item	**31/12/2012**	**31/12/2011**	**Change**	
			absolute	**%**
Net interest with customers	294,5	315,5	(21,1)	-6,7%
- interest income	374,3	372,8	1,5	0,4%
- interest expenses	(79,8)	(57,2)	(22,6)	39,4%
Interest income on financial assets	65,4	47,1	18,3	38,8%
Interest expenses on securities	(39,7)	(49,6)	9,9	-19,9%
Net interbank interest	(6,4)	(1,7)	(4,7)	286,2%
- interest income	2,4	3,8	(1,5)	-38,0%
- interest expenses	(8,8)	(5,5)	(3,3)	61,1%
Hedging differences	(29,7)	(33,0)	3,2	-9,8%
Net interest Sella Bank AG (*)	0,7	-	-	0,0%
Other net interest	0,3	0,1	0,2	104,1%
Total net interest	**285,1**	**278,6**	**6,5**	**2,3%**
Dividends and other income	1,5	2,8	(1,3)	-47,6%
Net interest income and dividends of banking group	**286,6**	**281,4**	**5,2**	**1,8%**
Net interest on insurance activity	28,1	29,3	(1,2)	-4,1%
Total net interest income	**314,7**	**310,7**	**4,0**	**1,3%**

(*) The figures of Sella Bank AG for 2011 are included in the single detailed items because the company, in this financial year, did not fall within the category “assets held for sale”, as indicated in the Reclassification Criteria of the income statement presented on page 43.

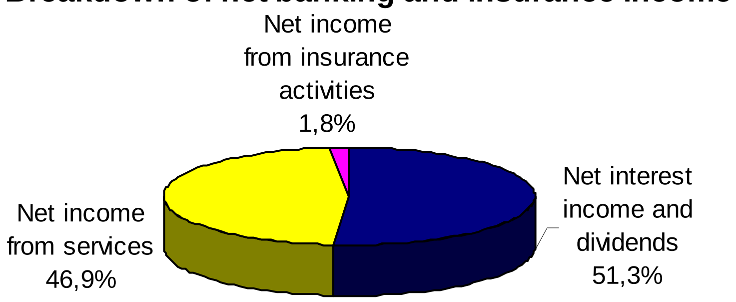
At the end of 2012 net interest income was 51,3% of net banking income, compared to 50,8% the previous year.

Net banking income

Consolidated net banking income amounted, in 2012, to 558,4 million euro, an increase of +0,8% compared with the result achieved during the previous year.

The positive trend in net interest income and the excellent performance of the item "net gains/(losses) on trading activities", which recorded an improvement of +34,7%, was offset by lower fee income (-3,8%) and lower insurance income, which fell by 26,8%.

Breakdown of net banking and insurance income



NET INCOME FROM SERVICES

Total aggregate net income from services amounted to 261,9 million euro, a slight increase from the previous year, in which it was 258,8 million euro (+1,2%). This result, substantially unchanged, is the consequence of opposing trends which offset each other:

- the increased amount coming from the component relating to trading and hedging activities, which - incorporating the excellent results seen in the Finance area and in the management of owned securities during 2012 - totalled 48,3 million euro, a 10,4 million euro increase with respect to 2011;
- the worsening of net income from insurance activities where net premiums were slightly down, as were all the other items that make up this item;
- the negative trend of fees, which, as can be seen in the table below, recorded a net balance of 213,6 million euro, down 3,7% compared with the 221,7 million euro of 2011, which was mainly ascribable to the unfavourable economic scenario, characterised by the declining purchasing power of households and businesses and consequently a slowdown in consumption.

Net fees *(euro millions)*						
Item	**31/12/2012**	**Proportion (%) of total**	**31/12/2011**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Banking and commercial business	52,8	25,1%	57,5	25,8%	(4,7)	-8,2%
- guarantees	0,2	0,1%	3,1	1,4%	(2,9)	-93,5%
- collection and payment services	52,6	25,0%	54,5	24,4%	(1,9)	-3,5%
Asset management, broking and advisory services	78,5	37,3%	83,5	37,4%	(5,0)	-6,0%
- indirect deposit by customers (asset management, custody and administration of securities, advice, broking and placement of securities)	64,8	30,8%	65,4	29,3%	(0,6)	-0,9%
- currency trading	1,3	0,6%	1,4	0,6%	(0,1)	-7,1%
- other fees on asset management, broking and advisory services	12,4	5,9%	16,7	7,5%	(4,3)	-25,7%
Net fees of Sella Bank AG (*)	4,4	2,1% -	-	-		-
Other net fees	78,0	37,1%	80,6	36,1%	(2,6)	-3,2%
Total net fees pertaining to banking group	**213,6**	**99,5%**	**221,7**	**99,3%**	**(8,1)**	**-3,7**
Net fees on insurance activities	1,1	0,5%	1,5	0,7%	(0,4)	-26,7%
TOTAL NET FEES	**214,7**	**100,0%**	**223,2**	**100,0%**	**(8,5)**	**-3,8**

(*) The figures of Sella Bank AG for 2011 are included in the single detailed items because the company, in this financial year, did not fall within the category "assets held for sale", as indicated in the Reclassification Criteria of the income statement presented on page 43.

NET INCOME FROM INSURANCE ACTIVITIES

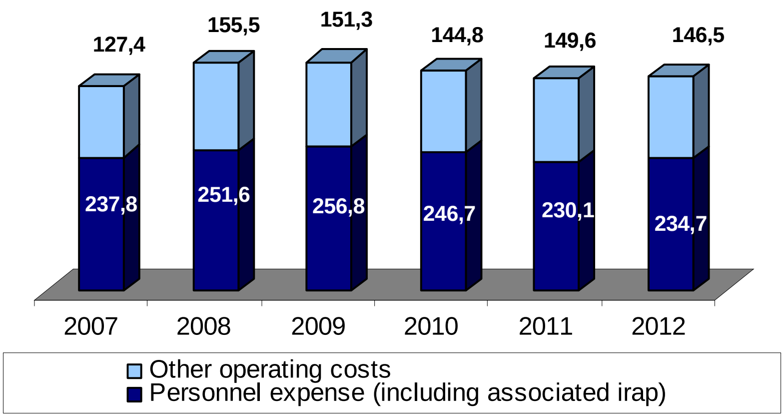
The total aggregate stood at 9,9 million euro, a decrease of 26,8% with respect to the 13,6 million euro of the previous year.

Operating costs

Total operating costs amounted to 381,2 million euro, substantially stable compared with the previous year (+0,4%).

If we consider the proportion of operating costs included in assets held for sale, relating to Sella Bank AG, the item shows a drop of 1,2%.

The operating costs in last few years



Administrative expenses (net of the recovery of stamp duty and other taxes and including IRAP on net staff and attached staff costs) amounted to 361,2 million euro, compared with the 355,9 million euro of the previous year. Within this aggregate, as can be seen in the table below, the component of expenses for personnel (including IRAP relating to the same), totalling 234,7 million euro represents a 2% increase with respect to 2011. This limited growth can mainly be explained by a decrease of 23 employees in the Group's workforce, more than offsetting the increases owing to salary rises which incorporated the effects of promotions and seniority increments.

Personnel expenses *(euro millions)*

Item	31/12/2012	Proportion (%) of total	31/12/2011	Proportion (%) of total	Change	
					absolute	%
Employees	215,3	91,7%	214,2	93,1%	1,1	0,5%
Directors	4,7	2,0%	4,2	1,8%	0,6	13,9%
Statuory auditors	0,8	0,3%	0,9	0,4%	(0,1)	-16,0%
Other	1,9	0,8%	2,7	1,2%	(0,9)	-32,0%
Personnel expense of Sella bank AG(*)	3,9	1,7%	-	-	-	-
TOTAL PERSONNEL EXPENSES	**226,6**	**96,5%**	**222,0**	**96,5%**	**4,6**	**2,1%**
IRAP on net personnel and seconded personnel expenses	8,1	3,5%	8,1	3,5%	0,0	0,2%
PERSONNEL EXPENSES INCLUDING ASSOCIATED IRAP	**234,7**	**100,0%**	**230,1**	**100,0%**	**4,6**	**2,0%**

(*) The figures of Sella Bank AG for 2011 are included in the single detailed items because the company, in this financial year, did not fall within the category "assets held for sale", as indicated in the Reclassification Criteria of the income statement presented on page 43.

Other administrative expenses, net of the recovery of indirect tax, were substantially in line with 2011 (+0,5%), coming out at 126,4 million euro compared with 125,8 million euro. The fact that structural costs did not increase reflects the Group's adjustment to the previous strategic plan focused on reducing administrative expenses as a result of better internal organisation.

Other operating costs were represented by value adjustments on property, plant and equipment and intangible fixed assets, which were also down 1,3% on the previous year (30,6 million euro in 2012 against 31 million euro in 2011) and other operating income, which, after deducting the recovery of indirect taxes came out at 10,6 million euro, an improvement of 44,9% 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 9,7 million euro, compared with the figure of 7,8 million euro of the previous year.

NET VALUE ADJUSTMENTS FOR IMPAIRMENT

Net value adjustments on loans at the end of the year amounted to 127,5 million euro, compared with the 115,9 million euro of 2011, showing a 10% increase, deriving from the negative economic scenario, which showed a structural crisis and which affected the quality of the loan portfolio, with the consequent need for greater provisions. However, towards the end of the year the negative trend in credit quality showed a slight improvement.

As a consequence of the above, the ratio of net value adjustments to cash loans rose from 1,3% for 2011 to 1,5%.

The item "Net value adjustments for impairment of financial assets available for sale" amounted to 0,6 million euro following the writedown of the non-controlling equity interest held in Intesa Sanpaolo, compared with the 16,6 million euro of 2011 referable to the writedown of Greek government bonds held by the companies Banca Patrimoni Sella & C. and CBA Vita.

GAINS/LOSSES ON THE SALE OF FINANCIAL ASSETS AVAILABLE FOR SALE

This item amounted to 5 million euro, following sales of part of the portfolio of financial assets available for sale with realisation of the related positive valuation reserve.

VALUE ADJUSTMENTS ON GOODWILL

The item, amounting to 2,5 million euro, includes the effects of the impairment of goodwill relating to the companies Biella Leasing and Consel. 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 16,4 million euro, compared to 20,6 million in the previous year, a decrease of 20,2%, resulting from a 10,2% increase in gross profit from continuing operations.

The tax rate, net of the IRAP component in staff costs, thus fell from 57,9% of the previous year to 40,9% in financial year 2012. The reduction was due in particular to recognition in 2012 of the amounts relating to the rebate for deductibility from IRES of IRAP related to personnel expenses envisaged for the tax periods 2007 - 2011. This operation had a positive impact of approximately 10,6 million euro, equal to approximately 25,8 percentage points of tax rate.

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

The loss of 1,5 million euro of the company Sella Bank AG, which is held for sale, was re-attributed to the respective income statement items for better comparison with respect to the previous year. The sale transaction was completed on 28 February 2013.

Consolidated comprehensive income

	ITEMS *(euro thousand)*	31/12/2012	31/12/2011
10.	**Net income (loss)**	**22.704**	**17.280**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	46.756	(28.850)
30.	Tangible assets	77	-
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	(4.321)	(956)
100.	Share of valuation reserves connected with investments meaured with net equity method	438	(91)
110.	**Total other comprehensive income (net of tax)**	**42.950**	**(29.897)**
120.	**Total comprehensive income (item 10+110)**	**65.654**	**(12.617)**
130.	Total consolidated comprehensive profit pertaining to minority interest	4.567	(333)
140.	**Total consolidated comprehensive profit pertaining to the parent company**	**61.087**	**(12.284)**

The main component of comprehensive income consists of the change in the valuation reserves referable to the portfolio of financial assets available for sale (item 20). The trend, which was particularly positive, is attributable above all to the component of Italian public debt securities, held by the Group Banks and by the insurance company C.B.A. Vita.

In analysing the aggregate it is important to remember the performance of the financial markets during 2012, above all towards the end, when the strong tensions on the financial markets, which had characterised 2011, began to ease. This resulted in a repricing of the assets held in the portfolio in relation to debt securities, particularly due to the macroeconomic trends seen in the scenario which concerned Italy, with a consequent recovery on the spread between Bunds and BTPs.

On the contrary, the declining interest rates had a negative effect on the actuarial component of severance indemnity provisions (item 90).

» RESULTS FOR THE YEAR BALANCE SHEET DATA

Reclassified balance sheet *(euro millions)*			
Assets	**31/12/2012**	**31/12/2011**	**% change over 2011**
Financial assets [1]	3.046,9	2.973,7	2,5%
Due from banks	340,2	313,5	8,5%
Cash loans[2] (excluding reverse repurchase agreements)	8.741,7	8.793,1	-0,6%
Reverse repurchase agreements	61,7	1,3	-
Equity investments	13,0	12,3	6,3%
Reinsurers' share of technical reserves	3,6	4,2	-15,2%
Tangible and intangible fixed assets [3]	280,3	284,5	-1,5%
Tax assets	212,0	190,8	11,1%
Non current assets and asset groups held for sale[4]	93,2	-	-
Other assets [5]	343,4	373,4	-8,0%
TOTAL ASSETS	**13.135,9**	**12.946,8**	**1,5%**
Liabilities and shareholders' equity			
Due to banks	800,3	547,0	46,3%
Direct deposit [6]	9.605,5	9.717,0	-1,1%
Financial liabilities [7]	675,7	602,3	12,2%
Tax liabilities	75,8	68,0	11,4%
Other liabilities [8]	456,4	447,7	2,0%
Provisions for specific purposes [9]	85,3	79,6	7,1%
Technical reserves	690,6	808,6	-14,6%
Liabilities associeted to asset groups held for sale[10]	5,0	-	-
Shareholders' equity [11]	741,2	676,6	9,6%
- pertaining to the Group	647,0	551,9	17,2%
- pertaining to minority interests	94,2	124,6	-24,4%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13.135,9**	**12.946,8**	**1,5%**

(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".

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

In 2012 total assets increased by 1,5%, reaching 13.135,9 million euro, compared with 12.946,8 million euro recorded at the end of 2011.

Banking business with customers, net of reverse repurchase agreements, saw substantial stability in cash loans, down by 0,6% (8.741,7 million euro, compared with 8.793,1 million in the previous year).

Direct deposits amounted to 9.605,5 million euro compared with 9.717 million euro in the previous year, a drop of 1,1%. The drop was due also to the increase in the cost of funding in a particularly competitive context generated by the lack of liquidity which occurred in the banking industry, above all in the first half of the year.

For the Banca Sella Group the ratio between cash loans and direct deposits (net of the repurchase agreement component of 122,2 million euro) rose from 91% in financial year 2011 to 92,2% in 2012; on this point the liquidity management and control process enabled an adequate level of the same to be maintained during 2012, in the face of the aforementioned difficulties on the interbank market. The positive trend in the most important liquidity indicators continued for the rest of the year, in the wake of actions by the European Central Bank and the easing of the tensions on Italian public debt and on the Euro area. At the Group level this trend regarded the main structural and short-term indicators. This put a brake on the cost of funding.

Shareholder's equity, inclusive of valuation reserves, finally, amounted to 741,2 million euro (94,2 of which pertaining to minority interests), a strengthening of 9,6% over the previous year, in which it was 676,6 million.

Banking business with customers

DEPOSITS

At the end of the year total deposits – consisting of all the assets administered on behalf of customers – amounted to 24.294,4 million euro, a 0,3% increase compared with the previous year. Deposits were substantially stable compared with the previous year, and were the result of the performance of the main Group banks and companies: in Banca Sella Holding they grew by 0,9%, in Banca Patrimoni Sella & C. there was an increase of 9,5% while in Banca Sella they declined by 3,2%.

Total deposits *(euro millions)*

Item	31/12/2012	Proportion (%) of total	31/12/2011	Proportion (%) of total	Change	
					absolute	%
Direct deposit (excluding repurchase agreements) [1]	9.483,3	39,0%	9.659,2	39,9%	(175,9)	-1,8%
Repurchase agreements	122,2	0,5%	57,8	0,2%	64,5	111,6%
Indirect deposit	14.688,9	60,5%	14.500,6	59,9%	188,3	1,3%
Total deposits	**24.294,4**	**100,0%**	**24.217,6**	**100,0%**	**76,9**	**0,3%**

(1) The aggregate comprehends direct deposit referred to Liabilities associeted to asset groups held for sale

Direct deposits

At the end of 2012 direct deposits from customers, excluding repurchase agreements, amounted to 9.483,3 million euro, a decrease of 1,8% compared to the previous year. If we consider the figure inclusive of repurchase agreements, the reduction comes down to 1,1%.

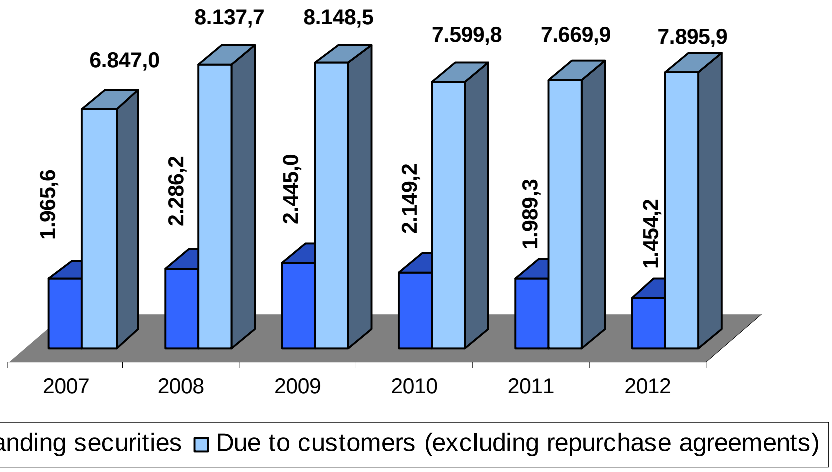
The breakdown of direct deposits shows good growth in amounts due to customers which amounted to 7.895,9 million euro, recording an increase of 226 million euro (+2,9%) compared with 2011, when they were 7.669,9 million euro. The most significant change within the aggregate was that relating to tied deposits, which compared with the previous year increased by 68,2%; while the other aggregates making up the item all fell.

As regards the other components of direct deposits, securities in issue, of 1.454,2 million euro, declined by 26,9% compared with the 1.989,3 million euro of 2011 because placings with customers were lower than issues maturing with institutional investors.

Repurchase agreements, standing at 122,2 million euro, recorded growth totalling 64,4 million euro on the previous 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. The aggregate includes amounts due to customers relating to liabilities associated with groups of assets held for sale.

Trend of direct deposit in last few years

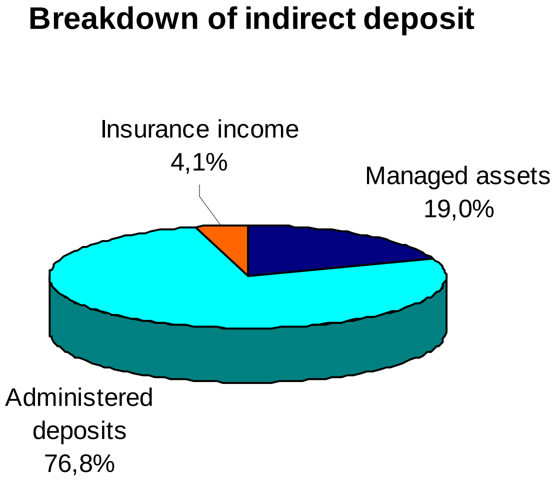


Direct deposit *(euro millions)*

Item	31/12/2012	Proportion (%) of total	31/12/2011	Proportion (%) of total	Change absolute	Change %
Due to customers (excluding repos)	7.895,9	82,2%	7.669,9	78,9%	226,0	2,9%
- Current accounts and demand deposits	6.780,8	70,6%	6.935,8	71,4%	(155,0)	-2,2%
- Term deposits	977,2	10,2%	581,1	6,0%	396,1	68,2%
- Other loans and advances	22,0	0,2%	27,5	0,3%	(5,5)	-20,0%
- Other items	115,9	1,2%	125,4	1,3%	(9,5)	-7,6%
Outstanding securities	1.454,2	15,1%	1.989,3	20,5%	(535,1)	-26,9%
Liabilities associeted to asset groups held for sale: due to customers	133,2	1,4%	-	0,0%	133,2	-
TOTAL DIRECT DEPOSIT	**9.483,3**	**98,7%**	**9.659,2**	**99,4%**	**(175,9)**	**-1,8%**
Repurchase agreements	122,2	1,3%	57,8	0,6%	64,4	111,4%
TOTAL DIRECT DEPOSIT (INCLUDING REPURCHASE AGREEMENTS)	**9.605,5**	**100,0%**	**9.717,0**	**100,0%**	**(111,5)**	**-1,1%**

Indirect deposits

Indirect deposits are understood as the sum of the items "Asset Management", "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 relating to income from insurance activities, as indicated in the table "Breakdown of indirect deposits " present in the same section of the Explanatory Notes. The total stock of indirect deposits at 31 December 2012, was therefore 14.689 million euro, an increase of 1,3% on an annual basis. As can be seen from the graph below, the main component of indirect deposits consists of administered deposits, which represents 76,8% of the total. Assets managed represent 19% of indirect deposits, whilst insurance income accounts for 4,1%. Compared with the previous year there was an increase in the proportion of administered deposits as against the insurance and managed savings components.



The table below shows how in 2012, the main components of indirect deposits recorded different dynamics. Managed portfolios, of 2.795,6 million euro, fell compared with 2011 (-6,8%), also following a number of transfers of investments abroad, carried out in the middle of the year by customers particularly alarmed by the uncertain situation that characterised 2012 referable to the country as a whole, to which was added the effect deriving from increased tax pressure. The component relating to insurance income was also down, at 607,8 million euro, 11,4% below last year. Administered deposits instead recorded a good increase of 4,3% compared with the previous year, rising from 10.815,9 million euro in 2011 to 11.285,6 million euro in 2012.

Indirect deposits *(euro millions)*						
Item	**31/12/2012**	**Proportion (%) of total**	**31/12/2011**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Managed portfolios	2.795,6	19,0%	2.998,5	20,7%	(202,9)	-6,8%
Administered deposits	11.285,6	76,8%	10.815,9	74,6%	469,7	4,3%
Insurance income	607,8	4,2%	686,2	4,7%	(78,4)	-11,4%
Total indirect deposits	**14.689,0**	**100,0%**	**14.500,6**	**100,0%**	**188,4**	**1,3%**

Bancassurance

As regards the placing of the life assurance products of the Group company CBA Vita, premiums collected were concentrated mainly on revaluable products and, in particular, on CBA Tuo Valore, a product launched at the end of 2009, in combination with the current account Conto Tuo Valore.

With reference to Class III products, in the second half of the year, the placing of index-linked contracts resumed; unlike the products placed in the past, this new type of contract provides for a guaranteed capital, according to the provisions of IVASS Regulation N° 32 of 11 June 2009.

With reference to pure risk products, starting from September, the placing began of a new form of term life assurance with declining capital to cover mortgage or other loans, with characteristics compliant with the indications of IVASS Regulation No. 40 of 3 May2012.

Finally, following the Judgement of the European Court of Justice of 1st March 2011, which forbade starting from 21 December 2012 the application of conditions differentiated by gender, the catalogue of products in distribution was updated, providing for the same conditions for males and female insurance customers. On this occasion, for the purposes of greater personalisation of term life policy with constant capital, the insurance cost was differentiated between smokers and non-smokers.

An agreement was also signed with the company Zurich Life Assurance Plc which belongs to the Zurich Insurance Group, to market an insurance product entitled Z Platform Solution, of the whole life unit-linked type aimed above all at Private customers.

In the "non-life" sector, 2012 saw the continued placing of the products of InChiaro Assicurazioni, the company owned by C.B.A. Vita (part of the Banca Sella Group) with HDI Assicurazioni.

As well as confirming, as for the previous year, the good results obtained in the placing of elementary class policies increasing their penetration among their customers, adjustments were made to some products, with a revision also of the commercial policies, in accordance with the legislative changes which came into force during the year on the subject of policies combined with loans and third-party liability motor policies.

LOANS

At the end of financial year 2012 cash loans to ordinary customers amounted to 8.741,7 million euro (8.793,1 at 31 12.2011), slightly down compared with the previous year by -0,6%.

In an even more difficult economic situation than in 2011 the Group confirmed its support for families, Small Businesses and SMES which showed that they had adequate economic prospects and were going concerns.

As regards technical forms, they can be broken down as follows:

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

Loans continued to be granted to businesses by Biella Leasing, the Banca Sella Group's leasing company and, as regards loans to private customers, in the fourth quarter the agreement between Banca Sella and Consel, the Group's consumer credit company, was activated for the disbursement of consumer credit loans; this method is in addition to the possibility of disbursing with Consel the “Cessione del V” salary-backed loan product.

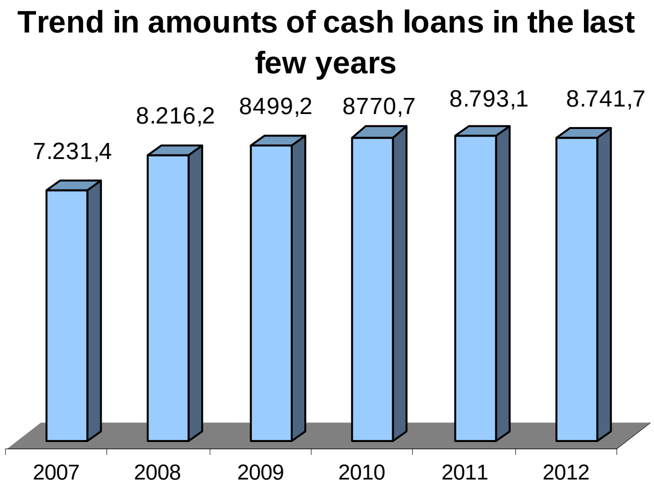
Customers were again able to apply for the moratorium agreed between the ABI and the Consumers' Associations to suspend payment of instalments and the agreement on New Measures for Credit to Small and Medium-sized Enterprises was implemented. This allows instalments to be suspended and the term of loans to be extended, as well as the financing of investments and advances on receivables from the Public Administration.

Following the earthquakes in the Emilia Romagna Region the Group supported the populations affected with subsidised loans and payment suspension initiatives combined with the implementation of legislative measures.

During 2012, the Group continued its concrete collaboration with Regional Councils, Industrial Associations and Loan Consortia and made use of the funds made available by the EIB and the national Deposits and Loans Institute.

Considering the difficult economic context, a strong boost was given to the training and involvement of staff working in the lending sector and in addition great importance was given to activities regarding the control of loans disbursed.

At the beginning of 2012 Banca Sella carried out its 5th loan securitisation transaction regarding performing mortgage loans disbursed to private customers that involved 4.958 contracts for an amount of approximately 398 million euro. For more information on securitisation transactions see the Notes to the present Financial Statements, part E – section C.



Analysing the composition of loans to customers (see the table below) we can note that the amount of mortgage loans remained the same as in the previous year, because new loans were disbursed within the limits of the number that expired, despite the slowdown in demand from customers.

All the other components were down except the impaired assets item, testifying to the difficulty that private customers and companies had in repaying loan together with the slowdown in the growth of businesses.

The company that contributed most to the aggregate was Banca Sella, the Group's commercial bank, which accounted for 74,4% of loans. Also significant were the contributions of Biella Leasing and Consel, which account respectively for 11,5% and 10,5% of the aggregate.

Cash loans *(euro millions)*						
Item	**31/12/2012**	**Proportion (%) of total**	**31/12/2011**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Total due from customers	**8.560,4**	**97,2%**	**8.668,5**	**98,6%**	**(108,1)**	**-1,2%**
Performing cash loans	7.950,1	90,3%	8.139,9	92,6%	(189,8)	-2,3%
- Current accounts	1.143,3	13,0%	1.151,8	13,1%	(8,5)	-0,7%
- Mortgage loans	3.514,3	39,9%	3.514,3	40,0%	0,0	0,0%
- Credit cards, personal loans, salary-backed loans	1.186,0	13,5%	1.229,7	14,0%	(43,7)	-3,6%
- Financial leasing	945,6	10,7%	1.002,5	11,4%	(57,0)	-5,7%
- Other operations	1.160,0	13,2%	1.236,5	14,1%	(76,5)	-6,2%
- Debt securities	1,0	0,0%	5,1	0,1%	(4,1)	-80,7%
Impaired assets	610,4	6,9%	528,6	6,0%	81,7	15,5%
Change in value of financial assets subject to macro-hedging	**159,8**	**1,8%**	**124,6**	**1,4%**	**35,2**	**28,2%**
Positive change	159,8	1,8%	124,6	1,4%	35,2	28,2%
Negative change	-	0,0%	-	0,0%	-	-
Groups of assets held for sale: due from customers	**21,5**	**0,2%**	**-**	**0,0%**	**21,5**	**-**
TOTAL CASH LOANS (excluding reverse repurchase agreements)	**8.741,7**	**99,3%**	**8.793,1**	**100,0%**	**(51,4)**	**-0,6%**
Reverse repurchase agreements	61,7	0,7%	1,3	0,0%	60,3	-
TOTAL CASH LOANS (including reverse repurchase agreements)	**8.803,4**	**100,0%**	**8.794,4**	**100,0%**	**8,9**	**0,1%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	192,8	2,2%	167,8	1,9%	25,0	14,9%
Banca Sella S.p.A.	6.546,9	74,4%	5.987,5	68,1%	559,4	9,3%
Banca Sella Holding S.p.A.	95,8	1,1%	37,1	0,4%	58,7	158,0%
Banca Sella Nordest Bovio Calderari S.p.A.	-	0,0%	596,9	6,8%	(596,9)	-
Biella Leasing S.p.A.	1.011,1	11,5%	1.040,6	11,8%	(29,6)	-2,8%
Consel S.p.A.	925,0	10,5%	934,9	10,6%	(9,9)	-1,1%
Sella Bank A.G.	-	0,0%	22,7	0,3%	(22,7)	-
Other Group companies	31,8	0,4%	6,8	0,1%	25,0	-
Total for Group companies	**8.803,4**	**100,0%**	**8.794,4**	**100,0%**	**8,9**	**0,1%**

(1) The item "Adjustment of the value of financial assets subject to macro-hedging" includes the change in fair value related to the fixed-rate loan portfolio as, within the Group, a hedging model has been adopted based on macro fair value hedging.

Credit quality

During 2012 a review was carried out of the analytical valuation parameters of impaired loans classified as revoked watchlist and non-performing.

This review led to an update of a number of valuation elements and a number of estimates for discounting.

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

This review of the analytical valuation parameters ensures that application of the valuation methods is adequate, also in conditions of a changing external scenario and different macro-economic situations.

The above process of reviewing the analytical valuation parameters of non-performing and watchlist loans with revocation of the credit had an effect on the amounts of rectified provisions of Banca Sella and Banca Patrimoni Sella & C., already recognised on the occasion of the interim statements for 7,8 million euro, of which on non-performing loans 6,6 million euro, and on revoked watchlist loans of 1,3 million euro.

Non-performing loans at 31 December 2012 totalled 259 million euro, an increase with respect to the 205,7 million euro recorded in 2011. Watchlist loans at the end of the period totalled 239,8 million euro, a 9,9% decrease compared with 2011. Adding to non-performing and watchlist loans restructured loans and past due loans, at 31 December 2012 there was a total of 610,4 million euro in impaired receivables.

At December 2012 the coverage ratio with reference to non-performing loans was 60,82%, while, at the end of the previous year, it was 62,59%. The change recorded during the year of 1,77 per cent can be attributed in particular to the loan securitisation transaction completed by Banca Sella in December 2012, which, as in previous years, involved a batch of positions on which detailed writedowns had already been made of an average 98%. The writing-off of these loans, which were almost fully written down, led to a downward correction of the coverage ratio on non-performing loans. The coverage ratio on anomalous loans, understood as total writedowns booked on impaired cash loans over gross loans disbursed stood at 43,53%; at 31 December 2011 it was 42,75%.

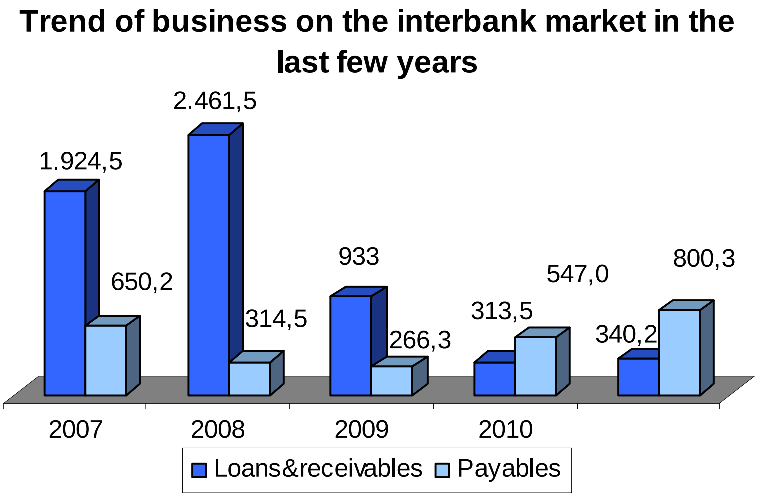
As shown by the table at the foot, impaired loans represent 7,08% of net loans to customers, which have therefore worsened since last year, when the ratio was 6,10%.

Credit quality *(euro millions)*

Item	31/12/2012	Proportion (%) of total	31/12/2011	Proportion (%) of total	Change	
					absolute	%
Due from customers	**8.622,1**	**100,00%**	**8.669,9**	**100,00%**	**(47,8)**	**-0,6%**
Performing loans	8.011,5	92,92%	8.141,2	93,90%	(129,7)	-1,6%
Impaired loans	610,4	7,08%	528,6	6,10%	81,8	15,5%
of which net non-performing	*259,0*	*3,00%*	*205,7*	*2,37%*	*53,3*	25,9%
of which net restructured	*27,9*	*0,32%*	*17,7*	*0,20%*	*10,2*	57,5%
of which net past due	*83,7*	*0,97%*	*39,0*	*0,45%*	*44,7*	114,6%
of which net watchlist	*239,8*	*2,78%*	*266,2*	*3,07%*	*(26,4)*	-9,9%

Business on the interbank market

At the end of 2012, the Group's business on the interbank market showed total payables (net of amounts due from banks) of 460,2 million euro, an increase on the total payables of 233,5 million euro recorded in 2011. We can note that the trend in these items turned around during the last 6 years while remaining at extremely low levels compared with total assets.



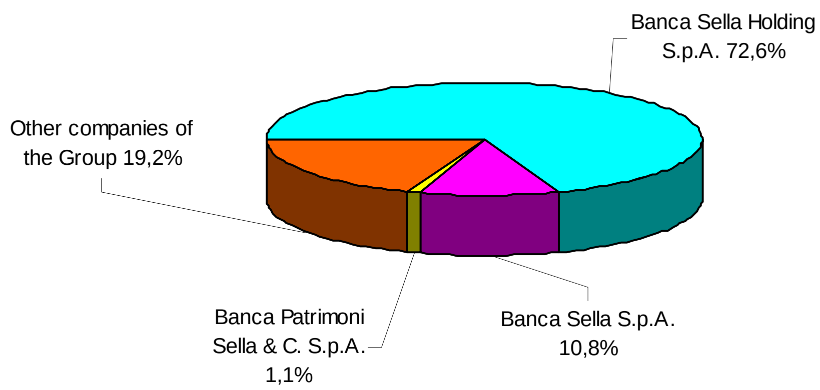
The graph above highlights how this result can be above all attributed to an increase in both items of which it is composed, in particular in amounts due to banks.

Net interbank position *(euro millions)*				
Item	**31/12/2012**	**31/12/2011**	**Change**	
			absolute	**%**
Due from banks	340,2	313,5	26,7	8,5%
Due to banks	800,3	547,0	253,4	46,3%
Net interbank position	**(460,2)**	**(233,5)**	**(226,7)**	**97,1%**

AMOUNTS DUE FROM BANKS

At 31 December 2012 amounts due from banks totalled 340,2 million euro, an increase of 8,5% compared with 2011.

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 (72,6% of the total) pertain to the Parent Company Banca Sella Holding.

Due from banks *(euro millions)*						
Item	**31/12/2012**	**Proportion (%) of total**	**31/12/2011**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due from central banks	**141,0**	**41,4%**	**175,1**	**55,9%**	**(34,1)**	**-19,5%**
Statutory reserve	26,0	7,6%	70,1	22,4%	(44,1)	-62,9%
Other amounts due from central banks	115,0	33,8%	105,0	33,5%	10,0	9,5%
Due from banks	**199,2**	**58,6%**	**138,3**	**44,1%**	**60,9**	**44,0%**
Current accounts and demand deposits	79,6	23,4%	60,3	19,2%	19,3	32,0%
Term deposits	9,8	2,9%	26,1	8,3%	(16,3)	-62,5%
Repurchase agreements	10,5	3,1%	7,3	2,3%	3,2	43,8%
Financial leasing	0,6	0,2%	0,8	0,3%	(0,2)	-25,0%
Other loans and advances	79,5	23,4%	11,9	3,8%	67,6	568,1%
Debt securities	19,2	5,6%	31,9	10,2%	(12,7)	-39,8%
Total	**340,2**	**100,0%**	**313,5**	**100,0%**	**26,7**	**8,5%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	3,7	1,1%	7,4	2,4%	(3,7)	-50,0%
Banca Sella S.p.A.	35,1	10,8%	65,9	21,0%	(30,8)	-46,7%
Banca Sella Holding S.p.A.	236,1	72,6%	171,8	54,8%	64,3	37,4%
Banca Sella Nordest Bovio Calderari S.p.A.	-	0,0%	7,8	2,5%	(7,8)	-
Sella Bank A.G.	-	0,0%	25,8	8,2%	(25,8)	-
Other companies of the Group	65,3	19,2%	34,8	11,1%	30,5	87,6%
Total	**340,2**	**100,0%**	**313,5**	**100,0%**	**26,7**	**8,5%**

PAYABLES TO BANKS

At 31 December 2012, amounts due to banks totalled 800,3 million euro, up by 46,3% compared with the previous year, in which they amounted to 547 million euro.

Due to banks *(euro millions)*						
Item	**31/12/2012**	**Proportion (%) of total**	**31/12/2011**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due to central banks	**554,5**	**69,3%**	**350,3**	**64,0%**	**204,2**	**58,3%**
Due to banks	**245,9**	**30,7%**	**196,7**	**36,0%**	**49,2**	**25,0%**
Current accounts abd demand deposit	70,5	8,8%	24,5	4,5%	46,0	187,4%
Term deposits	22,6	2,8%	40,3	7,4%	(17,7)	-44,0%
Loans and advances	151,3	18,9%	131,3	24,0%	20,0	15,2%
Others	1,4	0,2%	0,5	0,1%	0,9	181,2%
Total	**800,3**	**100,0%**	**547,0**	**100,0%**	**253,4**	**46,3%**
Details for group companies						
Banca Sella S.p.A.	12,5	1,6%	7,7	1,4%	4,8	62,1%
Banca Sella Holding S.p.A.	578,0	72,2%	397,7	72,7%	180,2	45,3%
Biella Leasing S.p.A.	159,9	20,0%	118,7	21,7%	41,2	34,7%
Sella Bank A.G.	-	0,0%	4,4	0,8%	(4,4)	-
Altre società del Gruppo	49,9	6,2%	18,4	3,4%	31,5	170,9%
Total	**800,3**	**100,0%**	**547,0**	**100,0%**	**253,4**	**46,3%**

Financial assets

The total financial assets of the Group at 31 December 2012, which came out at 3.046,9 million euro, were up by 2,5% compared with the previous year, in which they were 2.973,7 million euro.

Considering the figure net of financial liabilities, the aggregate was in line with financial year 2011.

Financial assets/liabilities of the Group *(euro millions)*						
Item	**31/12/2012**	**Proportion (%) of total**	**31/12/2011**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Finalcial assets						
Financial assets held for trading	338,5	11,1%	462,2	15,5%	(123,7)	-26,8%
Financial assets at fair value through profit or loss	690,7	22,7%	707,1	23,8%	(16,4)	-2,3%
Financial assets available for sale	1.108,6	36,4%	1.222,8	41,1%	(114,2)	-9,3%
Financial assets held to maturity	909,0	29,8%	581,6	19,6%	327,5	56,3%
Total financial assets	**3.046,9**	**100,0%**	**2.973,7**	**100,0%**	**73,2**	**2,5%**
Financial liabilities						
Financial liabilities held for trading	97,5	14,4%	44,2	7,3%	53,3	120,5%
Financial liabilities at fair value through profit or loss	578,2	85,6%	558,1	92,7%	20,1	3,6%
Total financial liabilities	**675,7**	**100,0%**	**602,3**	**100,0%**	**73,4**	**12,2%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES OF THE GROUP	**2.371,2**		**2.371,4**		**(0,2)**	**0,0%**

As can be seen from the table above, within the aggregate relating to financial assets and liabilities there was a reduction in components held for trading, carried at fair value and available for sale in favour of financial assets held to maturity, confirming the Group's intention to increase the proportion of stable investments.

FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING

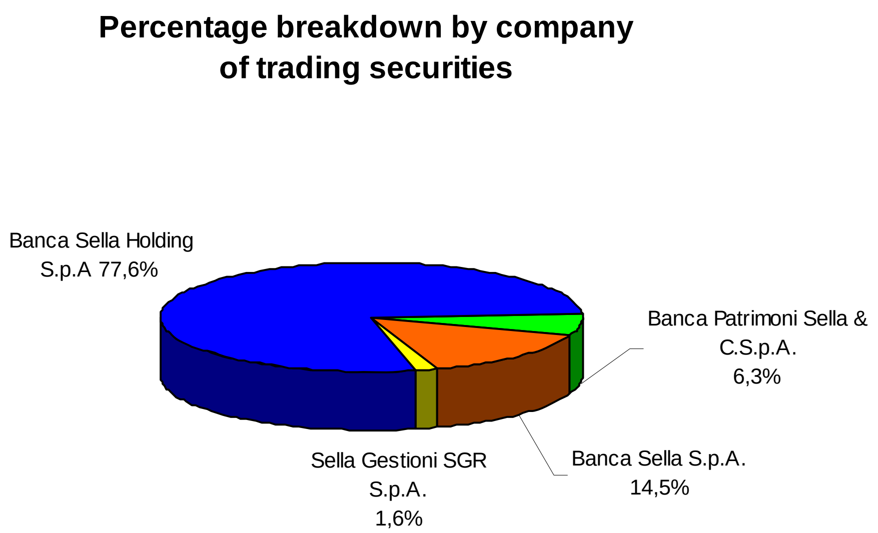
The total at 31 December 2012 of financial assets held for trading (net of financial liabilities) was down by 42,3% compared with the previous year, amounting to 241 million euro, against 418 million euro recorded in 2011.

Financial assets/liabilities held for trading *(euro millions)*						
Item	31/12/2012	Proportion (%) of total	31/12/2011	Proportion (%) of total	Change	
					absolute	%
Cash assets/liabilities	**244,2**	**101,3%**	**428,3**	**102,5%**	**-184,2**	**-43,0%**
Debt securities	306,4	127,1%	403,3	96,5%	-96,9	-24,0%
Equity securities	0,4	0,2%	0,3	0,1%	0,1	23,0%
UCITS units	11,5	4,8%	25,9	6,2%	-14,4	-55,7%
Others	(74,1)	-30,7%	(1,2)	-0,3%	-72,9	-
Derivative instruments	**(3,1)**	**-1,3%**	**(10,3)**	**-2,5%**	**7,2**	**-69,5%**
- of wich financial derivatives	(3,1)	-1,3%	(10,3)	-2,5%	7,2	-69,5%
- of wich credit derivatives	-	0,0%	-	0,0%	0,0	-
TOTAL NET FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	**241,0**	**100,0%**	**418,0**	**100,0%**	**(177,0)**	**-42,3%**
Detail of trading securities for main Group companies						
Banca Patrimoni Sella & C. S.p.A	20,0	6,3%	39,1	9,1%	(19,1)	-48,9%
Banca Sella S.p.A.	46,1	14,5%	61,0	14,2%	(14,8)	-24,3%
Banca Sella Holding S.p.A.	247,0	77,6%	271,5	63,2%	(24,6)	-9,0%
Banca Sella Nordest Bovio Calderari S.p.A.	-	0,0%	3,3	0,8%	(3,3)	-
C.B.A. Vita S.p.A.	0,1	0,0%	0,1	0,0%	0,0	0,0%
Sella Life Ltd	5,0	1,6%	10,1	2,3%	(5,0)	-49,8%
Other Group companies	0,0	0,0%	44,5	10,4%	(44,5)	-100,0%
Total trading securities	**318,3**	**100,0%**	**429,6**	**100,0%**	**(111,3)**	**-25,9%**

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 247 million euro) which performs the treasury service for the whole Group. The decrease in investments in the category of financial assets held for trading was offset by greater use of the category of financial assets held to maturity.

The strategy of diversifying investments was maintained, paying particular attention to the quality of bonds of banking, financial and corporate issuers in the portfolio. Confirming this, there are neither Asset Backed Securities nor structured securities contained in sub-prime mortgages or other assets which can be considered in any way “toxic” and nor were such securities held during the year. Moreover, there are no subordinated bonds of companies outside the Banca Sella Group.

The graph below shows how trading securities are mainly held by the parent company Banca Sella Holding (for 77,6%) and Banca Sella (for 14,5%).



FINANCIAL ASSETS AVAILABLE FOR SALE

At the end of the year financial assets available for sale amounted to 1.108,6 million euro compared with the 1.222,8 million euro recorded at 31 December 2011, a decrease of 9,3%.

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 1.067,7 million euro, or 96,3% of the total. This item was down from the previous year, in which it was 1.191,3 million euro, owing mainly to the maturity of government securities during the year.

In this portfolio too the decrease in investments was offset by greater use of the category of financial assets held to maturity.

On the other hand, the item Equity securities totalled 33,9 million euro, almost totally held by Banca Sella Holding, a 16,8% increase over 2011, 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.

Following the results obtained in the impairment tests carried out, the equity investment in Intesa Sanpaolo was written down (measurement method: market price): given the continuation over time of the loss of value with respect to the carrying amount, the equity investment was written down to the closing market price on 28 December 2012, with effects on the income statement for an amount of 0,5 million euro.

The equity investment in Pallacanestro Biella was also written down (measurement method: shareholders' equity): following the losses accumulated by the company which cancelled out its entire value, amounting to a total of 45.000 euro.

For the listed non-controlling equity investments the shareholders' equity reserves were adjusted to market prices in relation to:

- London Stock Exchange Group (measurement method: market price): Banca Sella Holding adjusted upwards the positive shareholders' equity reserve to the closing market price at 31/12/2012 for an amount of 398.868,44 euro;

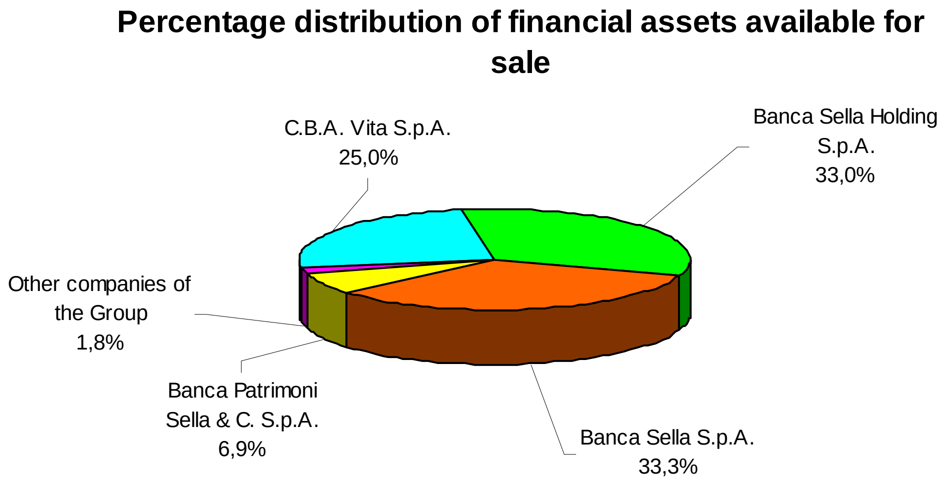
- Mutui On Line Group (evaluation method: market listings): as the closing market price at 28/12/2012 was lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 129.500 euro;

It should be noted in addition that, during financial year 2012, partial sales were made of the equity investment in London Stock Exchange Group Plc, realising total gross capital gains of 558.802,07 euro. During the year equity investments were made in Veneto Banca S.c.p.a. and JV2 Capital S.p.A., and the investment in HI-MTF Sim S.p.A. was increased following the rebalancing of the stakes among the shareholders consequent to the merger by incorporation of Centrosim S.p.A. into Istituto Centrale delle Banche Popolari Italiane, through the sale by Istituto Centrale delle Banche Popolari Italiane to three other shareholders of 15% of the share capital in equal parts of 5%.

Financial assets available for sale *(euro millions)*

Item	31/12/2012	Proportion (%) of total	31/12/2011	Proportion (%) of total	Change	
					absolute	%
Debt securities	1.067,7	96,3%	1.191,3	97,4%	(123,6)	-10,4%
Equity securities	33,9	3,1%	29,0	2,4%	4,9	16,8%
UCITS units	4,6	0,4%	0,0	0,0%	4,6	-
Loans and advances	2,4	0,2%	2,4	0,2%	-	0,0%
Total securities available for sale	**1.108,6**	**100,0%**	**1.222,8**	**100,0%**	**(114,2)**	**-9,3%**
Details for main Group companies						
Banca Patrimoni Sella & C. S.p.A.	76,6	6,9%	98,3	8,0%	(21,7)	-22,0%
Banca Sella S.p.A.	369,2	33,3%	355,7	29,1%	13,6	3,8%
Banca Sella Holding S.p.A.	365,7	33,0%	417,3	34,1%	(51,6)	-12,4%
Banca Sella Nordest Bovio Calderari S.p.A.	-	0,0%	30,3	2,5%	(30,3)	-
CBA Vita S.p.A.	277,0	25,0%	314,7	25,7%	(37,7)	-12,0%
Total securities available for sale	**1.108,6**	**100,0%**	**1.222,8**	**100,0%**	**(114,2)**	**-9,3%**

The chart below shows that the portfolio of financial assets held for sale is held mostly (33,3% of the total) by Banca Sella, followed by Banca Sella Holding (with 33% of the total) and CBA Vita (25% of the total).



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 909 million euro, increased by 56,3% compared with the 581,6 million euro of the previous year.

The increase in investments in this category is connected with the decrease that occurred in the trading and available for sale portfolios.

Financial assets held to maturity *(euro millions)*						
Item	**31/12/2012**	**Proportion (%) of total**	**31/12/2011**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Book value	909,0	100,0%	581,6	100,0%	327,5	56,3%
Fair value	939,5	100,0%	518,7	100,0%	420,8	81,1%
Details for main Group companies (book value)						
Banca Patrimoni Sella & C.	101,2	11,1%	38,5	6,6%	62,6	162,5%
Banca Sella S.p.A.	412,5	45,4%	165,1	28,4%	247,4	149,9%
Banca Sella Holding S.p.A.	194,4	21,4%	134,8	23,2%	59,6	44,2%
Banca Sella Nordest Bovio Calderari S.p.A.	-	0,0%	7,1	1,2%	(7,1)	-
C.B.A. Vita S.p.A.	201,0	22,1%	199,8	34,4%	1,2	0,6%
Sella Bank A.G.	-	0,0%	36,4	6,3%	(36,4)	-
Total financial assets held to maturity (book value)	**909,0**	**100,0%**	**581,6**	**100,0%**	**327,5**	**56,3%**

FINANCIAL ASSETS/LIABILITIES CARRIED AT FAIR VALUE

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. 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.

An examination of the aggregates at 31 December 2012 reveals a decrease of 2,3% compared with the previous year in assets, which amounted to 690,7 million euro and an increase in liabilities of 3,6% compared with 2011, when they were 558,1 million.

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

Item	31/12/2012	Proportion (%) of total	31/12/2011	Proportion (%) of total	Change absolute	Change %
Financial assets at fair value through profit or loss						
Debt securities	315,8	45,7%	392,8	55,6%	(77,1)	-19,6%
Equity securities	28,0	4,0%	17,5	2,5%	10,5	60,1%
UCITS units	282,2	40,9%	251,6	35,6%	30,7	12,2%
Loans and advances	64,8	9,4%	45,3	6,4%	19,5	43,0%
Total	**690,7**	**100,0%**	**707,1**	**100,0%**	**(16,4)**	**-2,3%**
Financial liabilities at fair value through profit or loss						
Due to customers	578,2	100,0%	558,1	100,0%	20,1	3,6%
Total	**578,2**	**100,0%**	**558,1**	**100,0%**	**20,1**	**3,6%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**112,5**		**149,0**		**(36,5)**	**-24,5%**
Net details for Group companies						
C.B.A. Vita S.p.A.	112,4		149,0		(36,6)	-24,6%
Sella Life Ltd	0,1		0,0		0,1	-
TOTAL	**112,5**		**149,0**		**(36,5)**	**-24,5%**

Regulatory capital

The regulatory capital and capital ratios at 31 December 2012 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 regulatory capital and prudential ratios.

At the end of the period, the Group's consolidated regulatory capital (consisting of Tier 1 capital, Tier 2 capital and elements to be deducted from Tier 1 and 2 capital) amounted to 1034,1 million euro, a 43 million euro increase with respect to the previous year when it totalled 991,1 million euro (+4,3%).

Tier 1 capital totalled 644,8 million euro, a 22,7 million euro increase over the previous period when it totalled 622,1 million euro (+3,6%).

This growth can be attributed substantially to capitalization of the Group's profits.

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.

Following the trends described above, as of 31 December 2012, the Tier 1 capital ratio, namely the ratio of the Group's tier 1 capital and total risk-weighted assets (which amounted to 8,271 million euro, slightly less than the previous year), was 7,80% compared with 7,51% at the end of 2011.

Tier 2 capital also rose, by 22,9 million euro, totalling 423,5 million euro in comparison to 400.6 million euro in 2011 (+5,7%).

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 1.068,3 million euro (a 45,6 million euro increase with respect to 2011) investments in the Group's insurance companies in the amount of 34,2 million euro were deducted, in comparison to 31,6 million euro at 31 December 2011.

There is no Tier 3 capital.

As a consequence, at 31 December 2012 the Total Capital Ratio, namely the ratio between the Group's total regulatory capital and its total risk-weighted assets was 12,50%, compared with 11,96% at the end of 2011.

Regulatory capital *(euro mililonis)* **and capital adequacy ratios** *(%)*

Item	31/12/2012	31/12/2011	Change	
			absolute	%
Tier 1 capital	**644,8**	**622,1**	**22,7**	**3,6%**
Tier 2 capital	423,5	400,6	22,9	5,7%
Tier 1 and Tier 2 capital ineligible items	34,2	31,6	2,6	8,1%
Tier 3 capital	-	-	-	-
Regulatory capital including Tier 3	**1.034,1**	**991,1**	**43,0**	**4,3%**
Credit and counterparty risk	568,2	571,7	(3,5)	-0,6%
Market risks	11,6	9,6	2,0	20,9%
Operational risk	81,9	81,4	0,5	0,6%
Other capital requirements	-	-	-	-
Total capital requirements	**661,7**	**662,7**	**(1,0)**	**-0,2%**
Risk weighted assets	**8.271,0**	**8.283,9**	**(12,9)**	**-0,2%**
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	**7,80%**	**7,51%**		
Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	**12,50%**	**11,96%**		

Liquidity

The year 2012 was characterised by a gradual easing of the tensions in relation to the banking industry's liquidity situation. In particular, the accentuated shrinkage of yield spreads on Italian government bonds recorded during the year, following approval by the ECB of the OMT (Outright Monetary Transactions) programme, determined a general improvement in the average liquidity situation of Italian banks. Despite the above drop in spreads on BTPs, access to medium/long-term forms of financing on the institutional interbank market for small and medium-sized Italian banks, with ratings around the level of investment grade, remained difficult and in any case extremely costly. In keeping with this, above all towards the end of the year, tensions were seen on the cost of marginal funding from customers, due also to the increased competition induced by the particularly aggressive offers of certain banks. The unsecured interbank market continued, as in 2011, to record trading essentially concentrated only on extremely short maturities (mostly overnight) and for limited amounts.

The European Central Bank continued with its action to support the banking industry:

- offering (at the end of February) the second of the two LTROs (Long Term Refinancing Operations) at 3 years;
- maintaining fro the whole year the approach of full allotment of funds for all refinancing operations of the Eurosystem;
- lowering interest rates in July by 25bps, bringing them down to 0,75% and modifying at the same time the rates corridor for overnight facilities (Deposit Facility and Marginal Lending Facility);
- approving in September the aforesaid OMT programme.

Liquidity management was, right from the start, fundamental to ensure normal banking activity in times of tension. In Banca Sella and in the Group, maintaining adequate liquidity has always been considered a cornerstone of prudent business management, taking care with the strategies, the processes and the operating methodologies for effective management, both on the short term and structurally.

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

The process of liquidity management and control made it possible in 2012 to maintain an adequate level of the same, in the face of the aforementioned difficulties on the interbank market. The deterioration recorded for certain early warning indicators towards the end of the previous year was reversed in the early months of 2012, also following the improvement of the overall economic situation. The positive trend in the most important liquidity indicators continued for the rest of the year, in the wake of actions by the European Central Bank and the easing of the tensions on Italian public debt and on the Euro area. This trend regarded the main indicators, both at the Group level and in Banca Sella, both structural and short-term.

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

» GROUP COMPANIES

As already mentioned above, the Banca Sella Group operates through 20 companies (plus 2 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, three 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. The second is to carry 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 third relates to Finance, that is own-account trading operations, managing company-owned securities portfolios and corporate finance).

The second function mentioned above 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:

- 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 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, the Group's only Italian network bank 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: the only foreign bank in the Group, sold on 28 February 2013;
  - Selfid: a company whose purpose is to carry on a so-called “static” fiduciary business;
  - 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: a securities broking company, 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: a common-law *société anonyme* 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 2012, describing their operating performance and overall results.

It should be noted 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 data at 31 December 2012 and the data at 31 December 2011 is influenced by the merger by incorporation into Banca Sella of Banca Sella Nord Est Bovio Calderari, which had accounting effects from 1 January 2012.

The total result for the year came out at approximately 7 million euro, +5,4% compared with 31 December 2011. The level of R.O.E. came out at 1,3%.

The year was characterised by a general contraction in net interest income, also at the industry level. In Banca Sella's case the contraction was limited (-3,5% compared with the aggregate figures for 2011). The contraction was mostly due to a reduction in the volumes of loans together with falling market interest rates; there was in fact weak demand on the part of businesses and households owing both to the generalised crisis situation and to the higher terms offered following the increase in the risk parameters.

Net commissions, even taking account of the contribution of the Payment Systems business unit carried out in May 2011, against the trend for the industry as a whole, increased by 6,6%, despite the effect of the increase in commission expense (+32,3%) mainly associated with state guarantees on bond issues used as collateral at the European Central Bank.

The positive performance of trading activity contributed to the good trend in net banking income, which remained in the black (+2,5% comparing the figures with those for the 2011 aggregates).

On the cost front, the action to contain operating costs continued. With respect to the 4% increase sown in the reclassified statement net of the corporate operations carried out during 2011 and 2012, with the same perimeter there was a reduction of 2%. Borrowing costs, however, again had a considerable effect on the results for the year.

At 31 December 2012 net interest income amounted to 200,6 million euro, down by 3,5% compared with the previous year which presents the 2011 aggregate data.

The impact on net banking income fell from 57,8% in December 2011, to 54,4% in December 2012.

The trend in net income from services, which amounted to a total of 168 million euro, showed a rise of 10,6% compared with 2011, when it was 151,9 million euro. Considering the comprehensive data of the two banks and the Payment Systems business unit contribution operation carried out in May 2011, the effective growth came out at 8,9%.

This component represented 45,6% of net banking and insurance income (42,2% at 31 December 2011).

The money management margin, together with services management, leads to a total result of 368,6 million euro, a 9% increase over 31 December 2011. If the 2011 aggregate data for Banca Sella and Banca Sella Nord Est Bovio Calderari are taken into consideration, the increase was 2,5%, in line with that recorded, on average, in the Italian banking industry as a whole. This was above all thanks to the positive performance of gains from trading activities, totalling 8,4 million euro in 2012, compared with 4,8 million euro in 2011 and to the trend in net commissions which grew by 6,8% (as illustrated above), counter to the trend in the in the Italian banking industry.

For a correct analysis of the Operating Costs component it is essential to take into account the merger by incorporation of Sella Servizi Bancari which occurred in May 2011, and which makes the aggregate data for the previous year not perfectly uniform.

In fact operating costs, of 256,9 million euro, net of the positive contribution of 15 million euro relating to the item "Other operating expenses/income", actually fell by 2%, because, for a useful comparison, to the figure in the reclassified statement of 247,1 million euro of 2011 must be added 15,2 million euro of costs relating to the first 5 months of the Group's consortium of Sella Servizi Bancari.

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 66,9%, substantially in line with the 66,5% recorded at 31 December 2011.

The operating result therefore amounted to 111,6 million euro, down by 0,8% compared with the figure at 31 December 2011.

During the year provisions of 4 million euro were set aside for risks and charges, an increase over 2011, mostly allocated to cover operational risks.

Net value adjustments on loans and advances amounted to 98,5 million euro, up by 6,5% compared to the aggregate figure of 92,5 million euro of the previous year.

This item represents 1,3% of total lending. The context of generalised crisis and difficulty for families and businesses led to value adjustments having an even more significant effect on the profit for the period.

With the exclusion of IRAP relating to personnel expenses which was reclassified, increasing this component, the ratio of income taxes to profit from continuing operations before tax was 38,6%.

The non-deductibility for IRAP purposes of value adjustments on loans led to increased taxes of about 5,7 million euro corresponding to 50,2 percentage points on the tax rate. The so-called "Robin Hood tax" introduced by Italian Legislative Decree 25/06/2008 no. 112 (converted into Law No. 133 of 06/08/08) which states that 4% of interest expenses is non-deductible, caused an increase in taxes of approximately 1,3 million euro, corresponding to about 11,8 percentage points on the tax rate.

On the other hand the tax rate percentage was affected positively by the recognition of the amounts relating to right to a rebate for deductibility from IRES of IRAP related to personnel expenses envisaged for the tax periods 2007 - 2011. In particular lower taxes were recognised in relation to previous years for approximately 7 million euro, with a positive effect on the tax rate of 62 percentage points.

Without the effect of the three components mentioned above, the tax rate would have been around 38,6%.

Large customers and asset management:

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

Financial year 2012 ended with a profit of approximately 6 million euro, considerably higher than the profit for financial year 2011, which had come out at approximately 1 million euro. It must be remembered that in 2011 the net accounting income had been seriously affected by the writedowns booked to Greek government securities present in the portfolio, without which an after-tax profit of 5,2 million euro would have been recognised.

From the reclassified income statement and from the comparison with the previous year it can be noted that the result at 31 December 2012 was affected mainly by the following aspects:

- a positive trend in net banking income which, totalling 40 million euro, recorded an increase of 10,9% over the previous year;
- an increase in operating costs (+10%), which amounted to 30,8 million euro, 2,9 million euro more than at 31 December 2011;
- an improvement in net banking income (+10,9%), which amply absorbed the increase in operating costs and enabled the Bank to obtain a higher operating profit than in the previous year;
- higher allocations to provisions for risks and charges, which in 2012 amounted to 0,9 million euro, compared with the 0,4 million euro in the year ended 31 December 2011;
- the absence of "net value adjustments for impairment of financial assets", an item which in 2011 had seriously affected the economic result. We have already noted that, in 2011, in view of Greece's ongoing situation of financial difficulty, an impairment test had been carried out on this country's sovereign debt securities held in the Bank's portfolio, classified under the IAS accounting category AFS (available for sale).

As a result of the performance outlined above, profit from continuing operations before taxes totalled 8,1 million euro, compared with the amount of 2 million euro recorded in the previous year.

Net interest income amounted to 8,2 million euro, a 5,2% increase over 2011. This favourable result is attributable to higher profitability of investments in the company-owned securities portfolio of 1,9 million euro, while the interest component relating to loans to customers increased by 0,4 million euro.

Interest expense increased by 1,7 million euro, owing to higher volumes of direct deposits (+28,9%), to the use of the credit facility granted by Banca Sella Holding, and to the increase in interest rates paid to customers on demand deposits and repurchase agreements.

Net income from services totalled 31,8 million euro, an increase of 3,5 million euro (12,5%) compared with financial year 2011. This increase was due to the trend in net gains on trading activities, which amounted to 8,2 million euro (+ 108,3%) compared with 3,9 million euro in 2011.

Net fee income declined by 2,4% compared with 2011; the 6,4% growth of fee income was offset by a 16,9% increase in fee expenses.

Revenues from management by appointment amounted to 2,9 million euro, up compared with last year, when they were 2,6 million euro. The increase was due to the larger stock of accounts managed by appointment, up from 1.259 million euro at December 2011 to 1.343 million euro at 31 December 2012.

Net banking income was 40 million euro, an increase of 10,9% compared with the 36,1 million euro of 2011.

Operating costs amounted to 30,8 million euro, recording an increase of 10% compared with the 28 million euro recorded at 31 December 2011.

This increase was mainly determined by personnel expenses which, including IRAP, went up from 16,4 million euro in 2011 to 18,5 million in 2012, in relation to the growth in the variable component of remuneration determined by the favourable trend in operations.

Other administrative expenses (net of recovery of stamp duty and other taxes) amounted to 10,8 million euro, slightly up compared with 31 December 2011, when they were 10,2 million euro.

The item other operating expenses/income was substantially unchanged with respect to 31 December 2011 rising from 0,9 million euro to 1,2 million euro of expenses.

As a result of the above trends the operating profit at 31 December 2012 amounted to 9,3 million euro, up by 14% in comparison with the figure for the previous year.

Provisions for risks and charges amounted to 0,9 million euro.

Value adjustments on loans of 0,2 million euro were recognised.

During financial year 2012, there were no "net value adjustments for impairment of financial assets". In 2011 this item amounted to approximately 6 million euro, owing to writedowns booked on Greek government bonds held at the time in the portfolio.

The ratio of income taxes (excluding reclassified IRAP relating to personnel expenses increasing this component) to profit from continuing operations before taxes came out at 34,70%, down compared with the tax rate of 2011 (46,80%).

It should be noted that Banca Patrimoni Sella & C. recognised in the 2012 financial statements 799.112 euro of lower IRES under the terms of Art. 2 paragraph 1-quater of Italian Law Decree No. 201/2011, which regulated presentation to the Tax Agency of applications for an income tax rebate for deduction of the regional business tax on labour costs paid in the financial years from 2007 to 2011. Without this deduction, the tax rate would have been 44,59%, down compared with 2011 by 2,21 per cent. This reduction derives mainly from application of Art. 2 paragraph 1 of Italian Law Decree No. 201/2011, which permitted the deduction from the IRES taxable base of an amount equal to the regional business tax in relation to the taxable portion of expenses for employees in financial year 2012.

SELLA BANK AG

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

On 29 November 2012 Banque Privée Edmond de Rothschild SA and the shareholders of Sella Bank AG signed a sale contract which provides for the transfer of the latter to Banca Privata Edmond de Rothschild Lugano SA.

The transaction, which is currently awaiting approval by the Federal Authority for Supervision of the Financial Markets - FINMA, provides for the merger by incorporation, with legal effect from 1 January 2013, of Sella Bank AG into the purchasing bank in the early months of 2013.

During 2012, net interest income, totalling 1,5 million euro, decreased by 11,8% compared with 2011, while net income from services, totalling 4,3 million euro, decreased by 33,2% compared with the previous year.

Net banking income, amounting to 6,5 million euro, went down by 28,3% over the previous year.

Overheads, corresponding to 5,9 million euro, showed a drop of 4,8% compared with 2012.

During financial year 2012 the Bank also made a gain from the disposal of investments of 1,6 million euro.

The trends described above enabled the Bank to achieve a net profit of 0,8 million euro, down compared with the 1,6 million euro of the previous year.

On 28 February 2013 the operation for the sale of the Bank, as explained above, was completed.

For the comparison with the previous year the exchange rate in force on 31 December 2012 (EUR/CHF 1,21) was used.

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 2012 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 2012 totalled 706. Assets administrated went from 1.859 million euro in 2011 to 1.791 million euro in 2012.

Fee income amounted to 1.081 thousand euro, slightly up on the 1.075 thousand euro of the previous year. The most significant cost item was a provision of 1.300 for risks to cover possible payment of fines. The item ‘Costs for services’ amounted instead to 796 thousand euro (in 2011 it was 724 thousand).

Selfid ended the year with a loss of 1,1 million euro, compared with the profit of 199 thousand euro recorded in 2011.

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 2012 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.

At 31 December 2012 total assets managed (net of duplications) amounted to 1.657,7 million euro, an increase of 6,22% compared with the figure at the end of 2011.

The market share held by the Company in the area of Italian and foreign funds amounted to 0,315% at the end of December 2012 compared with 0,346% at the end of 2011 while that of the pension fund at 31 December 2012 came out at 1,97% compared with 1,79% at the end of 2011.

As regards collective management, including the pension fund, at year end the assets were invested as follows: 77,99% in bond funds, 7,50% in balanced and flexible funds and 14,51% in equity funds.

The financial year to 31 December 2012 ended with a net profit of 1,898 million euro compared with the net loss of 954 thousand euro recorded in 2011 (the 2011 result was negatively affected for 1.094 thousand euro by the writedown of the interest held in CBA Vita S.p.A.). The 2012 profit was positively affected by 2,737 million euro of incentive fees earned on managed products.

Net banking income amounted to 9,6 million euro, an increase of 56,7% compared with the figure for 2011 and was significantly affected by collection of the aforesaid incentive fees and by the higher profitability of the company-owned portfolio.

Overheads, amounting to 6,9 million euro increased by 16,2% compared with the previous financial year. This increase was determined mainly by higher variable fees in correlation with the increase in net profit.

The Company's workforce, including seconded staff and collaborators, went down from 48,72 full time equivalents of the end of 2011 to 44,37 full time equivalents of the end of 2012.

For 2013, 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 8 branches, besides the head office in Biella.

During the year the company signed 2.984 contracts for a total amount of 213,5 million euro; this figure was down on the 3.213 contracts for an amount of 263,2 million euro signed in 2011.

The market share on newly-signed contracts was 1,31%, an increase compared with 31 December 2011, when it was 1,1%.

Net leasing income, amounting to 21 million euro, decreased when compared with 2011, when it was 23 million. Structural costs, inclusive of personnel expenses and other overheads, amounted to a total of 6,6 million euro at 31 December 2012, remaining constant compared with the previous year.

At 31 December 2012 the staff, including employees and personnel seconded from other companies of the Group, was made up of 67 people (as in 2011), of which 33 men and 34 women. The seconded personnel consisted of 5 people.

The ratio of net non-performing positions to total leases went up from 1,6% at 31 December 2011 to 2,2% at 31 December 2012.

The company therefore ended the year with a net profit of 3,6 million euro, 34,5% down on the figure of 5,5 million euro recorded at 31 December 2011.

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 263 employees (there were 276 at the end of 2011), 19 managed branches, 13 affiliated "Consel Points" and more than 2.800 partner sales points active in 2012 all over Italy.

In 2012 the consumer credit business of Assofin Associates continued to record a significant downward trend, notably accentuated with respect to the same period of the previous year: new disbursements, totalling 48,07 billion euro, showed a slowdown of -11,7% compared with 2011; the trend in the number of operations financed (146,6 million) was positive (+3,0%) as a result of the number of transactions carried out with revolving cards.

In this very difficult context, which began in summer 2011 at the time of the strong tensions on sovereign debt arriving in the wake of the economic and financial crisis still in progress, the market recorded a non-negative trend only for flows driven by revolving cards (+0,7%), while all the other segments and products had negative signs.

Loans for specific purposes distributed through the commercial branches recorded negative changes in all their components (motor vehicles and motorcycles -18%; other loans for specific purposes -2,5%), due both to the decrease in consumption of goods financed, and to the process of reshaping the offerings towards loans not for specific purposes which has been going on for several years. Disbursements of personal loans (- 15,4%) and salary/pension-backed loans (-20,7%) were also down compared with the first half of the previous year.

During 2012, Consel SpA lost some of its market share compared with 2011 (from 0,987% to 0,899%).

After the good results obtained in the previous year, during 2012 the company was involved in important changes as regards the operational aspect and commercial strategies, as it started to focus its offer on direct products and aimed to present itself as a “product factory” catering for the banking industry, beginning with the Banca Sella Group.

The lower results compared with 2011 were essentially due to the following factors: an increase in the cost of funding; an increase in the average duration of the funding; a reduction of the volumes disbursed following changes in the commercial strategies.

In the period the company recorded an overall reduction in the number of applications completed, disbursing 125.557 financing operations (133.483 in 2011). In terms of volumes disbursed, the trend was in line with the negative performance of the market. Including operations carried out with revolving cards (357.355 compared with 276.216 in 2011, up 29,4%), Consel disbursed loans for a total of 431,98 million euro (510,78 at the end of December 2011), a -15,49% decrease with respect to the same period of the previous year.

Examining the details of the various sectors, personal loans declined by 10,8% compared to the previous year, with total amounts disbursed of 101,29 million euro in 10.379 operations, while the motor vehicle sector fell by 41,9% (116 million euro and 10.932 operations completed). Other loans for specific purposes sector grew by 5,07% (146.226 million euro and 103.157 operations).

As regards credit cards, at the end of 2012 there were 72.440 active cards (62.500 in the previous year), with a total of 50,12 million euro utilized (40,63 in 2011).

For salary/pension-backed loans, Consel disbursed 7,77 million euro (compared with 13,56 in 2011) and completed 468 applications (792 in 2011).

The automobile leasing business produced in the year a total of 10,9 million euro disbursed, with 401 operations completed; in the previous year the amount had been 25,5 million euro, with 893 operations.

Net interest income amounted to 32,6 million euro, a decrease of 6,3% from 2011, while operating income, amounting to 48,8 million euro, showed a drop of 9,6% compared with 2011, with a decrease in total revenues, which amounted to 20,3 million euro (-17,1%).

At 31 December 2012 operating costs amounted to 30,2 million euro, of which 29,1 million relating to administrative and personnel expenses (a decrease compared with the 30,4 million recorded in 2011) and 1,1 million for amortisation and depreciation (in 2011 the figure was 1,3 million).

The loss, after taxes which amounted to 0,6 million euro, came out at 1,3 million euro compared with a profit of 3,4 million euro in 2011.

Bancassurance

BROSEL S.P.A.

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

In 2012, Brosel brokered a volume of premiums amounting to approximately 22,7 million euro.

Net fees from insurance broking (totalling approximately 2,1 million euro, an 11% reduction compared with the previous year) against total costs which were slightly lower than in the past period, and financial income which increased thanks to an increase in the level of interest rates, led to a pre-tax profit of 718 thousand euro, down 22,5% with respect to the previous year.

Net profit came out at 468 thousand euro, down 21,6% compared with the previous year.

The significant contraction both in net insurance income and in net profit was due mainly to the decision by the Group banks to centralise within the banks themselves all the broking of bancassurance products, which up to the end of June 2012 had instead been managed by Brosel.

In 2012 the business therefore continued to develop mainly in the corporate customer segment, and in that of financial and credit institutions, where the company has particular know-how and professionalism.

The main projects of the 2013/2015 strategic plan, also in the light of the decision made to manage the Group's bancassurance business directly, regard the commercial and organisational aspects and the use of new technologies for acquiring and communicating with customers. As regards the first point an expansion of the commercial network is planned in order to better support the development of the business, in collaboration with the Banca Sella Group network which can provide a valid introduction to its corporate customers. In relation to the second point, a complete review of the business processes is planned, in order to recover productivity, and work will begin on creating a digital document archive. On the third point a study will be launched of the opportunities offered by the company's presence on the social networks.

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

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

During the year, C.B.A. Vita collected total net deposits for 201,4 million euro (a reduction from the 206,2 million euro in 2011), mainly from traditional life policies. Premiums ceded amounted to 1,9 million euro.

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

The result of the total technical account was 11,9 million euro, compared with -10,8 million euro in the previous year. This increase was mainly due to the higher income from financial operations.

Operating costs amounted to 3,9 million euro, of which 1,9 million euro relating to other administrative expenses and 2 million euro relating to net commissions on purchase and collection. The aggregate indicates an increase of 32,43% with respect to financial year 2011.

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

The trend described brought the Company to close the year with a net profit of 10,7 million euro, compared with the loss of 9 million recorded at the end of 2011. The profit derived mainly from the positive results of financial operations.

As regards Life products, during the first half of 2012, as provided for in the legislation, the Company updated the informative brochures of the products distributed.

Marketing continued of the "CBA Tuo Valore" product, which is linked to the "Conto Tuo Valore" current account. The guaranteed minimum annual return on the capital insured, as for the previous year, was 2% for new subscriptions in each calendar quarter and 1,5% for policies already present in the portfolio.

As far as Class III products are concerned, the company created three index-linked policies, distributed by the BSH Group banks in July and October 2012:

- CBA Evoluzione Agosto 2017, for a total of 10 million euro;
- CBA Evoluzione Agosto 2017 Serie II, for a total of 5 million euro;
- CBA Evoluzione Agosto 2018, for a total of 5 million euro.

In addition, starting in September, on-line estimates were activated for early death insurance cover combined with loans, in accordance with the rules issues by ISVAP (Regulation No. 40 of 3 May 2012).

Finally, following the Judgement of the European Court of Justice of 1st March 2011, which forbade starting from 21 December 2012 and for individual policies the application of tariffs and conditions differentiated by gender, almost all the products in distribution were modified (in relation to both life and non-life policies), providing for the same conditions for males and female insurance customers. On this occasion, for the purposes of greater personalisation of term life policy with constant capital, the insurance cost was differentiated between smokers and non-smokers.

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 personalised policies, known in the English-speaking world as personal portfolio bonds and destined for private customers.

During the year, the company collected premiums worth 82,5 million euro, achieving a total insurance investment of 566,6 million euro. In 2012, net banking income was 1,5 million euro, an increase over last year (1,4 million euro) due to the increase in the investment portfolio managed. Overheads in 2012 increased with respect to the previous year and amounted to 1,7 million euro (in the previous year they amounted to 1,4 million euro) owing to provisions set aside to cover litigation in progress.

The combination of effects described above means that the company ended the year with a loss of 252 thousand euro (compared with a profit of 0,02 million euro recorded in the previous 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, Consel and, starting in 2012, also for Unione Fiduciaria (an external company).

In 2012, net banking income, amounting to 4,08 million euro, recorded a +11% increase on 2011 (when it amounted to 3,68 million euro).

Net incomes from services in 2012 (4,08 million euro) a +10% increase over 2011, following the growth in activities carried out by the Back Office Administrative and Contact-Center Services structure (+11%) and in the turnover linked to Software development (+8%).

Operating costs amounted to 3,30 million euro, up by +7% on the previous year. Within the component there was an increase in personnel expenses, which amounted to 2,37 million euro (+10% over 2011), while other administrative expenses decreased by -4%.

The Company ended the year with a net profit of 654 thousand euro, an increase of 140 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 payment services. Its business includes: 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 8,3 million euro, a decrease of 5,5% compared with the previous year. Production costs amounted to 7,0 million euro, also down of 4,3% on the previous year. Consequently, the difference between production costs and revenues, totalling 1,3 million euro, while remaining positive, decreased slightly from the previous year, by approximately 0,17 million euro.

The company closed the year with a net profit of 762 thousand euro, compared with 783 thousand euro in the previous year.

No other important events occurred in 2012.

For 2013 operations, the focus will be on consolidating the current services and developing new products.

Other sectors of activity

MIRET S.A.

During the year, Miret S.A. continued to operate engaged exclusively the management of administrative activities deriving from the former operations (2001-2003) of Sella Bank Luxembourg, which in 2010 changed its name frost to IBL and then to Miret, while the banking business of Sella Bank Luxembourg were hived off to the new Banque BPP S.A. sold in 2011.

For the purposes of a correct analysis of the end-of-year data, it should be noted that the company has as revenues only those deriving from the investment of its limited liquidity.

Net interest income amounted to 15,1 thousand euro (slightly down from that of the previous year of 17,6 thousand euro). Net banking income amounted to 32,5 thousand euro (higher than that of the previous year of 27 thousand euro).

As regards operating costs, personnel expenses amounted to 356 million euro (down 15,7% compared with the figure for 2011) and other administrative expenses totalled 444,9 million euro (up 5,4% compared with the previous figure) .

As a result of the trends described above, the net income for financial year 2012 was a negative 809,4 thousand euro, an improvement of 17,9% compared with the 985,8 thousand euro of 2011.

The operational risks to which Miret S.A. is exposed – related to relationships not contributed on 1 July 2010 to the banking company Banque BPP S.A (now Banque de Patrimoines Privés S.A.) - are exclusively those due to events entirely attributable to the former management (2001 – 2003), to which an end was put with the dismissal of the management in office and its immediate replacement 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 in the 2011 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 SICAVs 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.

The transaction was regularly carried out by Sella Bank Luxembourg (now Miret S.A.) with the following payments:

- on 8 August 2008 for an amount of 21,8 million euro (deriving from the capital amount provided for of 21,5 million euro plus interest at the conventional rate);
- on 8 June 2010 for an amount of 3,460 million euro.

Full completion of the transaction and the subordinated obligation to pay the remaining amount of euro 540 thousand is, at the moment, still being discussed by the parties, as the liquidators, after many postponements, communicated on 14 January 2013 that they have almost completed the analysis on the waivers of Vario Invest customers.

No investor or third party, subsequent to the transaction, has made any claims of any kind against Sella Bank Luxembourg (now Miret S.A.).

With reference to the risks in point (b) it should be noted that no crucial developments have occurred in the proceedings such as to allow or make necessary a change in the risk estimates already made in the past. In fact, exchanges of opinions are still in progress between the parties and no decisions have yet been made on the question of the plea of priority of the criminal case introduced by Miret S.A. in all the civil cases pending. Lastly, Miret S.A. was the defendant in an action in *référé* for the delivery of documentation relating to account relationships with funds, initiated by a person identified as an economic beneficiary of the said funds. The application was rejected and, as of today, no appeal has been lodged.

Overall, having carried out the transaction with the judicial winding-up of the SICAVs Amis Fund and Top Ten Multifonds including as regards the Vario Invest investors (section a, above), the operational risk for Miret S.A. has been modified as to the rights claimed. At the moment it is considered prudent not to make any quantitative changes to the risk estimate made in the 2011 financial statements as no definitive and crucial events have occurred.

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 2012, 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.

Financial year 2012 ended with a profit of 150,1 thousand euro (compared with a loss of 167,5 thousand euro in the previous year), which was determined by the positive results of the investment of the company's assets, representing the Company's only potential source of revenue, considering that it is in liquidation and trading has therefore ceased, and in the face of costs already cut so much that they can be reduced no further.

SELGEST. IN LIQUIDATION

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

After the transfer of the business it handled to Italy and to Sella Gestioni, on 1 October 2012, the Extraordinary Shareholders' Meeting of 4 December 2012 decided to wind up Selgest S.A.

In 2012 there was a further reduction in the assets under management which at 30 September 2012 had fallen to 78,8 million euro with a negative difference of 24,34% compared with the balance recorded at 31 December 2011 of 104,2 million euro.

The financial year ended on 4 December 2012 with a loss of 0,5 million euro and retained losses of 0,6 million euro. At the same date, the company's shareholders' equity amounted to 1,7 million euro.

During 2012, the two Directors undertook to ensure the continuity of the existing monitoring activities and to prepare all the procedures necessary for transferring the business to Italy, with subsequent liquidation of the company.

The liquidation operation was completed on 28 February 2013.

Starting from 4 December, the management of the company in liquidation was entrusted to M. Zia Hossen of the company KPMG.

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 Sella Servizi Bancari S.C.p.A.. (now Banca Sella) 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.

» TREASURY SHARES

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

» BUSINESS OUTLOOK

The scenario

The world economy should show limited recovery in 2013.

In the United States, the intensity of growth will significantly depend on the evolution of the budgeting policy and the capacity of the economic policy players to strike a balance between the needs to consolidate the public accounts in the medium/long-term and the need in the short-term to provide support to a private demand that continues to be rather stagnant. Growth of the gross domestic product of the Eurozone will continue to be penalised by tax austerity policies, by the weakness of the employment market and the continued fragmentation of the financial markets associated with the sovereign debt crisis; however the renewed commitment by the European Community institutions and national governments in favour of progress in the integration process should encourage the continuation of a gradual recovery from tension on the government bond markets of peripheral countries and enable the start-up of a moderate recovery on an aggregate level. It is forecast that the main emerging countries will show an acceleration to growth with respect to 2012, although it is unlikely that the GDP change rates recorded in 2010-2011 will return.

In terms of consumer prices, the moderate growth should justify keeping inflation at limited levels in advanced countries; with reference to the emerging areas, the solidity of the domestic demand and the extensive liquidity in circulation may, in some cases, drive inflation and make it appropriate to be cautious in managing the monetary policy. 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 forecast continued reduction of tension on the government securities of the more vulnerable countries to the sovereign debt crisis may determine a gradual rise in long-term interest rates in the USA and Germany.

The trend of banking volumes in 2013 will continue to suffer a negative impact of the weakness of the Italian economic business, although the continued recovery of tension on the financial markets should offset these tendencies, at least partially.

Loans should basically stagnate due to the weakness of the Italian economy and the need for a great many operators in the system to achieve a more balanced ratio of loans and sources of finance. Coherently with the improved climate on the financial market, indirect deposits should show a positive trend, whilst deposit growth may slow although remain positive.

In a context of loan stagnation, low official interest rates and a cost of deposits that tends to grow, the interest margin on core business in 2013 is unlikely to reach suitable growth rates; this tendency may be somewhat mitigated by the reduction of performance premiums on Italian public securities (with positive effects on bank deposits and, therefore, on the improvement of credit offer conditions) and the continuation of the extraordinary support to liquidity provided for the system 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 unfavourable macroeconomic context for 2013 will keep the cost of credit high and the dynamics of intermediated volumes low. The continued pursuit of efficiency in the structural costs will therefore be an essential step in safeguarding profitability, but insufficient to guarantee the system suitable levels of capital return.

Being a going concern, strategy and profitability for the Group

With reference to the Bank of Italy, Consob and ISVAP documents No. 2 of 6 February 2009 and No. 4 of 3 March 2010, in relation to information to be provided in financial reports on business prospects, with a particular focus on the company's ability to continue as a going concern, on the financial risks, on tests to reduced the value of assets (impairment tests) and on uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonably expectation that the Group can continue its operations in the foreseeable future and therefore attests that the annual financial statements have been prepared on the basis of this going concern assumption.

In the Bank's capital and financial structure and in the operating performance there are no elements or signs which may lead to uncertainty on the going concern assumption.

For information on financial risk, the impairments tests on assets and the uncertainties in the use of estimates see the information provided in the present report, in the comments on operational performance, and/or in the specific sections of the Notes to the Financial Statements.

» SIGNIFICANT EVENTS AFTER YEAR END

On 31 January 2013 a new Banca Sella branch opened for business in Turin, in Corso Peschiera. The number of branches thus rose to 320 all over the country.

On 28 February 2013 the sale transaction of Sella Bank AG to Banca Privata Edmond De Rothschild SA was completed.

On 28 February 2013 the liquidation process was completed ending with the winding up of the company Selgest S.A.

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

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 2012**	**Shareholders' equity at 31 December 2012**
Balances as per parent company financial statements	**17.597**	**573.133**
Own shares deducted	-	-
Equity pertaining to group of companies consolidated with line-by-line and net equity methods	-	114.938
Profit/(loss) for the period of consolidated investee companies, net of proportion pertaining to minority interests	19.275	19.275
Profit/(loss) for the period of investee companies measured with net equity method pertaining to the Group	79	79
Elimination of intragroup dividends collected in the period	-10.181	-
Consolidation adjustments:		
Reversal of writedowns of consolidated investee companies	876	91.127
Assessment of goodwill	-2.505	-53.020
Reversal of gains on sales made between group companies	-	-74.270
Other adjustments	-4.174	-24.256
Balances as per consolidated financial statements	**20.967**	**647.006**

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, 29 March 2013

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

BANCA SELLA HOLDING S. p. A.

Head Office at Piazza Gaudenzio Sella, 1 - Biella

Share capital € 104.988.000 fully paid up

Biella Companies Register and Tax Code: 01709430027

A member of the Interbank Fund for the Protection of Deposits

Enrolled on the Registers of Banks and of Banking Groups

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE ORDINARY SHAREHOLDERS' MEETING OF 30 APRIL 2013

Dear Shareholders,

with the changes in the membership of the board introduced with a resolution of the ordinary shareholders' meeting of 27 April 2012, which renewed it as three years had expired, we inform you of the work done to fulfil our supervisory duties.

Supervisory activities

Also on the basis of planning over the three-year cycle of office of the non- recurring activities, our activity was aimed at ensuring complete and rational coverage of the many different functions to be monitored.

We held sixteen meetings from the appointment date to the end of the year, we took part in eleven meetings of the board of directors and in an extraordinary shareholders' meeting; as well as in six audit committee meetings.

We confirm that, during our operations and regular meetings, we:

- took part in meetings of the Board of Directors, obtaining, constantly, information on the work performed and on the transactions of greatest economic and financial significance, making sure that those approved and carried out were compliant with the law and with the articles of association, not manifestly imprudent, not hazardous, not in contrast with general meeting resolutions or in potential conflict of interest and – wherever appropriate – making sure that the subjects involved provided the information prescribed;
- acknowledged that these regular meetings were structured and with exhaustive content with respect to the requirements of Article 2381, paragraphs three and four of the Italian Civil Code; we also accepted the board's positive assessments as to the adequacy of the administrative and accounting structure of the company and of the group;
- became cognisant of and monitored the operation of the shareholders' meetings and audit committee meetings;

- became cognisant of and monitored, insofar as our duty required, both the adequacy of the organisational structure of the company - regularly following the further improvements introduced - and the observance of the principles of correct administration, by observing directly, collecting information and documents from the managers of the relevant units, including internal audit and compliance, and acquiring, through the course of exchanging reciprocal considerations and conclusions, the results of the operations of the auditing firm; pursuant to Italian Legislative Decree 39/2010, we monitored their activities and their independence;
- received from the auditing firm confirmation of the services other than auditing rendered to Banca Sella Holding the prices of which are of a marginal amount and in any case such as to not to compromise its independence;
- examined in depth the internal auditing system and the administrative and accounting system – ascertaining their continuing adequacy – and the ability of the latter to give a true and fair picture of the business, formulating hypotheses in order to prevent and eliminate shortcomings;
- acknowledged that the capital useful for Regulatory purposes is compliant with the ratios provided for;
- met with members of the boards of statutory auditors of the Group companies, in order to exchange information and opinions, in application of the provisions of the Supervisory Authority and the provisions of Article 2403-bis of the Civil Code, remembering that the company, as the Parent Company, directs and coordinates these companies, pursuant to Article 2497 of the Italian Civil Code.
- acknowledged that from the work done no other significant facts emerged, including cases pursuant to Article 52 of the Consolidated Banking Act and to Article 52 of Italian Legislative Decree No. 231/2007, directly regarding the company, such as to require reporting to the Supervisory and Control Authority or mentioning in our report and we neither received, nor received news of, reports pursuant to Article 2408 of the Italian Civil Code or other complaints;
- formulated the required opinions on the group regulations for managing transactions with associated subjects, in June, and on updating of the same and on adoption of the related internal control policies, in December;
- retraced the self-assessment process carried out by the board on the subject of the adequacy of the composition and operation for the corporate needs in the presence of diversified professionalism and skills, which, despite the reassurance of the results achieved, allows room for improvement, as it notes itself;

- carried out the considerations necessary to consider the independence requirements for each regular auditor to be present.

Separate financial statements and consolidated financial statements 2012

We considered the structure and and layout of the draft separate financial statements and consolidated financial statements, of the report on operations, which notes the economic and financial effects, and of the notes to the financial statements.

These documents also illustrate the relations between group companies and with related parties, stressing that they were all enacted in accordance with their respective specialisations, in compliance with the provisions of current laws.

At the end-of-year meeting, Deloitte & Touche, as independent auditor, informed us in advance, also in relation to the consolidated financial statements, of the favourable results of its activities and issuing its professional opinion, with no objections or calls for disclosure, and the contents of the report on the fundamental questions.

We confirm therefore that we have monitored the observance of the procedural and legal rules regarding the formation of the separate and consolidated financial statements and their filing for the shareholders' meeting, and on observance of the duties proper to the directors and the auditing firm on this subject.

On the basis of our work as described above in relation to the presentation and structure of the separate financial statements and to the positive assessment issued by the independent auditing company, we are of the opinion that they can be approved, together with the proposal for allocation of the profit.

* * *

The other questions on the agenda of the Ordinary Shareholders’ Meeting seem to us to be in accordance with the legal rules and explained in depth in the Board of Directors' specific reports and, therefore, we have no observation in this regard.

Biella, 11 April 2013

The Board of Statutory Auditors

Mario Pia

Daniele Frè

Paolo Piccatti

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

» CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

CONSOLIDATED BALANCE SHEET - ASSETS

Assets *(euro thousand)*		**31/12/2012**		**31/12/2011**		**Differences %**
10. Cash and available liquidity		142.515		140.733		1,27%
20. Financial assets held for trading		338.524		462.226		-26,76%
30. Financial assets at fair value through profit or loss		690.715		707.103		-2,32%
40. Financial assets available for sale		1.108.616		1.222.786		-9,34%
50. Financial assets held to maturity		909.045		581.579		56,31%
60. Due from banks		340.155		313.500		8,50%
70. Due from customers		8.622.099		8.669.853		-0,55%
80. Hedging derivatives		28.530		26.633		7,12%
90. Change in value of financial assets subject to macro-hedging (+/-)		159.773		124.588		28,24%
100. Equity investment		13.032		12.262		6,28%
110. Reinsurers' share of technical reserves		3.576		4.216		-15,18%
120. Tangible assets		205.728		206.221		-0,24%
130. Intangible assets		74.526		78.242		-4,75%
of wich:						
- goodwill	43.484		45.977		-5,42%	
140. Tax assets		212.006		190.819		11,10%
a) current	82.914		61.029		35,86%	
b) deferred	129.092		129.790		-0,54%	
- of wich L.214/2011	104.019		82.586		25,95%	
150. Non-current assets and asset groups held for sale		114.640		-		-
160. Other assets		172.402		206.008		-16,31%
Total assets		**13.135.882**		**12.946.769**		**1,46%**

CONSOLIDATED BALANCE SHEET - LIABILITIES

Liabilities and shareholders' equity *(euro thousand)*	**31/12/2012**	**31/12/2011**	**Differences %**
10. Due to banks	800.334	546.967	46,32%
20. Due to customers	8.018.136	7.727.680	3,76%
30. Outstanding securities	1.454.163	1.989.301	-26,90%
40. Financial liabilities held for trading	97.486	44.217	120,47%
50. Financial liabilities at fair value through profit or loss	578.231	558.085	3,61%
60. Hedging derivatives	165.738	128.917	28,56%
80. Tax liabilities	75.780	68.003	11,44%
a) current	67.545	54.307	24,38%
b) deferred	8.235	13.696	-39,87%
90. Liabilities associated to asset groups held for sale	138.235	- -	
100. Other liabilities	290.697	318.768	-8,81%
110. Employee severance indemnities	40.943	35.850	14,21%
120. Provisions for risks and charges:	44.343	43.752	1,35%
a) retirement and similar obligations	-	-	-
b) other provisions	44.343	43.752	1,35%
130. Technical reserves	690.572	808.645	-14,60%
140. Valuation reserves	4.582	(34.949)	-113,11%
160. Equity instruments	-	- -	
170. Reserves	426.394	421.281	1,21%
180. Share premiums	90.075	49.414	82,29%
190. Share capital	104.988	100.500	4,47%
200. Own shares (-)	-	- -	
210. Capital pertaining to minority interests (+/-)	94.218	124.646	-24,41%
220. Profit for the year	20.967	15.692	33,62%
Total liabilities	**13.135.882**	**12.946.769**	**1,46%**

CONSOLIDATED INCOME STATEMENT

ITEM (euro thousand)			31/12/2012		31/12/2011		Differences %
10.	Interest receivable and similar income		479.303		475.217		0,86%
20.	Interest payable and similar expense		(166.831)		(167.347)		-0,31%
30.	**Net interest income**		**312.472**		**307.870**		**1,49%**
40.	Fee income		303.875		308.729		-1,57%
50.	Fee expenses		(93.511)		(85.564)		9,29%
60.	**Net fees**		**210.364**		**223.165**		**-5,74%**
70.	Dividends and similar income		1.469		2.802		-47,57%
80.	Net gains/(losses) on trading activities		41.202		30.571		34,77%
90.	Net gains/(losses) on hedging activities		4.709		4.732		-0,49%
100.	Gains/(losses) on sale or repurchase of:		2.926		(1.430)		-304,62%
	a) loans & receivables	(2.235)		(3.235)		-30,91%	
	b) financial assets available for sale	4.962		(1.016)		-588,39%	
	c) financial assets held to maturity	-		-		-	
	d) financial liabilities	199		2.821		-92,95%	
110.	Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		12.725		(9.391)		-235,50%
120.	**Net interest and other banking income**		**585.867**		**558.319**		**4,93%**
130.	Net value adjustments for impairment on:		(129.038)		(132.149)		-2,35%
	a) loans & receivables	(127.517)		(115.946)		9,98%	
	b) financial assets available for sale	(589)		(16.561)		-96,44%	
	c) financial assets held to maturity	-		-		-	
	d) other financial transactions	(932)		358		-360,34%	
140.	**Net gains/(losses) on financial operations**		**456.829**		**426.170**		**7,19%**
150.	Net premiums		201.077		202.432		-0,67%
160.	Balance of other income/expenses from insurance operations		(231.510)		(208.438)		11,07%
170.	**Net gains/(losses) on financial and insurance operations**		**426.396**		**420.164**		**1,48%**
180.	Administrative expenses		(379.286)		(373.650)		1,51%
	a) personnel expenses	(222.741)		(221.990)		0,34%	
	b) other administrative expenses	(156.545)		(151.660)		3,22%	
190.	Net provisions for risks and charges		(7.997)		(7.756)		3,11%
200.	Net value adjustments on tangible assets		(15.973)		(16.530)		-3,37%
210.	Net value adjustments on intangible assets		(14.040)		(14.537)		-3,42%
220.	Other operating expenses/income		42.264		33.170		27,42%
230.	**Operating costs**		**(375.032)**		**(379.303)**		**-1,13%**
240.	Gains/(losses) on equity investments		255		(1.081)		-123,59%
250.	Net gains/(losses) on measurement at fair value of tangible and intangible assets		-		-		-
260.	Impairment of goodwill		(2.505)		(920)		172,28%
270.	Gains/(losses) on sale of investments		(18)		4.734		-100,38%
280.	**Profit/(losses) from continuing operations before taxes**		**49.096**		**43.594**		**12,62%**
290.	Income taxes for the period on continuing operations		(24.873)		(28.674)		-13,26%
300.	**Profit/(losses) from continuing operations after taxes**		**24.223**		**14.920**		**62,35%**
310.	Profit/(losses) on asset disposal groups held for sale after taxes		(1.519)		2.360		-164,36%
320.	**Profit/(Loss) for the year**		**22.704**		**17.280**		**31,39%**
330.	Profit/(loss) for the year pertaining to minority interests		1.737		1.588		9,38%
340.	**Profit/(Loss) for the period pertaining to Parent Company**		**20.967**		**15.692**		**33,62%**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	ITEMS *(euro thousand)*	31/12/2012	31/12/2011
10.	**Net income (loss)**	**22.704**	**17.280**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	46.756	(28.850)
30.	Tangible assets	77	-
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	(4.321)	(956)
100.	Share of valuation reserves connected with investments meaured with net equity method	438	(91)
110.	**Total other comprehensive income (net of tax)**	**42.950**	**(29.897)**
120.	**Total comprehensive income (item 10+110)**	**65.654**	**(12.617)**
130.	Total consolidated comprehensive profit pertaining to minority interest	4.567	(333)
140.	**Total consolidated comprehensive profit pertaining to the parent company**	**61.087**	**(12.284)**

STATEMENT OF CHANGES IN CONSOLIDATED SHARHOLDERS' 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 extrahordinary dividends	Change in equity instruments	Derivatives of own shares	Stock options	Changes in the period: 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**

STATEMENT OF CHANGES IN CONSOLIDATED SHARHOLDERS' EQUITY 2012

Statement of changes in consolidated sharholders' equity 2012 *(euro thousands)*

				Allocation of profit of previous year		Changes in the period									
							Operations on shareholders' equity								
	Balance at 31/12/2011	Changes to opening balance	Balance at 01/01/2012	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 31/12/2012	Group shareholders' equity 31/12/2012	Minority interest shareholders' equity 31/12/2012
Share capital:															
a) ordinary shares	155.431	-	155.431	-	-	(14.541)	4.488	-	-	-	-	-	-	**104.988**	**40.390**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	98.729	-	98.729	-	-	(7.132)	40.661	-	-	-	-	-	-	**90.075**	**42.183**
Reserves:															
a) profit reserves	443.005	-	443.005	16.168	-	(23.378)	-	-	-	-	-	-	-	**426.394**	**9.401**
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	(37.861)	-	(37.861)	-	-	-	-	-	-	-	-	-	42.950	**4.582**	**507**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (loss) for the year	17.280	-	17.280	(16.168)	(1.112)	-	-	-	-	-	-	-	22.704	**20.967**	**1.737**
Group Shareholders' equity	551.938	-	551.938		(70)	(11.098)	45.149	-	-	-	-	-	61.087	**647.006**	
Minority interest Shareholders' equity	124.646	-	124.646		(1.042)	(33.953)	-	-	-	-	-	-	4.567		**94.218**

CONSOLIDATED CASH FLOW STATEMENT – direct method

(euro thousand)

A. OPERATING ACTIVITIES	31/12/2012	31/12/2011
1. Operations	**114.048**	**162.460**
Interest income collected (+)	460.265	475.217
Interest expense paid (-)	(166.831)	(167.347)
Dividends and similar income	1.469	2.802
Net fees (+/-)	210.364	223.165
Personnel expenses	(221.831)	(221.028)
Net premiums collected (+)	201.077	202.432
Other insurance income/expenses (+/-)	(231.510)	(208.438)
Other costs (-)	(156.545)	(151.660)
Other revenues (+)	42.463	35.991
Taxes and duties (-)	(24.873)	(28.674)
2. Cash provided (used) by financial assets	**137.948**	**260.702**
Financial assets held for trading	163.874	493.557
Financial assets at fair value throguh profit or loss	29.113	77.172
Financial assets available for sale	197.204	(158.188)
Due from customers	(139.913)	(112.725)
Due from banks	(52.461)	(102.869)
Other assets	(59.869)	63.755
3. Cash provided (used) by financial liabilities	**182.582**	**(251.227)**
Due to banks	257.766	252.976
Due to customers	455.994	(37.417)
Outstanding securities	(535.138)	(159.879)
Financial liabilities held for trading	54.229	9.753
Financial liabilities at fair value through profit or loss	20.146	(69.553)
Other liabilities	(70.415)	(247.107)
Net cash provided (used) by operating activities	**434.578**	**171.935**
B. INVESTING ACTIVITIES	**31/12/2012**	**31/12/2011**
1. Cash provided by:	**787**	**11.555**
Sales of equity investments	-	758
Dividends collected on equity investments	162	121
Sales/redemptions of financial assets held to maturity	-	1.405
Sales of tangible assets	238	4.451
Sales of intangible assets	387	-
Sales of subsidiaries and company divisions	-	4.820
2. Cash used by:	**(387.322)**	**(144.763)**
Purchase of equity investments	(238)	(1.225)
Purchase of financial assets held to maturity	(357.482)	(117.263)
Purchase of tangible assets	(16.229)	(19.635)
Purchase of intangible assets	(13.373)	(6.640)
Sales of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**(386.535)**	**(133.208)**
C. FUNDING ACTIVITIES	**31/12/2012**	**31/12/2011**
Issue/purchase of own shares	(45.149)	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(1.112)	(3.356)
Net cash provided (used) by funding activities	**(46.261)**	**(3.356)**
NET CASH PROVIDED (USED) IN THE PERIOD	**1.782**	**35.371**
RECONCILIATION	**31/12/2012**	**31/12/2011**
Cash and cash equivalents at start of year	**140.733**	**105.362**
Total net cash provided (used) in the period	1.782	35.371
Cash and cash equivalents at end of year	**142.515**	**140.733**

NOTES TO THE FINANCIAL CONSOLIDATED 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 2012, 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 and subsequent updates.

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 Comprehensive Statement of Income, 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 2011.

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". Moreover, it considers the last two communications of the Bank of Italy: Amendments to Circular no. 262 "Bank financial statements: layouts and rules for preparation" of 18 January 2013 and Communication of 13 March 2013 - 2012 Financial Statements: measurement of receivables, remuneration, distribution of dividends.

During the course of 2012, the following accounting principles and interpretations entered into effect, as approved by the European Commission:

- Regulation no. 1205/2011, Amendments to IFRS 7 - Financial instruments: additional information - transfers of financial assets with application as from FY 2012;
- Regulation no. 475/2012 - Amendments to IAS 1 and IAS 19 with application as from FY 2013.

Regulation no. 1205/2011 supplements IFRS 7 with the aim of ensuring a more correct assessment of the risk connected with the transfer of financial assets and the related effects on the financial position of the entity and to make transfers more transparent, particularly securitisation operations.

Regulation no. 475/2012 approved some changes to IAS 1, aimed at increasing clarify of the Statement of Comprehensive Income (Other Comprehensive Income - OCI), by means of the grouping of items that will not in the future be reversed to the income statement and those that may be reversed to the income statement if certain conditions are met. The same Regulation approved the new version of IAS 19, which aims to encourage the comprehension and comparability of financial statements, particularly with reference to defined benefits plans.

The most important news introduced regards the elimination of the "corridor method" with the immediate recognition in the Statement of Comprehensive Income of the changes in the value of bonds and assets used for the plan. The Regulation applies as from FY 2013: despite the failure to apply it early, the accounting method is in any case already in line with IAS 19, having, in FY 2011, altered the parameters used to determine severance indemnity. None of the European Community Regulations approving the international accounting standards described above therefore had any effect on the preparation of the financial statements as at 31 December 2012.

The financial statements have been prepared in coherence with the accounting standards and criteria used the previous financial statements.

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 2012 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	92,970%	92,970%
3 BANCA PATRIMONI SELLA & C. S.p.A.	Turin	1	A.1 1	74,357%	74,357%
4 SELLA BANK AG	Switzerland	1	A.1 19	90,000%	90,000%
5 MIRET S.A.	Luxembourg	1	A.1 19	76,333%	76,333%
			A.1 1	23,667%	23,667%
6 BIELLA LEASING S.p.A.	Biella	1	A.1 1	99,193%	99,193%
7 CONSEL S.p.A.	Turin	1	A.1 1	66,967%	66,967%
8 SELLA GESTIONI SGR S.p.A.	Milan	1	A.1 1	93,803%	93,803%
			A.1 3	0,898%	0,898%
9 SELLA CAPITAL MANAGEMENT SGR S.p.A. *in liquidazione*	Milan	1	A.1 1	96,398%	96,398%
			A.1 3	2,500%	2,500%
10 SELGEST SA *in liquidazione*	Lussemburgo	1	A.1 1	100,000%	100,000%
11 EASY NOLO S.p.A.	Biella	1	A.1 1	89,790%	89,790%
12 SELFID S.p.A.	Biella	1	A.1 1	88,000%	88,000%
13 C.B.A. VITA S.p.A.	Milan	1	A.1 1	84,954%	84,954%
			A.1 2	3,436%	3,436%
			A.1 8	8,175%	8,175%
14 SELLA LIFE Ltd.	Ireland	1	A.1 13	100,000%	100,000%
15 BROSEL S.p.A.	Biella	1	A.1 1	93,750%	93,750%
16 SELIR S.r.l.	Romania	1	A.1 19	99,902%	99,902%
17 SELLA SYNERGY INDIA P.Ltd.	India	1	A.1 19	99,999%	99,999%
18 IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
19 FINANZIARIA 2010 S.p.A.	Milan	1	A.1 1	100,000%	100,000%
20 IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
21 FAMILY ADVISORY SIM S.p.A.- SELLA & PARTNERS	Turin	1	A.1 3	80,000%	66,667%
22 MARS 2600 S.r.l. (1)	Treviso	4	A.1 1	10,000%	10,000%
23 SELVIMM DUE S.A.	Lugano	1	A.1 1	90,000%	90,000%

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

Key
Type of relationship:
1= majority of voting rights in shareholders' meeting
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	Finanziaria 2010 S.p.A.	45,0000%	45,0000%
IN CHIARO ASSICURAZIONI S.P.A.	Rome	Subj. to sig. influence	CBA Vita S.p.A.	49,0000%	49,0000%
S.C.P. VDP1	Principality of Monaco	Subj. to sig. influence	Banca Sella Holding S.p.A.	29,0000%	29,0000%
HI-MTF SIM S.P.A.	Milan	Subj. to sig. influence	Banca Sella Holding S.p.A.	20,0000%	20,0000%
ENERSEL S.P.A.	Biella	Subj. to sig. influence	Banca Sella Holding S.p.A.	18,2982%	18,2982%

Section 4 - Events subsequent to the balance sheet date

There were no noteworthy events subsequent to 31 December 2012.

Sezion 5 - Altri aspetti

In 2012, the analytical valuation parameters of impaired loans classed as watchlist revoked and non-performing were reviewed.

This review led to an update of some of the valuation elements and some discounting estimates.

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

This revision of the analytical valuation parameters means that the application of the valuation methods is suitable, even if the external scenario changes and in different macroeconomic contexts.

Said process of revising the analytical measurement parameters of non-performing and watchlist loans with revocation of facilities has had an effect on the final balances of the adjustment provisions already incorporated in the interim position for € 7,8 million, of which non-performing € 6,6 million and watchlist positions revoked € 1,3 million.

» 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.

Analytical valuations

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, restructured or past due 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 past due or watchlist loans not revoked:

- analytical adjustments for exposures in excess of € 25.000 - past-due and/or deteriorated loans in excess of thresholds granted. The measurements that give rise to an analytical adjustment are proposed by the Anomalous Credit Management Service of Banca Sella to the Management or to the delegated mechanisms/collegial bodies. The measurement is performed at the time of classification and subsequently, if new, significant events occur that make a new evaluation necessary (e.g. significant reduction of exposure, acquisition of new guarantees, new prejudicial events, significant new trend anomalies, provision revoking loans to the system, registration of legal mortgages or start-up of enforcement proceedings on property concerned by our mortgage guarantee); the valuations to be applied are aimed at determining the real possibility of returning the position to performing status and, where this possibility is in doubt, the assessment of the possible loss after having taken action to collect. The evaluation of the adjustments must be made, as a general rule, considering the equity of the debtor, its income capacity, its financial balance, future prospects, professional or entrepreneurial capacity, the regularity of the customer in managing bank relations, also considering any guarantees backing the credit facilities granted.
- forfeit adjustments for exposures of less than € 25.000 - past-due and/or deteriorated loans in excess of thresholds granted. The forfeit adjustments are made by applying a fixed percentage to the amount to be adjusted, as decided by Management of the individual banks, on the basis of statistics on the losses recorded for the three previous years.
- subjective watchlist positions, namely exposure towards customers that, on the basis of the elements in the Bank's possession, are believed to be in temporary difficulties that are forecast to be overcome within 12/18 months; on the database, these are recorded with the code INCS - Subjective Watchlist.
- objective watchlist positions, for which the temporary difficulties are governed by Bank of Italy legislation; in the database, these are indicated with the code INCO - Objective Watchlist.

  The measurement of watchlist positions for the purpose of determining value adjustments is made analytically at the time of classification to watchlist and subsequently each time new, significant events occur that make a new valuation necessary. Significant events include, by way of example:

  - significant reduction of exposure;
  - change of ownership;
  - acquisition of new guarantees;
  - new prejudicial events;
  - significant new trend anomalies;
  - loan revocation provisions;
  - registration of legal mortgages or start-up of enforcement procedures on property concerned by our mortgage guarantee.

  The valuations to be applied to watchlist positions are marked by the determination of the real possibility of returning to a performing status and, where this possibility is in doubt, to quantify the possible loss after having taken action to recover.

  For internal management and measurement purposes, the criteria are specified to be applied to the valuation of adjustments.

  The evaluation of the adjustments will be made, as a general rule, considering the equity of the debtor, its income capacity, its financial balance, the prospects of the segment to which it belongs, managerial or entrepreneurial capacity, the regularity of managing bank relations and the customer morality, also considering any guarantees backing the credit facilities granted.

  All positions are measured analytically at the time of making the decision to classify to watchlist and subsequently each time the general conditions of the trend of the relationship and/or acquisition of new guarantees require a change to be made:

  Value adjustments to be applied will be determined by the Management of the individual bank on the proposal of the anomalous credit auditor service.

  Although not compulsory, value adjustments can be made calculated on a forfeit basis in the cases specified:

  a. Positions with uses within € 10 thousand: <u>forfeit percentage calculated</u> as the weighted average of adjustments made during the last three years to revoked positions with exposure of less than € 10 thousand, in relation to the exposure that said positions had last year. The percentage is reviewed every year on the basis of the latest historic series by the end of February of each year;

b. Positions with uses of more than € 10 thousand new entries to objective watchlist: average during the last 3 years of adjustments made to non-revoked watchlist positions with uses in excess of € 10 thousand. This method will only be applied for the first month of entrance to objective watchlist. For the next month, the adjustment will be calculated according to the new balances and percentage adjustment defined by the Bank during the previous month;

c. Positions with uses in excess of e 10 thousand already classed as objective watchlist the previous month: analytical measurement performed by the individual Banks the previous month. The percentage adjustment defined the previous month is applied to the new uses.

For objective watchlist positions with exposure of less than € 10 thousand, in the presence of specific motivations, individual valuation can be performed (by way of example, analytical valuation can be used for procedures that are entirely guaranteed by pledges or proceedings for which a loss is estimated as being significantly higher than that calculated by way of forfeit).

The valuation adjustment must be prepared considering the general condition of the customer in terms of credit rating and considering the real possibility of restoring the customer relationship to a performing status, after solving the trend anomalies that resulted in its classification to watchlist.

The valuation parameters are connected to the following classes of non-performing or watchlist loans:

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

The 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..

Following the process of revision of the methods, as described in the Report on Operations of the present financial statements, we updated some valuation parameters applied to disputed loans classified as non-performing and watchlist with revocation of the facilities:

- Estimated recovery to be assigned at the time of the revocation of the facilities for loans of up to € 50,000 with no collateral or assets to be enforced;
- Estimated recovery of credit to be evaluated for a transfer without recourse for which all stages of legal and amicable recovery have been concluded;
- Estimated discounting and negative cash flow for legal costs, relating to credits backed by collateral with property enforcement to be started and/or underway;
- Estimated discounting of loans admitted to bankruptcy proceedings;
- Estimated discounting for loans to be valued for transfer without recourse.

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

The revision specifically resulted in the identification of updates relative to the estimates for the discounting of disputed loans, mainly in terms of estimating forecast recovery terms of loans backed by mortgage guarantees.

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.

Collective valuations

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. With specific reference to the PD variable, this is determined on the basis of the internal rating model for corporate and large corporate customers and all other cases on the basis of default entry historic data.

RAs 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 – Intagible 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 2000 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 28 February 2008, the securitisation of Biella Leasing completed with Secursel S.r.l. in 2000, was concluded.

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, 2009 and 2012 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. The difference between an actuarial gains and losses are recognized directly in equity, while the remaining components (the discounting effect) to the income statement.

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 31/12/2012 (4)	Fair Value at 31/12/2012 (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			**230.943**	**229.398**	**(3.072)**	**(262)**	**(1.442)**	**(637)**
	HFT	AFS	15.725	15.725	(629)	-	(629)	-
	HFT	Due from banks	3.424	3.293	(611)	-	-	(25)
	HFT	Due from customers	768	644	24	-	-	(1)
	AFS	Due from banks	10.031	9.849	(1.503)	151	(249)	(157)
	AFS	HTM	200.995	199.887	(353)	(413)	(564)	(454)
Total			**230.943**	**229.398**	**(3.072)**	**(262)**	**(1.442)**	**(637)**

Key:

HFT = Financial assets held for trading
AFS = Financial assets available for sale
HTM = Financial assets held to maturity
Due from banks = Due from banks
Due from customers = Due from customers

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 statements		Plus/minus on shareolders' equity	
			31/12/2012 (4)	31/12/2011 (5)	31/12/2012 (6)	31/12/2011 (7)
A. Debt securities			**-**	**-**	**1.856**	**- 26.002**
	AFS	Due from banks	-	-	1.503	- 1.546
	AFS	HTM	-	-	353	- 24.456
Total			**-**	**-**	**1.856**	**- 26.002**

Key

HFT = Financial assets held for trading

AFS = Financial assets available for sale

HTM = Financial assets held to maturity

Due from banks = Due from banks

Due from customers = Due from customers

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 Spa	CCT 01/03/14 TV	IT0004224041	1,85%	16.166
Banca Sella Holding Spa	BPU TV EUR 16 LR2	XS0248693854	1,43%	3.575
Banca Sella Holding Spa	BUMF 6A2 TV 40 LR	XS0299446103	2,69%	843
Cba Vita Spa	BTP 01/03/20 4.25%	IT0004536949	3,92%	24.137.305
Cba Vita Spa	BTP 01/09/19 4,25%	IT0004489610	3,78%	6.417.637
Cba Vita Spa	BTP 01/09/20 4%	IT0004594930	3,95%	46.397.041
Cba Vita Spa	BTP 3.75% 01.03.21	IT0004634132	4,02%	16.982.808
Cba Vita Spa	BTP 4.5% 01.02.20	IT0003644769	3,91%	21.764.630
Cba Vita Spa	BTP 4.75% 01.09.21	IT0004695075	4,21%	16.238.158
Cba Vita Spa	BTP I/L 2.1% 15.09.1	IT0004682107	3,34%	7.006.359
Cba Vita Spa	BTP I/L 2.1% 15.09.2	IT0004604671	4,80%	10.055.151
Cba Vita Spa	CCT 01/07/16	IT0004518715	2,69%	50.918.749
Cba Vita Spa	CCT EU 15.10.17	IT0004652175	3,49%	15.556.540
Cba Vita Spa	CCT EU 15.12.15	IT0004620305	2,62%	22.209.938
Cba Vita Spa	BANCA . INT. 2/12/15	XS0236477377	5,09%	2.817.223
Cba Vita Spa	BPU IM FLOAT 03/16	XS0248693854	2,78%	3.066.661
Cba Vita Spa	MPS 4.875% 05/16	XS0255820804	6,77%	583.276
Cba Vita Spa	MPS CMS 01.04.15	XS0215079202	4,37%	2.089.973
Cba Vita Spa	UNICREDITO Float 26.	XS0226191798	4,50%	2.882.877

A.3.2 Hierarchy of fair value

A.3.2.1 Accounting portfolios: fair value by level						
Financial assets/liabilities at fair value	**31/12/2012**			**31/12/2011**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	304.466	28.610	5.448	324.527	132.128	5.571
2. Financial assets at fair value through profit or loss	562.528	128.187	-	451.116	255.987	-
3. Financial assets available for sale	1.029.511	51.218	27.887	1.126.021	69.914	26.851
4. Hedging derivatives	-	28.530	-	-	26.633	-
Total	**1.896.505**	**236.545**	**33.335**	**1.901.664**	**484.662**	**32.422**
1. Financial liabilities held for trading	74.317	23.169	-	1.232	42.985	-
2. Financial liabilities at fair value through profit or loss	560.208	18.023	-	453.562	104.523	-
3. Hedging derivatives	-	165.738	-	-	128.917	-
Total	**634.525**	**206.930**	**-**	**454.794**	**276.425**	**-**

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.

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	**5.571**	**-**	**26.851**	**-**
2. Increases	**6.763**	**-**	**718**	**-**
2.1. Purchases	6.609	-	703	-
2.2. Profits allocated to:				
2.2.1. Income Statement	154	-	-	-
- of which capital gains	145	-	-	-
2.2.2. Shareholders' Equity	X	X	-	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	15	-
3. Decreases	**6.621**	**-**	**45**	**-**
3.1 Sales	6.259	-	-	-
3.2. Repayments	-	-	-	-
3.3. Losses allocated to:				
3.3.1. Income Statement	317	-	45	-
- of which capital losses	317	-	45	-
3.3.2. Shareholders' Equity	X	X	-	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	45	-	-	-
4. Closing balance	**5.713**	**-**	**27.524**	**-**

In this category fall the financial assets for which the fair value is calculated on the basis of valuation techniques that refer to parameters that are not observable on the market.

» ASSETS

Section 1 - Cash and available liquidity - Item 10

1.1 Cash and available liquidity: breakdown

	31/12/2012	31/12/2011
a) Cash on hand	142.515	128.418
b) Demand deposits at central banks	-	12.315
Total	**142.515**	**140.733**

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item "Non-current assets and groups of assets held for sale").

1.1 Of which: attributable to the banking group

	31/12/2012	31/12/2011
a) Cash on hand	142.513	128.416
b) Demand deposits at central banks	-	12.315
Total	**142.513**	**140.731**

1.1 Of which: attributable to insurance companies

	31/12/2012	31/12/2011
a) Cash on hand	2	2
b) Demand deposits at central banks	-	-
Total	**2**	**2**

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type						
Item/Amount	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	298.785	7.635	1	311.583	91.749	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	298.785	7.635	1	311.583	91.749	-
2. Equity securities	355	19	6	295	8	6
3. UCITS units	5.046	1.005	5.441	12.575	7.789	5.565
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**304.186**	**8.659**	**5.448**	**324.453**	**99.546**	**5.571**
B. Derivative instruments						
1. Financial derivatives:	280	19.951	-	74	32.582	-
1.1 for trading	280	19.911	-	74	32.523	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	40	-	-	59	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**280**	**19.951**	**-**	**74**	**32.582**	**-**
Total A+B	**304.466**	**28.610**	**5.448**	**324.527**	**132.128**	**5.571**

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.

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item "Non-current assets and groups of assets held for sale").

The component of securities held for trading above all refers to the parent company Banca Sella Holding (for 240,4 million euro) and Banca Sella (for 46,1 million euro). The drop in the aggregate was mainly due to the maturity and sale of government securities and bank bonds which occurred during 2012 and to the decision of the Boards of Directors of the single Banks, for more stable investment, to prefer the category of Financial assets held to maturity.

2.1 Of which: attributable to the banking group

Item/Amount	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	298.785	7.635	1	311.583	91.749	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	298.785	7.635	1	311.583	91.749	-
2. Equity securities	208	19	6	179	8	6
- of wich: carried at cost			-			-
3. UCITS units	5.046	1.005	5.441	12.575	7.789	5.565
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**304.039**	**8.659**	**5.448**	**324.337**	**99.546**	**5.571**
B. Derivative instruments						
1. Financial derivatives:	280	19.950	-	74	32.581	-
1.1 for trading	280	19.910	-	74	32.522	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	40	-	-	59	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**280**	**19.950**	**-**	**74**	**32.581**	**-**
Total A+B	**304.319**	**28.609**	**5.448**	**324.411**	**132.127**	**5.571**

2.1 Of which: attributable to insurance companies

Item/Amount	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	147	-	-	116	-	-
- of wich: carried at cost			-			-
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**147**	**-**	**-**	**116**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives:	-	1	-	-	1	-
1.1 for trading	-	1	-	-	1	-
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**	**-**	**-**	**1**	**-**
Total A+B	**147**	**1**	**-**	**116**	**1**	**-**

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

Item/Amount	31/12/2012	31/12/2011
A. Cash assets		
1. Debt securities	**306.421**	**403.332**
a) Governments and Central Banks	206.746	79.480
b) Other public bodies	40	116
c) Banks	85.164	297.679
d) Other issuers	14.471	26.057
2. Equity securities	**380**	**309**
a) Banks	109	135
b) Other issuers:	271	174
- insurance companies	124	86
- financial companies	17	12
- non-financial companies	65	24
- others	65	52
3. UCITS units	**11.492**	**25.929**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**318.293**	**429.570**
B. Derivative instruments		
a) Banks		
- fair value	6.743	9.741
b) Customers		
- fair value	13.488	22.915
Total B	**20.231**	**32.656**
Total A+B	**338.524**	**462.226**

2.2 Of which: attributable to the banking group		
Item/Amount	**31/12/2012**	**31/12/2011**
A. Cash assets		
1. Debt securities	**306.421**	**403.332**
a) Governments and Central Banks	206.746	79.480
b) Other public bodies	40	116
c) Banks	85.164	297.679
d) Other issuers	14.471	26.057
2. Equity securities	**233**	**193**
a) Banks	109	123
b) Other issuers:	124	70
- insurance companies	42	34
- financial companies	17	12
- non-financial companies	65	24
- others	-	-
3. UCITS units	**11.492**	**25.929**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**318.146**	**429.454**
B. Derivative instruments		
a) Banks		
- fair value	6.743	9.740
b) Customers		
- fair value	13.487	22.915
Total B	**20.230**	**32.655**
Total A+B	**338.376**	**462.109**

2.2 Of which: attributable to insurance companies		
Item/Amount	**31/12/2012**	**31/12/2011**
A. Cash assets		
1. Debt securities	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity securities	**147**	**116**
a) Banks	-	12
b) Other issuers:	147	104
- insurance companies	82	52
- financial companies	-	-
- non-financial companies	-	-
- others	65	52
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**147**	**116**
B. Derivative instruments		
a) Banks		
- fair value	-	1
b) Customers		
- fair value	1	-
Total B	**1**	**1**
Total A+B	**148**	**117**

Futher details on the "UCITS units" item breakdown are provided below:

Financial assets held for trading: details on the item "UCITS units"	
Description	**31/12/2012**
Bond	5.046
Equity	-
Monetary	-
Balanced	-
Other	6.446
Total "UCITS units"	**11.492**

Futher details on equity securities issued by subjects classified as non performing or wachlist exposures are provided below:

Details on the item "Equity securities"	
	31/12/2012
Equity securities	380
- 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	**403.332**	**309**	**25.929**	**-**	**429.570**
B. Increases	**68.584.829**	**583.992**	**8.859**	**-**	**69.177.680**
B.1 Purchases	68.531.812	582.531	7.835	-	69.122.178
B.2 Increases in fair value	6.951	66	521	-	7.538
B.3 Other changes	46.066	1.395	503	-	47.964
C. Decreases	**68.681.740**	**583.921**	**23.296**	**-**	**69.288.957**
C.1 Sales	68.192.690	582.619	22.967	-	68.798.276
C.2 Redemptions	478.261	-	-	-	478.261
C.3 Reductions in fair value	296	5	317	-	618
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	10.493	1.297	12	-	11.802
D. Closing balance	**306.421**	**380**	**11.492**	**-**	**318.293**

2.3 Of which: attributable to the banking group

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**403.332**	**193**	**25.929**	**-**	**429.454**
B. Increases	**68.584.829**	**583.957**	**8.859**	**-**	**69.177.645**
B.1 Purchases	68.531.812	582.531	7.835	-	69.122.178
B.2 Increases in fair value	6.951	31	521	-	7.503
B.3 Other changes	46.066	1.395	503	-	47.964
C. Decreases	**68.681.740**	**583.917**	**23.296**	**-**	**69.288.953**
C.1 Sales	68.192.690	582.619	22.967	-	68.798.276
C.2 Redemptions	478.261	-	-	-	478.261
C.3 Reductions in fair value	296	1	317	-	614
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	10.493	1.297	12	-	11.802
D. Closing balance	**306.421**	**233**	**11.492**	**-**	**318.146**

2.3 Of which: attributable to insurance companies

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**-**	**116**	**-**	**-**	**116**
B. Increases	**-**	**35**	**-**	**-**	**35**
B.1 Purchases	-	-	-	-	-
B.2 Increases in fair value	-	35	-	-	35
B.3 Other changes	-	-	-	-	-
C. Decreases	**-**	**4**	**-**	**-**	**4**
C.1 Sales	-	-	-	-	-
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	-	4	-	-	4
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	-	-	-	-	-
D. Closing balance	**-**	**147**	**-**	**-**	**147**

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	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
1. Debt securities	201.437	114.317	-	222.679	170.126	-
1.1 Structured securities	8.246	-	-	-	83	-
1.2 Other debt securities	193.191	114.317	-	222.679	170.043	-
2. Equity securities	26.854	1.099	-	17.336	123	-
3. UCITS units	269.467	12.771	-	165.817	85.738	-
4. Loans and advances	64.770	-	-	45.284	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	64.770	-	-	45.284	-	-
Total	**562.528**	**128.187**	**-**	**451.116**	**255.987**	**-**
Cost	**539.210**	**157.413**	**-**	**428.364**	**272.001**	**-**

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"

	31/12/2012			
	L1	L2	L3	Total
"Natural hedgings"	-	-	-	-
Structured financial instruments	-	-	-	-
Portfolios of financial assets managed internally on a fair value basis	562.528	128.187	-	690.715
Total	**562.528**	**128.187**	**-**	**690.715**

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	31/12/2012	31/12/2011
1. Debt securities	**315.754**	**392.805**
a) Governments and central banks	148.147	157.225
b) Other public bodies	6	-
c) Banks	87.974	170.241
d) Other issuers	79.627	65.339
2. Equity securities	**27.953**	**17.459**
a) Banks	1.859	537
b) Other issuers:	26.094	16.922
- insurance companies	3.327	1.921
- financial companies	4.931	4.110
- non-financial companies	17.836	10.891
- others	-	-
3. UCITS units	**282.238**	**251.555**
4. Loans and advances	**64.770**	**45.284**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	64.770	45.284
d) Other issuers	-	-
Total	**690.715**	**707.103**

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	31/12/2012
Bond	79.776
Equity	113.316
Monetary	-
Balanced	1.100
Other	88.046
Total "UCITS units"	**282.238**

Futher details on equity securities issued by subjects classified as non performing or wachlist exposures are provided below:

Details on the item "Equity securities"

	31/12/2012
Equity securities	27.953
- 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	**392.805**	**17.459**	**251.555**	**45.284**	**707.103**
B. Increases	**360.711**	**70.259**	**268.992**	**19.486**	**719.448**
B.1 Purchases	342.415	67.939	250.573	19.486	680.413
B.2 Increases in fair value	18.255	2.320	18.419	-	38.994
B.3 Other changes	41	-	-	-	41
C. Decreases	**437.762**	**59.765**	**238.309**	**-**	**735.836**
C.1 Sales	358.043	58.225	174.537	-	590.805
C.2 Redemptions	77.358	820	62.651	-	140.829
C.3 Reductions in fair value	2.361	720	1.121	-	4.202
C.4 Other changes	-	-	-	-	-
D. Closing balance	**315.754**	**27.953**	**282.238**	**64.770**	**690.715**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type						
Item/Amount	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1.022.165	45.490	55	1.121.417	69.914	-
1.1 Structured securities	106	11.562	-	-	6.009	-
1.2 Other debt securities	1.022.059	33.928	55	1.121.417	63.905	-
2. Equity securities	3.244	5.728	24.881	4.562	-	24.427
2.1 Carried at fair value	3.244	-	245	4.562	-	245
2.2 Carried at cost	-	5.728	24.636	-	-	24.182
3. UCITS units	4.102	-	527	42	-	-
4. Loans and advances	-	-	2.424	-	-	2.424
Total	**1.029.511**	**51.218**	**27.887**	**1.126.021**	**69.914**	**26.851**

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.

4.1 Of which: attributable to the banking group						
Item/Amount	**31/12/2012**			**31/12/2011**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	769.345	14.846	55	829.084	43.836	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	769.345	14.846	55	829.084	43.836	-
2. Equity securities	3.244	5.728	24.880	4.562	-	24.426
2.1 Carried at fair value	3.244	-	245	4.562	-	245
2.2 Carried at cost	-	5.728	24.635	-	-	24.181
3. UCITS units	4.102	-	527	42	-	-
4. Loans and advances	-	-	2.424	-	-	2.424
Total	**776.691**	**20.574**	**27.886**	**833.688**	**43.836**	**26.850**

The securities sector decreased during 2012, going down from 1.191,3 million euro at the end of 2011 to 1.067,7 million euro at 31 December 2012. The decrease was mainly due to the maturity and sale of government securities during the year.

The securities present in this category were Italian government securities, supra-national bonds (EIB) or bank bonds of high credit-worthiness.

The segment of equity securities includes minority equity interests, which at the end of the year were subjected to impairment tests, according to criteria described in Part A of the Notes to the Statements. The result led to writing down the following equity securities:

- Intesa Sanpaolo (measurement method: market price): given the continuation over time of the loss of value with respect to the carrying amount, the equity investment was written down with effects on the income statement to the closing market price at 28/12/2012, for an amount of 543.625,51 euro.
- Pallacanestro Biella (measurement method: shareholders' equity): given the amount of the losses accumulated by the company it was considered opportune to write off the entire value of the investment, a total of 45.000 euro.

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 upwards the positive shareholders' equity reserve to the closing market price at 31/12/2012 for an amount of 398.868,44 euro;
- Mutui On Line Group (evaluation method: market listings): as the closing market price at 28/12/2012 was lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 129.500 euro;

It should be noted in addition that, during financial year 2012, partial sales were made of the equity investment in London Stock Exchange Group Plc, realising total gross capital gains of 558.802,07 euro. During the year equity investments were acquired in Veneto Banca S.c.p.a. and JV2 Capital S.p.A..

The loans segment includes the "Comital Saiag S.p.A." position, because the company reorganisation plan was modified in 2009 and this generated a partial conversion of the total debt of 2,4 million euro into equity instruments.

4.1 Of which: attributable to insurance companies

Item/Amount	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	252.820	30.644	-	292.333	26.078	-
1.1 Structured securities	106	11.562	-	-	6.009	-
1.2 Other debt securities	252.714	19.082	-	292.333	20.069	-
2. Equity securities	-	-	1	-	-	1
2.1 Carried at fair value	-	-	-	-	-	-
2.2 Carried at cost	-	-	1	-	-	1
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
Total	**252.820**	**30.644**	**1**	**292.333**	**26.078**	**1**

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

Item/Amount	31/12/2012	31/12/2011
1. Debt securities	**1.067.710**	**1.191.331**
a) Governments and central banks	865.549	873.573
b) Other public bodies	4.632	2.166
c) Banks	176.043	249.476
d) Other issuers	21.486	66.116
2. Equity securities	**33.853**	**28.989**
a) Banks	23.910	18.510
b) Other issuers:	9.943	10.479
- insurance companies	-	-
- financial companies	9.457	10.063
- non-financial companies	486	416
- others	-	-
3. UCITS units	**4.629**	**42**
4. Loans and advances	**2.424**	**2.424**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.424	2.424
Total	**1.108.616**	**1.222.786**

4.2 Of which: attributable to the banking group		
Item/Amount	**31/12/2012**	**31/12/2011**
1. Debt securities	**784.246**	**872.920**
a) Governments and central banks	644.053	646.923
b) Other public bodies	-	-
c) Banks	137.989	185.494
d) Other issuers	2.204	40.503
2. Equity securities	**33.852**	**28.988**
a) Banks	23.910	18.510
b) Other issuers:	9.942	10.478
- insurance companies	-	-
- financial companies	9.457	10.063
- non-financial companies	485	415
- others	-	-
3. UCITS units	**4.629**	**42**
4. Loans and advances	**2.424**	**2.424**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.424	2.424
Total	**825.151**	**904.374**

4.2 Of which: attributable to insurance companies		
Item/Amount	**31/12/2012**	**31/12/2011**
1. Debt securities	**283.464**	**318.411**
a) Governments and central banks	221.496	226.650
b) Other public bodies	4.632	2.166
c) Banks	38.054	63.982
d) Other issuers	19.282	25.613
2. Equity securities	**1**	**1**
a) Banks	-	-
b) Other issuers:	1	1
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	1	1
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**283.465**	**318.412**

Futher details on the "UCITS units" item breakdown are provided below:

Financial assets available for sale: details on the item "UCITS units"	
Description	**31/12/2012**
Bond	4.102
Equity	-
Monetary	-
Balanced	-
Other	527
Total "UCITS units"	**4.629**

Futher details on equity securities issued by subjects classified as non performing or wachlist exposures are provided below:

Details on the item "Equity securities"	
	31/12/2012
Equity securities	33.853
- 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	**1.191.331**	**28.989**	**42**	**2.424**	**1.222.786**
B. Increases	**684.946**	**7.163**	**4.648**	**-**	**696.757**
B.1 Purchases	599.197	6.211	4.534	-	609.942
B.2 Increases in fair value	65.162	762	114	-	66.038
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	20.587	190	-	-	20.777
C. Decreases	**808.567**	**2.299**	**61**	**-**	**810.927**
C.1 Sales	492.809	1.888	-	-	494.697
C.2 Redemptions	307.297	-	41	-	307.338
C.3 Reductions in fair value	571	366	19	-	956
C.4 Impairment losses	-	45	-	-	45
- charged to the income statement	-	45	-	-	45
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	7.890	-	1	-	7.891
D. Closing balance	**1.067.710**	**33.853**	**4.629**	**2.424**	**1.108.616**

4.4 Of which: attributable to the banking group

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**872.920**	**28.988**	**42**	**2.424**	**904.374**
B. Increases	**532.678**	**7.163**	**4.648**	**-**	**544.489**
B.1 Purchases	475.064	6.211	4.534	-	485.809
B.2 Increases in fair value	37.027	762	114	-	37.903
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	20.587	190	-	-	20.777
C. Decreases	**621.352**	**2.299**	**61**	**-**	**623.712**
C.1 Sales	492.809	1.888	-	-	494.697
C.2 Redemptions	120.229	-	41	-	120.270
C.3 Reductions in fair value	424	366	19	-	809
C.4 Impairment losses	-	45	-	-	45
- charged to the income statement	-	45	-	-	45
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	7.890	-	1	-	7.891
D. Closing balance	**784.246**	**33.852**	**4.629**	**2.424**	**825.151**

4.4 Of which: attributable to insurance companies

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**318.411**	**1**	**-**	**-**	**318.412**
B. Increases	**152.268**	**-**	**-**	**-**	**152.268**
B.1 Purchases	124.133	-	-	-	124.133
B.2 Increases in fair value	28.135	-	-	-	28.135
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	-	-	-	-	-
C. Decreases	**187.215**	**-**	**-**	**-**	**187.215**
C.1 Sales	-	-	-	-	-
C.2 Redemptions	187.068	-	-	-	187.068
C.3 Reductions in fair value	147	-	-	-	147
C.4 Impairment losses	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	-	-	-	-	-
D. Closing balance	**283.464**	**1**	**-**	**-**	**283.465**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type	Total 31/12/2012				Total 31/12/2011			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	909.045	939.506	-	-	581.579	492.277	26.454	-
- Structured	-	-	-	-	-	-	-	-
- Others	909.045	939.506	-	-	581.579	492.277	26.454	-
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.

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item “Non-current assets and groups of assets held for sale”).

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

The details of the data in the table above are provided below dividing them between banking group and insurance companies.

5.1 Of which: attributable to the banking group	Total 31/12/2012				Total 31/12/2011			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	708.050	739.619	-	-	381.794	324.045	26.454	-
- Structured	-	-	-	-	-	-	-	-
- Others	708.050	739.619	-	-	381.794	324.045	26.454	-
2. Loans and advances	-	-	-	-	-	-	-	-

5.1 Of which: attributable to insurance companies	Total 31/12/2012				Total 31/12/2011			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	200.995	199.887	-	-	199.785	168.232	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	200.995	199.887	-	-	199.785	168.232	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

5.2 Financial assets held to maturity: borrowers/issuers

Type of transaction/Amount	31/12/2012	31/12/2011
1. Debt securities	**909.045**	**581.579**
a) Governments and central banks	909.045	581.579
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	**909.045**	**581.579**
Total *fair value*	**939.506**	**518.731**

5.2 Of which: attributable to the banking group

Type of transaction/Amount	31/12/2012	31/12/2011
1. Debt securities	**708.050**	**381.794**
a) Governments and central banks	708.050	381.794
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	**708.050**	**381.794**
Total *fair value*	**739.619**	**350.499**

5.2 Of which: attributable to insurance companies

Type of transaction/Amount	31/12/2012	31/12/2011
1. Debt securities	**200.995**	**199.785**
a) Governments and central banks	200.995	199.785
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	**200.995**	**199.785**
Total *fair value*	**199.887**	**168.232**

5.4 Financial assets held to maturity: annual changes

	Debt securities	Loans and advances	Total
A. Opening balance	**581.579**	**-**	**581.579**
B. Increases	**367.396**	**-**	**367.396**
B.1 Purchases	357.482	-	357.482
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	9.914	-	9.914
C. Decreases	**39.930**	**-**	**39.930**
C.1 Sales	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	39.930	-	39.930
D. Closing balance	**909.045**	**-**	**909.045**

5.4 Of which: attributable to the banking group

	Debt securities	Loans and advances	Total
A. Opening balance	**381.794**	**-**	**381.794**
B. Increases	**366.186**	**-**	**366.186**
B.1 Purchases	357.482	-	357.482
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	8.704	-	8.704
C. Decreases	**39.930**	**-**	**39.930**
C.1 Sales	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	39.930	-	39.930
D. Closing balance	**708.050**	**-**	**708.050**

5.4 Of which: attributable to insurance companies

	Debt securities	Loans and advances	Total
A. Opening balance	**199.785**	**-**	**199.785**
B. Increases	**1.210**	**-**	**1.210**
B.1 Purchases	-	-	-
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	1.210	-	1.210
C. Decreases	**-**	**-**	**-**
C.1 Sales	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	-	-	-
D. Closing balance	**200.995**	**-**	**200.995**

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by type		
Type of transaction/Amount	**31/12/2012**	**31/12/2011**
A) Due from central banks	**140.963**	**175.077**
1. Term deposits	115.000	105.001
2. Statutory reserve	25.963	70.076
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**199.192**	**138.423**
1. Current accounts and demand deposits	79.611	60.344
2. Term deposits	9.816	26.125
3. Other loans and advances	90.612	20.097
3.1 reverse repurchase agreements	10.537	7.338
3.2 financial leasing	624	827
3.3 others	79.451	11.932
4. Debt securities	19.153	31.857
4.1 structured	9.551	9.449
4.2 others	9.602	22.408
Total (book value)	**340.155**	**313.500**
Total (fair value)	**351.220**	**310.713**

At the end of the period no impaired assets were included under the Due from banks item.

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item "Non-current assets and groups of assets held for sale").

6.1 of witch attributable to the banking group		
Type of transaction/Amount	**31/12/2012**	**31/12/2011**
A) Due from central banks	**140.963**	**175.077**
1. Term deposits	115.000	105.001
2. Statutory reserve	25.963	70.076
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**188.850**	**119.852**
1. Current accounts and demand deposits	79.301	57.266
2. Term deposits	9.816	26.125
3. Other loans and advances	90.612	20.097
3.1 reverse repurchase agreements	10.537	7.338
3.2 financial leasing	624	827
3.3 others	79.451	11.932
4. Debt securities	9.121	16.364
4.1 structured	-	-
4.2 others	9.121	16.364
Total (book value)	**329.813**	**294.929**
Total (fair value)	**341.064**	**293.586**

6.1 of witch attributable to insurance companies		
Type of transaction/Amount	**31/12/2012**	**31/12/2011**
A) Due from central banks	**-**	**-**
1. Term deposits	-	-
2. Statutory reserve	-	-
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**10.342**	**18.571**
1. Current accounts and demand deposits	310	3.078
2. Term deposits	-	-
3. Other loans and advances	-	-
3.1 reverse repurchase agreements	-	-
3.2 financial leasing	-	-
3.3 others	-	-
4. Debt securities	10.032	15.493
4.1 structured	9.551	9.449
4.2 others	481	6.044
Total (book value)	**10.342**	**18.571**
Total (fair value)	**10.156**	**17.127**

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 not guaranteed*
Within 1 year	-	212	23	24	236	-
From 1 to 5 years	-	412	4	6	418	-
More than 5 years	-	-	-	-	-	-
Total	**-**	**624**	**27**	**30**	**654**	**-**

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	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Others		Purchased	Others
1. Current accounts	1.143.279	-	141.503	1.151.823	-	120.641
2. Repurchase agreements	61.652	-	-	1.326	-	-
3. Mortgage loans	3.514.290	-	205.506	3.514.265	-	184.803
4. Credit cards, personal loans, salary-backed loans	1.186.008	-	69.745	1.229.680	-	54.641
5. Financial leasing	945.568	-	78.804	1.002.534	-	53.923
6. Factoring	-	-	-	-	-	-
7. Other loans	1.159.969	-	114.795	1.236.490	-	114.639
8. Debt securities	980	-	-	5.088	-	-
8.1 Structured	-	-	-	-	-	-
8.2 Others	980	-	-	5.088	-	-
Total (Book value)	**8.011.746**	**-**	**610.353**	**8.141.206**	**-**	**528.647**
Total (fair value)	**8.169.727**	**-**	**610.353**	**8.280.219**	**-**	**528.647**

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item "Non-current assets and groups of assets held for sale").

The company that contributed most to the aggregate was Banca Sella, the Group's only commercial bank, which accounted for 74,4% of loans. Also significant were the contributions of Biella Leasing and Consel, which account respectively for 11,5% and 10,5% of the aggregate.

7.1 Of which: attributable to the banking group						
Type of transaction/Amount	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Others		Purchased	Others
1. Current accounts	1.143.279	-	141.503	1.151.823	-	120.641
2. Repurchase agreements	61.652	-	-	1.326	-	-
3. Mortgage loans	3.514.290	-	205.506	3.514.265	-	184.803
4. Credit cards, personal loans, salary-backed loans	1.186.008	-	69.745	1.229.680	-	54.641
5. Financial leasing	945.568	-	78.804	1.002.534	-	53.923
6. Factoring	-	-	-	-	-	-
7. Other loans	1.159.726	-	114.795	1.236.300	-	114.639
8. Debt securities	980	-	-	5.088	-	-
8.1 Structured	-	-	-	-	-	-
8.2 Others	980	-	-	5.088	-	-
Total (Book value)	**8.011.503**	**-**	**610.353**	**8.141.016**	**-**	**528.647**
Total (fair value)	**8.169.484**	**-**	**610.353**	**8.280.029**	**-**	**528.647**

7.1 Of which: attributable to insurance companies						
Type of transaction/Amount	**31/12/2012**			**31/12/2011**		
	Performing	**Impaired**		**Performing**	**Impaired**	
		Purchased	**Others**		**Purchased**	**Others**
1. Current accounts	-	-	-	-	-	-
2. Repurchase agreements	-	-	-	-	-	-
3. Mortgage loans	-	-	-	-	-	-
4. Credit cards, personal loans, salary-backed loans	-	-	-	-	-	-
5. Financial leasing	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-
7. Other loans	243	-	-	190	-	-
8. Debt securities	-	-	-	-	-	-
8.1 Structured	-	-	-	-	-	-
8.2 Others	-	-	-	-	-	-
Total (Book value)	**243**	**-**	**-**	**190**	**-**	**-**
Total (fair value)	**243**	**-**	**-**	**190**	**-**	**-**

The part pertaining to insurance companies (243 thousand euro) refers to loans to other subjects.

7.2 Due from customers: breakdown by borrowers/issuers						
Type of transaction/Amount	**31/12/2012**			**31/12/2011**		
	Performing	**Impaired**		**Performing**	**Impaired**	
		Purchased	**Others**		**Purchased**	**Others**
1. Debt securities issued by:	**980**	**-**	**-**	**5.088**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
d) Other issuers	980	-	-	5.088	-	-
- non-financial companies	212	-	-	-	-	-
- financial companies	768	-	-	5.088	-	-
- insurance companies	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans and advances to:	**8.010.766**	**-**	**610.353**	**8.136.118**	**-**	**528.647**
a) Governments	513	-	-	55	-	1
b) Other public bodies	19.570	-	32	16.924	-	244
c) Other subjects	7.990.683	-	610.321	8.119.139	-	528.402
- non-financial companies	4.351.518	-	412.573	4.425.077	-	351.225
- financial companies	201.391	-	4.326	122.754	-	3.535
- insurance companies	29	-	-	431	-	8
- others	3.437.745	-	193.422	3.570.877	-	173.634
Total	**8.011.746**	**-**	**610.353**	**8.141.206**	**-**	**528.647**

7.2 Of which: attributable to the banking group						
Type of transaction/Amount	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Others		Purchased	Others
1. Debt securities issued by:	**980**	**-**	**-**	**5.088**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
d) Other issuers	980	-	-	5.088	-	-
- non-financial companies	212	-	-	-	-	-
- financial companies	768	-	-	5.088	-	-
- insurance companies	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans and advances to:	**8.010.523**	**-**	**610.353**	**8.135.928**	**-**	**528.647**
a) Governments	513	-	-	55	-	1
b) Other public bodies	19.570	-	32	16.924	-	244
c) Other subjects	7.990.440	-	610.321	8.118.949	-	528.402
- non-financial companies	4.351.517	-	412.573	4.425.076	-	351.225
- financial companies	201.391	-	4.326	122.754	-	3.535
- insurance companies	18	-	-	420	-	8
- others	3.437.514	-	193.422	3.570.699	-	173.634
Total	**8.011.503**	**-**	**610.353**	**8.141.016**	**-**	**528.647**

7.2 Of which: attributable to insurance companies						
Type of transaction/Amount	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Others		Purchased	Others
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:	**243**	**-**	**-**	**190**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
c) Other subjects	243	-	-	190	-	-
- non-financial companies	1	-	-	1	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	11	-	-	11	-	-
- others	231	-	-	178	-	-
Total	**243**	**-**	**-**	**190**	**-**	**-**

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 not guaranteed*
Within 1 year	32.729	198.952	-	45.250	244.202	14.741
From 1 to 5 years	23.175	423.103	-	98.193	521.296	28.165
More than 5 years	22.900	323.513	-	74.931	398.444	54.975
Total	**78.804**	**945.568**	**-**	**218.374**	**1.163.942**	**97.881**

Data relating 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 signed by Consel during 2012 were 98% at a fixed interest rate, while the rest were at variable rate. The type of customers mainly consists of professionals, small and medium size businesses, and only marginally private individuals. In 2012, Consel lent 10,9 million euro with an average financing value of 27 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 31/12/2012			VN 31/12/2012	FV 31/12/2011			VN 31/12/2011
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**28.530**	**-**	**498.931**	**-**	**26.633**	**-**	**1.096.722**
1) Fair value	-	28.530	-	498.931	-	26.633	-	1.096.722
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**28.530**	**-**	**498.931**	**-**	**26.633**	**-**	**1.096.722**

Key:
FV = fair value
VN = 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.

Per information on hedging policies see the next Part E of the present Notes to the Statements.

8.1 Of which: attributable to the banking group	FV 31/12/2012			VN 31/12/2012	FV 31/12/2011			VN 31/12/2011
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**28.530**	**-**	**498.931**	**-**	**26.633**	**-**	**1.096.722**
1) Fair value	-	28.530	-	498.931	-	26.633	-	1.096.722
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**28.530**	**-**	**498.931**	**-**	**26.633**	**-**	**1.096.722**

Key:
FV = fair value
VN = notional value

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	-	-	-	-	-	-	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	28.530	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**28.530**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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	-	-

The amount refers to the fair value of IRSs (Interest Rate Swaps) to hedge the bonds issued by the Group Banks.

8.2 Of which: attributable to the banking group

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	-	-	-	-	-	-	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	28.530	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**28.530**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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 all pertains to the banking groups.

9.1 Change in value of hedged assets: breakdown by hedged portfolio

Change in value of hedged assets / Group components	31/12/2012	31/12/2011
Positive change	**159.773**	**124.588**
1.1 of specific portfolios:	159.773	124.588
a) loans and recievables	159.773	124.588
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	**159.773**	**124.588**

Within the Group a model is adopted for hedging the interest rate risk on fixed-rate loans based on the macro-hedging of fair value. Consequently the present item includes the change in fair value relating to the loan portfolio of hedged loans.

9.2 Assets subject to macro-hedging of interest rate risk

	31/12/2012	31/12/2011
Hedged assets		
1. Loans and receivables	1.782.473	1.855.308
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**1.782.473**	**1.855.308**

The amount refers to the fair value of the loans hedged by IRSs (Interest Rate Swaps) made up of the following types:

- Mortgage loans
- Financial leasing
- Credit cards, personal loans and salary-backed loans

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	Finanziaria 2010 S.p.A.	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.	166.519	8.725	266	16.740	7.533	-
IN CHIARO ASSICURAZIONI S.P.A.	42.023	23.655	391	6.110	3.395	-
S.C.P. VDP1	5.089	159	(3)	1.955	567	-
HI-MTF SIM S.P.A.	5.869	2.878	435	5.194	1.299	-
ENERSEL S.P.A.	1.668	343	114	1.336	238	-
Total					**13.032**	**-**

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	31/12/2012	31/12/2011
A. Opening balance	**9.320**	**2.942**	**-**	**12.262**	**12.997**
B. Increases	**360**	**453**	**-**	**813**	**1.768**
B.1 Purchases	238	-	-	238	1.225
B.2 Writebacks	-	-	-	-	-
B.3 Revaluations	122	453	-	575	543
B.4 Other changes	-	-	-	-	-
C. Decreases	**43**	**-**	**-**	**43**	**2.503**
C.1 Sales	-	-	-	-	240
C.2 Writedowns	-	-	-	-	-
C.4 Other changes	43	-	-	43	2.263
D. Closing balance	**9.637**	**3.395**	**-**	**13.032**	**12.262**
E. Total revaluation	**3.537**	**-**	**-**	**3.537**	**3.579**
F. Total adjustements	**-**	**-**	**-**	**-**	**-**

Section 11 - Reinsurers' share of technical reserves - Item 110

11.1 Reinsurers' share of technical reserves: breakdown

	Total 31/12/2012	Total 31/12/2011
A. Non-life insurance	**623**	**623**
A.1 premium reserves	140	154
A.2 claims reserves	71	107
A.3 other reserves	412	362
B. Life assurance	**2.953**	**3.593**
B.1 Actuarial reserves	2.462	2.976
B.2 outstanding claims reserves	265	360
B.3 other reserves	226	257
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	**3.576**	**4.216**

11.2 Variation of Item 110 "Reinsurers' share of technical reserves"

	Total 31/12/2012
Opening balance	**4.216**
A. Non-life insurance	**-**
A.1 premium reserves	(14)
A.2 claims reserves	(36)
A.3 other reserves	50
B. Life assurance	**(640)**
B.1 Actuarial reserves	(514)
B.2 outstanding claims reserves	(95)
B.3 other reserves	(31)
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	**3.576**

Section 12 - Tangible assets - Item 120

12.1 Tangible assets: breakdown of assets carried at cost		
Item/Amount	**Total 31/12/2012**	**Total 31/12/2011**
A. Assets used for business purposes		
1.1 owned	**187.672**	**188.937**
a) land	40.233	40.227
b) buildings	120.912	124.249
c) furniture	2.172	2.512
d) electronic equipment	9.748	8.491
e) other	14.607	13.458
1.2 acquired through financial leasing	**2.527**	**4.837**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	2.527	4.837
Total A	**190.199**	**193.774**
B. Assets held for investment		
2.1 owned	**15.529**	**12.447**
a) land	7.237	4.658
b) buildings	8.292	7.789
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**15.529**	**12.447**
Total (A+B)	**205.728**	**206.221**

Data relating to property, plant and equipment pertain to the banking group, with the exception of 48 thousand euro referring to insurance companies, recognised among on assets for instrumental use.

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item “Non-current assets and groups of assets held for sale”).

12.1 Of witch attributable to the banking group		
Item/Amount	**Total 31/12/2012**	**Total 31/12/2011**
A. Assets used for business purposes		
1.1 owned	**187.624**	**188.874**
a) land	40.233	40.227
b) buildings	120.912	124.249
c) furniture	2.168	2.509
d) electronic equipment	9.730	8.473
e) other	14.581	13.416
1.2 acquired through financial leasing	**2.527**	**4.837**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	2.527	4.837
Total A	**190.151**	**193.711**
B. Assets held for investment		
2.1 owned	**15.529**	**12.447**
a) land	7.237	4.658
b) buildings	8.292	7.789
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**15.529**	**12.447**
Total (A+B)	**205.680**	**206.158**

12.1 of witch: attributable to insurance companies		
Item/Amount	**Total 31/12/2012**	**Total 31/12/2011**
A. Assets used for business purposes		
1.1 owned	**48**	**63**
a) land	-	-
b) buildings	-	-
c) furniture	4	3
d) electronic equipment	18	18
e) other	26	42
1.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total A	**48**	**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)	**48**	**63**

12.3 Tangible assets used for business purposes: annual changes

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**40.227**	**162.534**	**23.520**	**124.904**	**78.377**	**429.562**
A.1 Total net impairments		38.285	21.008	116.413	60.082	235.788
A.2 Net opening balance	**40.227**	**124.249**	**2.512**	**8.491**	**18.295**	**193.774**
B. Increases	**64**	**1.175**	**444**	**6.092**	**5.329**	**13.104**
B.1 Purchases	-	962	433	6.087	5.326	12.808
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	64	87	-	1	1	153
B.6 Transfers from properties held for investment	-	57	-	-	-	57
B.7 Other changes	-	69	11	4	2	86
C. Decreases	**58**	**4.512**	**784**	**4.835**	**6.490**	**16.679**
C.1 Sales	-	7	16	35	3	61
C.2 Depreciation	-	4.426	765	4.685	6.073	15.949
C.3 Impairment losses charged to:	-	-	-	-	298	298
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	298	298
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	6	41	1	8	-	56
C.6 Transfers to:	-	-	1	99	110	210
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	1	99	110	210
C.7 Other changes	52	38	1	8	6	105
D. Net closing balance	**40.233**	**120.912**	**2.172**	**9.748**	**17.134**	**190.199**
D.1 Total net impairments		42.843	21.567	115.859	60.001	240.270
D.2 Gross closing balance	**40.233**	**163.755**	**23.739**	**125.607**	**77.135**	**430.469**
E. Carried at cost	-	-	-	-	-	-

Property, plant and equipment items are carried at cost, after deducting any depreciation and impairment losses. Consequently, sub-item "E. Measurement at cost" is zero as it is only compiled for property, plant and equipment items carried on the financial statements at fair value.

Within item C.6 b) "Transfers to assets held for sale", the amount of 210 thousand euro refers to furnitures and fittings owned by Sella Bank AG. For more information on the classification of Sella Bank AG as a group of assets held for sale see Section 15 of the present Balance Sheet - Assets.

12.3 of witch: attributable to the banking group						
	Land	**Buildings**	**Furniture**	**Electronic equipment**	**Others**	**Total**
A. Gross opening balance	**40.227**	**162.534**	**23.397**	**124.026**	**78.163**	**428.347**
A.1 Total net impairments		38.285	20.888	115.553	59.910	234.636
A.2 Net opening balance	**40.227**	**124.249**	**2.509**	**8.473**	**18.253**	**193.711**
B. Increases	**64**	**1.175**	**442**	**6.081**	**5.327**	**13.089**
B.1 Purchases	-	962	432	6.077	5.326	12.797
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	64	87	-	1	1	153
B.6 Transfers from properties held for investment	-	57	-	-	-	57
B.7 Other changes	-	69	10	3	-	82
C. Decreases	**58**	**4.512**	**783**	**4.824**	**6.472**	**16.649**
C.1 Sales	-	7	15	34	2	58
C.2 Depreciation	-	4.426	765	4.675	6.056	15.922
C.3 Impairment losses charged to:	-	-	-	-	298	298
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	298	298
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	6	41	1	8	-	56
C.6 Transfers to:	-	-	1	99	110	210
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	1	99	110	210
C.7 Other changes	52	38	1	8	6	105
D. Net closing balance	**40.233**	**120.912**	**2.168**	**9.730**	**17.108**	**190.151**
D.1 Total net impairments		42.843	21.448	115.408	59.826	239.525
D.2 Gross closing balance	**40.233**	**163.755**	**23.616**	**125.138**	**76.934**	**429.676**
E. Carried at cost	-	-	-	-	-	-

12.3 of witch: attributable to insurance companies						
	Land	**Buildings**	**Furniture**	**Electronic equipment**	**Others**	**Total**
A. Gross opening balance	**-**	**-**	**123**	**878**	**214**	**1.215**
A.1 Total net impairments		-	120	860	172	1.152
A.2 Net opening balance	**-**	**-**	**3**	**18**	**42**	**63**
B. Increases	**-**	**-**	**2**	**11**	**2**	**15**
B.1 Purchases	-	-	1	10	-	11
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	-	-	1	1	2	4
C. Decreases	**-**	**-**	**1**	**11**	**18**	**30**
C.1 Sales	-	-	1	1	1	3
C.2 Depreciation	-	-	-	10	17	27
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	**-**	**-**	**4**	**18**	**26**	**48**
D.1 Total net impairments		-	119	451	175	745
D.2 Gross closing balance	**-**	**-**	**123**	**469**	**201**	**793**
E. Carried at cost	-	-	-	-	-	-

12.4 Tangible assets held for investment purpose: annual changes

	Total	
	Land	Buildings
A. Gross opening balance	**4.658**	**11.093**
A.1 Total net impairments		3.304
A.2 Net opening balance	**4.658**	**7.789**
B. Increases	**2.579**	**842**
B.1 Purchases	2.579	842
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	-	-
C. Decreases	**-**	**339**
C.1 Sales	-	-
C.2 Depreciation	-	282
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	57
a) buildings for business purposes	-	57
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**7.237**	**8.292**
D.1 Total net impairments		3.465
D.2 Gross closing balance	**7.237**	**11.757**
E. Carried at fair value	-	-

12.4 of witch: attributable to the banking group

	Total	
	Land	Buildings
A. Gross opening balance	**4.658**	**11.093**
A.1 Total net impairments		3.304
A.2 Net opening balance	**4.658**	**7.789**
B. Increases	**2.579**	**842**
B.1 Purchases	2.579	842
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	-	-
C. Decreases	**-**	**339**
C.1 Sales	-	-
C.2 Depreciation	-	282
C.3 Reductions in fair value	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	57
a) buildings for business purposes	-	57
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**7.237**	**8.292**
D.1 Total net impairments	-	3.465
D.2 Gross closing balance	**7.237**	**11.757**
E. Carried at fair value	-	-

12.5 Commitments to buy tangible assets

	Total 31/12/2012	Total 31/12/2011
Commitments to buy tangible assets	-	1.277

12.5 of witch: attributable to the banking group

	Total 31/12/2012	Total 31/12/2011
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 31/12/2012		Total 31/12/2011	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**43.484**	**X**	**45.977**
A.1.1 attributable to the group	X	42.844	X	44.171
A.1.2 attributable to minority interests	X	640	X	1.806
A.2 Other intangible assets:	**31.041**	**1**	**32.264**	**1**
A.2.1 Assets carried at cost	31.041	1	32.264	1
a) Intangible assets generated internally	4.974	-	3.656	-
b) Other assets	26.067	1	28.608	1
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**31.041**	**43.485**	**32.264**	**45.978**

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item "Non-current assets and groups of assets held for sale").

13.1of witch: attributable to the banking group				
Item/Amount	Total 31/12/2012		Total 31/12/2011	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**43.484**	**X**	**45.977**
A.1.1 attributable to the group	X	42.844	X	44.171
A.1.2 attributable to minority interests	X	640	X	1.806
A.2 Other intangible assets:	**30.738**	**1**	**31.811**	**1**
A.2.1 Assets carried at cost	30.738	1	31.811	1
a) Intangible assets generated internally	4.974	-	3.656	-
b) Other assets	25.764	1	28.155	1
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**30.738**	**43.485**	**31.811**	**45.978**

13.1 of witch: attributable to insurance companies				
Item/Amount	Total 31/12/2012		Total 31/12/2011	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**-**	**X**	**-**
A.1.1 attributable to the group	X	-	X	-
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets:	**303**	**-**	**453**	**-**
A.2.1 Assets carried at cost	303	-	453	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	303	-	453	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**303**	**-**	**453**	**-**

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 cash flow 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 related 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.

Entities subject to an impairment test and related goodwill allocated (in thousands of euro)

Entities	CGU	Goodwill allocated before any impairment of the year
company Banca Sella (1)	CGU A1	20.177
company Banca Patrimoni Sella & C.	CGU A2	1.510
company Sella Bank AG	CGU A3	1.352
company Biella Leasing	CGU A4	1.798
company Consel	CGU A5	707
company Sella Gestioni	CGU A6	7.260
company Selfid	CGU A7	448
company CBA Vita	CGU A8	3.998
company Brosel	CGU A9	32
company Immobiliare Lanificio Maurizio Sella	CGU A10	56
company HI MTF	CGU B1	127
branches BS (Cadore) (2)	CGU C1	3.233
branches BS Milano via Gonzaga (3)	CGU C2	542
branches BS (former Cram) (4)	CGU C3	1.881
branches BS S.Michele e Fasano (5)	CGU C4	1.099
branches BS (former BCC Camastra e Naro)(6)	CGU C5	1.770
Total		**45.990**

(1) Following the merger between Banca Sella and Banca Sella Nord Est Bovio Calderari, 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 from the Unicredito Group in 2000.

(3) The entity subject to impairment test is the branch in Milan, at Via Gonzaga, purchased from the Banco di Chiavari e della Riviera in 1999.

(4) The entity subject to impairment test is the group of branches purchased from the former CRA Monreale in 1997.

(5) The entity subject to impairment test is the group of branches purchased from Credito Cooperativo di Ostuni in 2000.

(6) The entity subject to impairment test is the group of branches purchased from 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 costs to sell and its value in use.

Below is a list of the CGUs that were analysed and, alongside, the recoverable value calculation methods used and the results of the impairment test:

Imapirment test: CGU being more thorough analysis			
CGU	**recoverable amount**	**Calculation methodology used**	**Outcome of the impairment test**
CGU A1	value in use	Dividend discount model (*excess capital*)	The impairment test does not detect a loss of value
CGU A2	Fair value	Multiples for comparable transactions	The impairment test does not detect a loss of value
CGU A3	Fair value	Value of sale	Il test di *impairment* non rileva perdita di valore
CGU A4	value in use	Dividend discount model (*excess capital*)	The impairment test detects loss of value of 1.798 thousand euro equal to the entire amount of goodwill allocated to the CGU A4
CGU A5	value in use	Dividend discount model (*excess capital*)	The impairment test detects loss of value of 707,000 euro equal to the entire amount of goodwill allocated to the CGU A5
CGU A6	value in use	Dividend discount model (*excess capital*)	The impairment test does not detect a loss of value
CGU A7	value in use	Present value of future cash flows	The impairment test does not detect a loss of value
CGU A8	Fair value	actuarial method	The impairment test does not detect a loss of value
CGU A9	value in use	Present value of future cash flows	The impairment test does not detect a loss of value
CGU A10	Fair value	Adjusted net equity method	The impairment test does not detect a loss of value
CGU B1	Fair value	Market Multiples	The impairment test does not detect a loss of value
CGU C1	Fair value	Multiples for comparable transactions	The impairment test does not detect a loss of value
CGU C2	value in use	Dividend discount model (*excess capital*)	The impairment test does not detect a loss of value
CGU C3	value in use	Dividend discount model (*excess capital*)	The impairment test does not detect a loss of value
CGU C4	value in use	Dividend discount model (*excess capital*)	The impairment test does not detect a loss of value
CGU C5	value in use	Dividend discount model (*excess capital*)	The impairment test does not detect a loss of 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 costs to sell. 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 are adjusted if necessary to take into consideration possible higher or lower yields relating to the company in question.

- **Market Multiples Method**: market multiples are indicators that express a ratio between the value of a company and a measurement of performance achieved by the company itself. In particular, through the comparable companies approach, the price of an unlisted company is estimated taking as a reference a sample of listed companies operating in the same segment.

- **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 cash flows that the company envisages will derive from the continuous use of the asset and its final sale: the most recent budget plans relating 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 cash flow projections are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);
- discount rate (Ke): this 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, recorded in the second half of 2012, of the return on ten year BTPs. The value used was 5,25%;
    - (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:

Situation forecasts on key indicators				
Eurozone	**2012**	**2013**	**2014**	**2015**
Real GDP	-0,5	0,0	1,2	1,6
Consumer price index	2,5	1,7	1,8	2,0
Official rates	0,75	0,5	0,5	1,0
Short-term interest rates (Euribor 3m)	1,6	1,8	2,0	2,2
Italy	**2012**	**2013**	**2014**	**2015**
Real GDP	-2,2	-0,5	0,9	1,1
Consumption	-3,0	-1,5	0,5	1,0
Consumer price index	3,3	1,9	2,0	2,0

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 inflationary tension in developed countries.

As for Italy, growth prospects in the three-year period 2013-2015 appear weak and below the Eurozone average.

With reference to the financial segment, the scenario assumes a low level of money market interest rate with a gradually upward trend in rates only toward the end of the three years.

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 for the calculation of the recoverable amount			
CGU	**Assumptions**	**Methods for determining**	**Notes**
CGU 1	Economic and financial variables	Three-Year Plan (2013-2015) approved by the Board of Directors of the company	- The forecast data, take into account a gradual recovery in the profitability of the retail banking business in which the CGU belongs, essentially due: . by the improvement in operating income due to the expected increase of the masses with particular reference to the collection . by a slight increase in the spread within which is expected to improve the mark-up and a deterioration in the mark down . impact on the performance of credit losses gradually weakening especially in 2014 and 2015 as a result of the expected improvement of the economic situation . the continuation of the rationalization carried on operating costs - The discount rate used is equal to 9,40% having incorporated a Beta of 0,83.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 2%	
CGU A2	Shareholders' equity	Financial statements as at 31/12/2012	I multipli sono stati determinati facendo riferimento ad un campione di transazioni comparabili avvenute negli ultimi 3 anni.
	Assets under Administration	Financial statements as at 31/12/2012	
CGU A3	Value of sale		The sale took place February 28, 2013

follows the previous table

CGU	Assumptions	Methods for determining	Notes
CGU A4	Economic and financial variables	Three-Year Plan (2013-2015) approved by the Board of Directors of the company	- Profitability is expected to slow down in three years. The expected evolution will be characterized primarily: . by a decrease in net interest affected by the increase in funding costs due to the re-pricing of liabilities, only partly offset by the increased use of funds from the EIB and the ECB and the improvement achieved in the mark up on new loans . to a substantial stability of the overall stock of loans . incidence of credit losses expected to improve slightly - The discount rate used is equal to 10,25% having incorporated a beta of 1.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 2%	
CGU A5	Economic and financial variables	Three-Year Plan (2013-2015) approved by the Board of Directors of the company	- The development of the business mix will be impacted by the transfer of the provision of new personal loans of banks Banca Sella Group to Consel. - The profitability over the three years is expected to gradually increase. The expected evolution will be characterized primarily: . by a significant increase in the total stock of loans to a large extent related to the activity of supply above . by a recovery of the mark-up on new loans pursued . incidence of credit losses is expected that remains essentially the levels recorded in 2012 . implemented by a recovery in productivity by streamlining the organizational structure and the rationalization of the distribution network - The discount rate used is equal to 10,25% having incorporated a beta of 1
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 2%	
CGU A6	Economic and financial variables	Three-Year Plan (2013-2015) approved by the Board of Directors of the company	- The forecast data, take into account a gradual recovery in profitability resulting primarily structural: . the improvement of service revenues due to the expected increase of the masses . the rationalization of operating costs - The discount rate used is equal to 9,40% having incorporated a Beta of 0,83.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 2%	
CGU A7	Economic and financial variables	Three-Year Plan (2013-2015) approved by the Board of Directors of the company	- The forecasts predict a gradual recovery in profitability in the presence of a growth in assets under management and revenues from services related to them - The discount rate used is equal to 9,40% having incorporated a Beta of 0,83.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 2%	

follows the previous table

CGU	Assumptions	Methods for determining	Notes
CGU A8	Shareholders' equity	Financial statements as at 31/12/2012	- With regard to returns on separate management were considered the expected trends in asset yields calculated to 31/12/2012, for the new production, as well as the return on assets to cover its margin, it was hypothesized a constant output of 3,5%.
	Value of in-force	Life portfolio as of 31/12/12	- The discount rate used to discount the cash flows were assumed to be equal to 9%
	Value of future policies	The value of new business has been calculated by taking into account a time horizon of 10 years (2013-2022)	- With regard to the future expenses of management, it was assumed that the expenditure currently stationed reserves are sufficient to cover the costs of the existing portfolio. For the new business we have assumed an annual cost per policy by referring to the assessments based on data from the 2012 budget increased by a percentage equal to 2% per annum.
CGU A9	Economic and financial variables	Three-Year Plan (2013-2015) approved by the Board of Directors of the company	- Following the release of Brosel from the brokerage business of bancassurance GBS, the gross income of the company is expected to contract in particular in 2013. In the following years there is a gradual recovery in profitability thanks to the greater development pursued on other areas of business and the implementation of projects for the optimization of operating costs.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	- The discount rate used is equal to 9,40% having incorporated a Beta of 0,83.
	Profitability over the forecast period	Constant annual growth rate of 2%	
CGU A10	Shareholders' equity	Dati di bilancio al 31/12/2012	- The valuation of the properties has been prepared with the assistance of an independent evaluator
	Valore degli immobili posseduti	Il valore degli immobili è stato stimato sulla base di una recente perizia	
CGU B1	Shareholders' equity	Financial statements as at 31/12/2012	Multiples were determined by reference to the listing on a sample of comparable companies to 31/12/12
	Ebidta		
CGU C1	Net banking income	Financial statements as at 31/12/2012	- Multiples were determined by reference to the sale of 26 branches located in the east in progress among which are included in 5 of the 7 branches to which goodwill has been allocated. For the purposes of the impairment test is, therefore, referred to the sale price of fixed and applied the multiple implicit transaction to the magnitudes of the 7 branches.
	Direct deposits	Management data to 31/12/2012	
CGU 2 CGU 3 CGU 4 CGU 5	Economic and financial variables	Three-Year Plan (2013-2015) approved by the Board of Directors of the company	- The forecast data, take into account a gradual recovery in the profitability of the retail banking business in which the CGU belong, essentially due: . by a slight improvement in the spread within which is expected to improve the mark-up and a deterioration in the mark down . impact on the performance of credit losses gradually weakening especially in 2014 and 2015 as a result of the expected improvement of the economic situation . the continuation of the rationalization carried on operating costs - The discount rate used is equal to 9,40% having incorporated a Beta of 0,83.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 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	Changes in the discount rate		Changes in the rate of growth in profitability	
	Changes considered	Sensitivity% of the value in use	Changes considered	Sensitivity% of the value in use
CGU A1	+ 25 b. p.	2,7%	- 25 b. p.	2,2%
CGU A6	+ 25 b. p.	2,0%	- 25 b. p.	1,6%
CGU A7	+ 25 b. p.	3,4%	- 25 b. p.	3,0%
CGU A9	+ 25 b. p.	3,4%	- 25 b. p.	3,0%
CGU C2	+ 25 b. p.	3,4%	- 25 b. p.	2,7%
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.	3,4%	- 25 b. p.	2,8%

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	Growth rate "g"
CGU A1	9,6%	1,8%
CGU A6	22,3%	-23,5%
CGU A7	20,2%	-15,8%
CGU A9	9,7%	1,7%
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	13,2%	-3,3%

Conclusions

From the analysis performed it can be seen that, with the exception of Biella Leasing and Consel, the recoverable value of all CGUs is greater than the carrying value.
For Biella Leasing and Consel it was necessary to write off the goodwill allocated to them.
From the sensitivity analysis there emerges only one case, Banca Sella, for which applying a change of +0,25% in the discount rate and/or applying a change of – 0,25 in the "g" rate of growth, there corresponds a valuation slightly lower than the book value. We believe, however, that there is no need to recognise impairment because the value emerging from adopting the "Transaction Multiples" Method, used in this case for control purposes, is significantly higher than the book value. As part of this method a "limit" analysis was also carried out to check the minimum multiple level necessary to support the book value. This value is significantly lower than the lowest of the multiples recognised in the context of the operations taken in reference. This gives more proof, confirming that there are no reasons for recognising any writedowns.

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	**96.510**	**4.413**	**-**	**161.182**	**1**	**262.106**
A.1 Total net reductions in value	(50.533)	(757)	-	(132.574)	-	(183.864)
A.2 Net opening balance	**45.977**	**3.656**	**-**	**28.608**	**1**	**78.242**
B. Increases	**12**	**2.555**	**-**	**10.826**	**-**	**13.393**
B.1 Purchases	12	2.555	-	10.806	-	13.373
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	-	-	-	1	-	1
B.6 Other changes	-	-	-	19	-	19
C. Decreases	**2.505**	**1.237**	**-**	**13.367**	**-**	**17.109**
C.1 Sales	-	-	-	228	-	228
C.2 Writedowns	2.505	1.218	-	12.920	-	16.643
- amortization	X	1.218	-	12.886	-	14.104
- writedowns	2.505	-	-	34	-	2.539
- shareholders' equity	X	-	-	-	-	-
- income statement	2.505	-	-	34	-	2.539
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	144	-	144
C.5 Negative exchange differences	-	-	-	1	-	1
C.6 Other changes	-	19	-	74	-	93
D. Net closing balance	**43.484**	**4.974**	**-**	**26.067**	**1**	**74.526**
D.1 Total net adjustments	(53.038)	(1.975)	-	(145.494)	-	(200.507)
E. Gross closing balance	**96.522**	**6.949**	**-**	**171.561**	**1**	**275.033**
F. Carried at cost	-	-	-	-	-	-

Within item C.6 b) "Transfers to non-current assets held for sale", the amount of 144 thousand euro refers to software owned by Sella Bank AG. For more information on the classification of Sella Bank AG as a group of assets held for sale see Section 15 of the present Balance Sheet - Assets.

Sub-item "F. Measurement at cost" is zero as it is only compiled for intangible assets carried in the financial statements at fair value.

13.2 Of witch: 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	**96.510**	**4.413**	**-**	**156.511**	**1**	**257.435**
A.1 Total net reductions in value	(50.533)	(757)	-	(128.356)	-	(179.646)
A.2 Net opening balance	**45.977**	**3.656**	**-**	**28.155**	**1**	**77.789**
B. Increases	**12**	**2.555**	**-**	**10.738**	**-**	**13.305**
B.1 Purchases	12	2.555	-	10.718	-	13.285
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	-	-	-	1	-	1
B.6 Other changes	-	-	-	19	-	19
C. Decreases	**2.505**	**1.237**	**-**	**13.129**	**-**	**16.871**
C.1 Sales	-	-	-	228	-	228
C.2 Writedowns	2.505	1.218	-	12.682	-	16.405
- amortization	X	1.218	-	12.648	-	13.866
- writedowns	2.505	-	-	34	-	2.539
- shareholders' equity	X	-	-	-	-	-
- income statement	2.505	-	-	34	-	2.539
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	144	-	144
C.5 Negative exchange differences	-	-	-	1	-	1
C.6 Other changes	-	19	-	74	-	93
D. Net closing balance	**43.484**	**4.974**	**-**	**25.764**	**1**	**74.223**
D.1 Total net adjustments	(53.038)	(1.975)	-	(139.316)	-	(196.051)
E. Gross closing balance	**96.522**	**6.949**	**-**	**165.080**	**1**	**270.274**
F. Carried at cost	-	-	-	-	-	-

13.2 Of witch: 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	**-**	**-**	**-**	**4.671**	**-**	**4.671**
A.1 Total net reductions in value	-	-	-	(4.218)	-	(4.218)
A.2 Net opening balance	**-**	**-**	**-**	**453**	**-**	**453**
B. Increases	**-**	**-**	**-**	**88**	**-**	**88**
B.1 Purchases	-	-	-	88	-	88
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	**-**	**-**	**-**	**238**	**-**	**238**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	-	-	-	238	-	238
- amortization	X	-	-	238	-	238
- 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	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**303**	**-**	**303**
D.1 Total net adjustments	-	-	-	(4.455)	-	(4.455)
E. Gross closing balance	**-**	**-**	**-**	**4.758**	**-**	**4.758**
F. Carried at cost	-	-	-	-	-	-

Section 14 - Tax assets and liabilities - Item 140 of assets and item 80 of liabilities

Current tax assets: breakdown		
	Total 31/12/2012	Total 31/12/2011
Prepaid taxes	61.211	47.962
Credits for withholdings	1.555	1.848
Assets from inclusion in tax consolidation	1.257	4.367
Tax credits	18.891	6.852
Total	**82.914**	**61.029**

Current tax liabilities: breakdown		
	Total 31/12/2012	Total 31/12/2011
Provisions for direct taxes	61.481	51.529
Provisions for indirect taxes	6.064	2.778
Total	**67.545**	**54.307**

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item "Non-current assets and groups of assets held for sale").

14.1 - Deferred tax assets: breakdown					
	Ires	Irap	Others	31/12/2012	31/12/2011
Doubtful loans and receivables	96.380	204	-	96.584	76.400
Provisions for sundry risks and liabilities	5.995	4	-	5.999	5.829
Depreciation and valuation of buildings	1.869	70	-	1.939	3.526
Sundry administrative expenses	924	-	-	924	652
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	92	-	35	127	198
Collective valuations of sureties issued	531	-	-	531	492
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	204	-	204	639
Liberation consolidated goodwill	6.769	677	-	7.446	10.087
Other assets	8.542	847	1.019	10.408	4.211
Total deferred tax assets (charged to income statement)	**121.102**	**2.006**	**1.054**	**124.162**	**102.034**
Depreciation and valuation of buildings	2.623	307	-	2.930	2.931
Measurement of available-for-sale financial assets	1.794	196	-	1.990	24.825
Others	10	-	-	10	-
Total deferred tax assets (charged to shareholders' equity)	**4.427**	**503**	**-**	**4.930**	**27.756**

14.1 Of which: attributable to the banking group	Ires	Irap	Others	31/12/2012	31/12/2011
Doubtful loans and receivables	96.378	204	-	96.582	76.399
Provisions for sundry risks and liabilities	5.985	4	-	5.989	5.819
Depreciation and valuation of buildings	1.868	70	-	1.938	3.525
Sundry administrative expenses	922	-	-	922	650
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	70	-	35	105	169
Collective valuations of sureties issued	531	-	-	531	492
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	204	-	204	639
Liberation consolidated goodwill	6.769	677	-	7.446	10.087
Other assets	8.065	832	1.019	9.916	3.265
Total deferred tax assets (charged to income statement)	**120.588**	**1.991**	**1.054**	**123.633**	**101.045**
Depreciation and valuation of buildings	2.623	307	-	2.930	2.931
Measurement of available-for-sale financial assets	160	39	-	199	14.920
Others	10	-	-	10	-
Total deferred tax assets (charged to shareholders' equity)	**2.793**	**346**	**-**	**3.139**	**17.851**

14.1 Of which: attributable to insurance companies	Ires	Irap	Others	31/12/2012	31/12/2011
Doubtful loans and receivables	2	-	-	2	1
Provisions for sundry risks and liabilities	10	-	-	10	10
Depreciation and valuation of buildings	1	-	-	1	1
Sundry administrative expenses	2	-	-	2	2
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	22	-	-	22	29
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	-	-	-	-	-
Liberation consolidated goodwill	-	-	-	-	-
Other assets	477	15	-	492	946
Total deferred tax assets (charged to income statement)	**514**	**15**	**-**	**529**	**989**
Depreciation and valuation of buildings	-	-	-	-	-
Measurement of available-for-sale financial assets	1.634	157	-	1.791	9.905
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**1.634**	**157**	**-**	**1.791**	**9.905**

14.2 - Deferred tax liabilities: breakdown					
	Ires	**Irap**	**Others**	**31/12/2012**	**31/12/2011**
Gains on sale of available-for-sale financial assets	89	350	-	439	6.537
Different calculation of depreciation of tangible assets	453	92	-	545	2.410
Different calculation of amortization of intangible assets	51	9	-	60	69
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	5	-	-	5	17
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	4	-	-	4	-
Capital gain on sale of company division	2	-	-	2	110
Writedowns of receivables	-	-	-	-	-
Goodwill	798	66	-	864	705
Other liabilities	3.198	216	-	3.414	1.434
Total deferred taxes (charged to income statement)	**4.600**	**733**	**-**	**5.333**	**11.282**
Measurement of available-for-sale financial assets	634	139	-	773	81
Valuation of tangible assets	-	-	-	-	315
Capital gain on sale of company division	-	-	-	-	-
Depreciation and valuation of buildings	747	150	-	897	576
Other liabilities	1.232	-	-	1.232	1.442
Total deferred taxes (charged to shareholders' equity)	**2.613**	**289**	**-**	**2.902**	**2.414**

It should be noted that the data are presented net of the assets of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the assets of the company were included in the item "Non-current assets and groups of assets held for sale").

14.2 of witch: attributable to the banking group					
	Ires	**Irap**	**Others**	**31/12/2012**	**31/12/2011**
Gains on sale of available-for-sale financial assets	89	350	-	439	445
Different calculation of depreciation of tangible assets	453	92	-	545	2.410
Different calculation of amortization of intangible assets	51	9	-	60	69
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	5	-	-	5	17
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	-	-	-	-	-
Capital gain on sale of company division	2	-	-	2	110
Writedowns of receivables	-	-	-	-	-
Goodwill	798	66	-	864	705
Other liabilities	1.368	216	-	1.584	1.434
Total deferred taxes (charged to income statement)	**2.766**	**733**	**-**	**3.499**	**5.190**
Measurement of available-for-sale financial assets	634	139	-	773	81
Valuation of tangible assets	-	-	-	-	315
Capital gain on sale of company division	-	-	-	-	-
Depreciation and valuation of buildings	747	150	-	897	576
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to shareholders' equity)	**1.381**	**289**	**-**	**1.670**	**972**

14.2 of witch: attributable to insurance companies					
	Ires	**Irap**	**Others**	**31/12/2012**	**31/12/2011**
Gains on sale of available-for-sale financial assets	-	-	-	-	6.092
Different calculation of depreciation of tangible assets	-	-	-	-	-
Different calculation of amortization of intangible assets	-	-	-	-	-
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	-	-	-	-	-
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	4	-	-	4	-
Capital gain on sale of company division	-	-	-	-	-
Writedowns of receivables	-	-	-	-	-
Goodwill	-	-	-	-	-
Other liabilities	1.830	-	-	1.830	-
Total deferred taxes (charged to income statement)	**1.834**	**-**	**-**	**1.834**	**6.092**
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	1.232	-	-	1.232	1.442
Total deferred taxes (charged to shareholders' equity)	**1.232**	**-**	**-**	**1.232**	**1.442**

14.3 Changes in deferred tax assets (charged to income statement)		
	31/12/2012	31/12/2011
1. Initial amount	**102.034**	**76.675**
2. Increases	**35.598**	**36.183**
2.1 Prepaid taxes recognised during the year	31.968	35.142
a) relating to previous years	840	176
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	31.128	34.966
2.2 New taxes or increases of tax rate	2	231
2.3 Other increases	3.628	810
- of which: business combinations	-	-
3. Decreases	**13.470**	**10.824**
3.1 Prepaid taxes cancelled during the year	12.046	10.298
a) reversals	9.359	3.496
b) writedowns for unrecoverable items	156	10
c) changes in accounting policies	-	-
d) others	2.531	6.792
3.2 Reductions in tax rates	-	-
3.3 Other changes	1.424	526
a) trasformation into tax credits of L. 214/2011	582	-
b) other	842	526
- of which: business combinations	-	-
4. Final amount	**124.162**	**102.034**

For the information required by Circular 262/2005 of the Bank of Italy, 1st update on 18 November 2009 for the portion of deferred tax assets arising from tax losses carried forward to subsequent years, see table 14.1 of this section of the state 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 owing to the effect of taxes previously classified in the item "Other assets".

14.3 Of which: attributable to the banking group	31/12/2012	31/12/2011
1. Initial amount	**101.045**	**76.131**
2. Increases	**35.555**	**35.691**
2.1 Prepaid taxes recognised during the year	31.926	35.057
a) relating to previous years	840	176
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	31.086	34.881
2.2 New taxes or increases of tax rate	2	231
2.3 Other increases	3.627	403
- of which: business combinations	-	-
3. Decreases	**12.967**	**10.777**
3.1 Prepaid taxes cancelled during the year	11.993	10.258
a) reversals	9.306	3.456
b) writedowns for unrecoverable items	156	10
c) changes in accounting policies	-	-
d) others	2.531	6.792
3.2 Reductions in tax rates	-	-
3.3 Other changes	974	519
a) trasformation into tax credits of L. 214/2011	582	-
b) other	392	519
- of which: business combinations	-	-
4. Final amount	**123.633**	**101.045**

14.3 Of which: attributable to insurance companies	31/12/2012	31/12/2011
1. Initial amount	**989**	**544**
2. Increases	**43**	**492**
2.1 Prepaid taxes recognised during the year	42	85
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
d) others	42	85
2.2 New taxes or increases of tax rate	-	-
2.3 Other increases	1	407
- of which: business combinations	-	-
3. Decreases	**503**	**47**
3.1 Prepaid taxes cancelled during the year	53	40
a) reversals	53	40
b) writedowns for unrecoverable items	-	-
c) changes in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other changes	450	7
a) trasformation into tax credits of L. 214/2011	-	-
b) other	450	7
- of which: business combinations	-	-
4. Final amount	**529**	**989**

14.3.1 Changes in prepaid tax pursuant to Italian Law no. 214/2011 (offsetting the IS)		
	31/12/2012	**31/12/2011**
1. Initial amount	**82.586**	**50.256**
2. Increases	**28.724**	**36.459**
3. Decreases	**7.291**	**4.129**
3.1 Reversals	1.201	963
3.2 Transformation into tax receivables	582	-
a) deriving from period losses	582	-
b) deriving from tax losses	-	-
3.3 Other changes	5.508	3.166
4. Final amount	**104.019**	**82.586**

Italian Law No. 225 of 2010, Art. 2, paragraphs from 55 to 56-bis, provided for the convertibility into tax credits of prepaid taxes recognised in the the financial statements against writedowns of loans and goodwill, in particular when the individual financial statements show a loss for the year. This convertibility introduced an additional and supplementary method of recovery, which is capable of ensuring the recovery of these types of prepaid taxes in every situation, irrespective of the future profitability of the company. This convertibility is therefore, in every case, a sufficient condition for the recognition and maintenance in the financial statements of these kinds of prepaid taxes. The above arrangement was also confirmed in the joint Bank of Italy, Consob and ISVAP Document No. 5 of 15 May 2012 (issued in the context of the Coordination Forum on Application of the IASs/IFRSs), in relation to the "Accounting Treatment of Deferred Tax Assets deriving from Italian Law 214/2011".

14.3.1 Of which: attributable to the banking group		
	31/12/2012	**31/12/2011**
1. Initial amount	**82.386**	**50.256**
2. Increases	**28.699**	**36.213**
3. Decreases	**7.277**	**4.083**
3.1 Reversals	1.201	963
3.2 Transformation into tax receivables	582	-
a) deriving from period losses	582	-
b) deriving from tax losses	-	-
3.3 Other changes	5.494	3.120
4. Final amount	**103.808**	**82.386**

14.3.1 Of which: attributable to insurance companies		
	31/12/2012	**31/12/2011**
1. Initial amount	**200**	**-**
2. Increases	**25**	**246**
3. Decreases	**14**	**46**
3.1 Reversals	-	-
3.2 Transformation into tax receivables	-	-
a) deriving from period losses	-	-
b) deriving from tax losses	-	-
3.3 Other changes	14	46
4. Final amount	**211**	**200**

14.4 Changes in deferred tax liabilities (charged to income statement)	31/12/2012	31/12/2011
1. Opening balance	**11.282**	**9.108**
2. Increases	**1.415**	**2.785**
2.1 Deferred taxes recognized during the year	1.337	2.627
a) relating to previous years	93	21
b) due to changes in accounting policies	-	-
c) others	1.244	2.606
2.2 New taxes or increases in tax rates	-	101
2.3 Other increases	78	57
3. Decreases	**7.364**	**611**
3.1 Deferred taxes cancelled during the year	2.747	395
a) reversals	1.142	392
b) due to changes in accounting policies	-	-
c) others	1.605	3
3.2 Reductions in tax rates	2	-
3.3 Other decreases	4.615	216
4. Final amount	**5.333**	**11.282**

The change in deferred taxes charged to the income statement does not correspond to that indicated in point 5 of table 18.1 of the Notes to the income statement owing to the effect of taxes previously classified in the item "Other liabilities".

14.4 of witch: attributable to the banking group	31/12/2012	31/12/2011
1. Opening balance	**5.190**	**3.977**
2. Increases	**1.410**	**1.824**
2.1 Deferred taxes recognized during the year	1.332	1.666
a) relating to previous years	93	21
b) due to changes in accounting policies	-	-
c) others	1.239	1.645
2.2 New taxes or increases in tax rates	-	101
2.3 Other increases	78	57
3. Decreases	**3.101**	**611**
3.1 Deferred taxes cancelled during the year	2.746	395
a) reversals	1.141	392
b) due to changes in accounting policies	-	-
c) others	1.605	3
3.2 Reductions in tax rates	2	-
3.3 Other decreases	353	216
4. Final amount	**3.499**	**5.190**

14.4 of witch: attributable to insurance companies		
	31/12/2012	**31/12/2011**
1. Opening balance	**6.092**	**5.131**
2. Increases	**5**	**961**
2.1 Deferred taxes recognized during the year	5	961
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	5	961
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**4.263**	**-**
3.1 Deferred taxes cancelled during the year	1	-
a) reversals	1	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	4.262	-
4. Final amount	**1.834**	**6.092**

14.5 Changes in deferred tax assets (charged to shareholders' equity)		
	31/12/2012	**31/12/2011**
1. Opening balance	**27.756**	**13.495**
2. Increases	**590**	**16.016**
2.1 Prepaid taxes recognized during the year	589	15.890
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	589	15.890
2.2 New taxes or increases in tax rates	1	126
2.3 Other increases	-	-
3. Decreases	**23.416**	**1.755**
3.1 Prepaid taxes cancelled during the year	14.727	1.267
a) reversals	2.926	1.155
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	11.801	112
3.2 Reductions in tax rates	-	-
3.3 Other decreases	8.689	488
4. Final amount	**4.930**	**27.756**

14.5 of witch: attributable to the banking group		
	31/12/2012	**31/12/2011**
1. Opening balance	**17.851**	**8.001**
2. Increases	**15**	**11.605**
2.1 Prepaid taxes recognized during the year	14	11.479
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	14	11.479
2.2 New taxes or increases in tax rates	1	126
2.3 Other increases	-	-
3. Decreases	**14.727**	**1.755**
3.1 Prepaid taxes cancelled during the year	14.727	1.267
a) reversals	2.926	1.155
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	11.801	112
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	488
4. Final amount	**3.139**	**17.851**

14.5 of witch: attributable to insurance companies		
	31/12/2012	**31/12/2011**
1. Opening balance	**9.905**	**5.494**
2. Increases	**575**	**4.411**
2.1 Prepaid taxes recognized during the year	575	4.411
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	575	4.411
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**8.689**	**-**
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	8.689	-
4. Final amount	**1.791**	**9.905**

14.6 Changes in deferred tax liabilities (charged to shareholders' equity)

	31/12/2012	31/12/2011
1. Opening balance	**2.414**	**1.215**
2. Increases	**737**	**1.470**
2.1 Deferred taxes recognized during the year	731	1.405
a) relating to previous years	-	61
b) due to changes in accounting policies	-	-
c) others	731	1.344
2.2 New taxes or increases in tax rates	6	51
2.3 Other increases	-	14
3. Decreases	**249**	**271**
3.1 Deferred taxes cancelled during the year	43	271
a) reversals	43	271
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	206	-
4. Final amount	**2.902**	**2.414**

14.6 of witch: attributable to the banking group

	31/12/2012	31/12/2011
1. Opening balance	**972**	**1.117**
2. Increases	**731**	**126**
2.1 Deferred taxes recognized during the year	725	61
a) relating to previous years	-	61
b) due to changes in accounting policies	-	-
c) others	725	-
2.2 New taxes or increases in tax rates	6	51
2.3 Other increases	-	14
3. Decreases	**33**	**271**
3.1 Deferred taxes cancelled during the year	33	271
a) reversals	33	271
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**1.670**	**972**

14.6 of witch: attributable to insurance companies		
	31/12/2012	**31/12/2011**
1. Opening balance	**1.442**	**98**
2. Increases	**6**	**1.344**
2.1 Deferred taxes recognized during the year	6	1.344
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	6	1.344
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**216**	**-**
3.1 Deferred taxes cancelled during the year	10	-
a) reversals	10	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	206	-
4. Final amount	**1.232**	**1.442**

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	31/12/2012	31/12/2011
A. Single asset		
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**-**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	11	-
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Financial assets available for sale	1	-
B.4 Financial assets held to maturity	35.695	-
B.5 Due from banks	35.241	-
B.6 Due from customers	21.484	-
B.7 Equity investments	-	-
B.8 Tangible assets	210	-
B.9 Intangible assets	144	-
B.10 Other assets	21.854	-
Total B	**114.640**	**-**
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	133.224	-
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	161	-
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Funds	2.575	-
D.7 Other liabilities	2.275	-
Total D	**138.235**	**-**

The assets and liabilities of Sella Bank AG have been classified as "Non-current assets and groups of assets held for sale and associated liabilities" as, at the end of 2012, the criteria for their inclusion in this category as established by IFRS 5 had been met.

More specifically, paragraph 7 of the aforementioned IFRS 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.

In this legislative framework the company's assets and liabilities were included among groups of assets held for sale (and associated liabilities) because on 29 November 2012 a sale contract for the entire equity interest in Sella Bank AG, a Swiss bank held by the Banca Sella Group and by Banque Martin Maurel was signed with Banca Privata Edmond de Rothschild Lugano SA., a leading listed Swiss bank, The operation was completed on 28 February 2013.

15.1 of witch: attributable to the banking group

	31/12/2012	31/12/2011
A. Single asset		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**-**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	11	-
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Financial assets available for sale	1	-
B.4 Financial assets held to maturity	35.695	-
B.5 Due from banks	35.241	-
B.6 Due from customers	21.484	-
B.7 Equity investments	-	-
B.8 Tangible assets	210	-
B.9 Intangible assets	144	-
B.10 Other assets	21.854	-
Total B	**114.640**	**-**
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	133.224	-
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	161	-
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Funds	2.575	-
D.7 Other liabilities	2.275	-
Total D	**138.235**	**-**

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown	31/12/2012	31/12/2011
Items receivable in transit	578	2.148
Forms in stock	221	649
Payment orders to sundry others being debited	12.283	21.740
Countervalues on securities and derivatives trading being settled	-	873
Current account cheques drawn against third parties	43.414	46.791
Current account cheques drawn against the bank	2.956	12.771
Commission advances	320	264
Advance taxes paid to tax office for third parties	139	142
Regional contributions on work training contracts	720	-
Guarantee deposit on own behalf	39	40
Fees, commissions and other income in the process of collection	23.318	33.961
Expenses for improvements to third-party property	2.880	4.823
Portfolio adjustments	6.548	-
Advances and accounts payable	8.765	4.060
Charges/invoices to be issued towards customers	7.215	1.856
Disputed items not deriving from lending transactions	7.189	8.132
Deferrals on administrative expenses and fees	6.771	5.222
Due from insured	32	18
Due from intermediaries	1.991	2.016
Due from reinsurance companies	652	716
Other tax recievables	36.294	46.564
Others	10.077	13.222
Total	**172.402**	**206.008**

Assets were recognised for provisional payments made in pending cases of tax litigation, for a total amount of approximately 7 million euro. This amount includes direct or indirect taxes with the related interest, collection fees and any fines.

These assets are kept recognised in keeping with the assessment of the probable favourable outcome of the related tax disputes - of which these payments for guarantee purposes constitute an accessory event - in accordance with the requirements provided for in particular by IAS 37 in the paragraphs relating to contingent liabilities.

16.1 of witch: attributable to the banking group		
	31/12/2012	**31/12/2011**
Items receivable in transit	578	2.148
Forms in stock	221	649
Payment orders to sundry others being debited	12.283	21.740
Current account cheques drawn against third parties	43.414	46.791
Current account cheques drawn against the bank	2.956	12.771
Commission advances	320	264
Regional contributions on work training contracts	720	-
Guarantee deposit on own behalf	39	40
Fees, commissions and other income in the process of collection	23.316	33.882
Expenses for improvements to third-party property	2.880	4.823
Portfolio adjustments	6.548	-
Advances and accounts payable	8.741	4.030
Charges/invoices to be issued towards customers	7.212	1.855
Disputed items not deriving from lending transactions	7.189	8.132
Deferrals on administrative expenses and fees	6.629	5.085
Due from insured	32	18
Due from intermediaries	1.671	1.610
Other tax recievables	36.294	46.564
Others	9.762	12.805
Total	**170.805**	**203.207**

16.1 of witch: attributable to insurance companies		
	31/12/2012	**31/12/2011**
Countervalues on securities trading being settled	-	873
Advance taxes paid to tax office for third parties	139	142
Fees, commissions and other income in the process of collection	2	79
Advances and accounts payable	24	30
Charges/invoices to be issued towards customers	3	1
Deferrals on administrative expenses and fees	142	137
Due from intermediaries	320	406
Due from reinsurance companies	652	716
Others	315	417
Total	**1.597**	**2.801**

» LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type

Type of transaction/Group components	31/12/2012	31/12/2011
1. Due to central banks	**554.474**	**350.273**
2. Due to banks	**245.860**	**196.694**
2.1 Current accounts and demand deposits	70.535	24.543
2.2 Term deposits	22.581	40.311
2.3. Loans and advances	151.327	131.336
2.3.1 financial leasing	-	-
2.3.2 others	151.327	131.336
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	1.417	504
Total	**800.334**	**546.967**
Fair value	**800.334**	**546.967**

It should be noted that the data are presented net of the liabilities of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the liabilities of the company was including in Item 90. “Liabilities associated with groups of assets held for sale”).

IAS 39 defines Fair Value as the “amount for which an asset could be exchanged, or a liability settled, between knowledgeable independent parties in an arm’s length transaction." In view of the characteristics of the payables the fair value coincides with the book value.

1.1 Of which: attributable to the banking group

Type of transaction/Group components	31/12/2012	31/12/2011
1. Due to central banks	**554.474**	**350.273**
2. Due to banks	**245.860**	**196.694**
2.1 Current accounts and demand deposits	70.535	24.543
2.2 Term deposits	22.581	40.311
2.3. Loans and advances	151.327	131.336
2.3.1 financial leasing	-	-
2.3.2 others	151.327	131.336
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	1.417	504
Total	**800.334**	**546.967**
Fair value	**800.334**	**546.967**

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type		
Type of transaction/Group components	**31/12/2012**	**31/12/2011**
1. Current accounts and demand deposits	6.780.777	6.935.824
2. Term deposits	977.189	581.098
3. Loans and advances	144.243	85.315
3.1 repurchase agreement	122.244	57.776
3.2 others	21.999	27.539
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	115.927	125.443
Total	**8.018.136**	**7.727.680**
Fair value	**8.018.136**	**7.727.680**

At 31 December 2012 the item presents a higher figure than in the previous year due mainly to an increase of almost 400 million euro in tied deposits, generated by the strong competition on returns on deposits which characterised 2012.

Data relating to amounts due to customers pertain to the banking group, with the exception of 4.653 thousand euro referring to insurance companies, shown among other payables.

It should be noted that the data are presented net of the liabilities of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the liabilities of the company was including in Item 90. "Liabilities associated with groups of assets held for sale").

IAS 39 defines Fair Value as the "amount for which an asset could be exchanged, or a liability settled, between knowledgeable independent parties in an arm's length transaction." In view of the characteristics of the payables the fair value coincides with the book value.

Section 3 - Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type								
Type of security/Amount	**Total 31/12/2012**				**Total 31/12/2011**			
	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	1.451.592	68.193	1.441.413	-	1.979.866	388.174	1.538.923	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1.451.592	68.193	1.441.413	-	1.979.866	388.174	1.538.923	-
2. Other securities	2.571	-	-	2.571	9.435	-	-	9.435
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	2.571	-	-	2.571	9.435	-	-	9.435
Total	**1.454.163**	**68.193**	**1.441.413**	**2.571**	**1.989.301**	**388.174**	**1.538.923**	**9.435**

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 stock of securities in issue was down because placings with customers and institutional investors were less than issues which matured during the year.

3.1 of witch: attributable to the banking group

Type of security/Amount	Total 31/12/2012				Total 31/12/2011			
	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	1.440.252	56.360	1.441.413	-	1.967.888	378.413	1.538.923	-
- convertible to shares	-	-	-	-	-	-	-	-
- reverse floater	-	-	-	-	-	-	-	-
- structured bonds: others	-	-	-	-	-	-	-	-
1.2 others	1.440.252	56.360	1.441.413	-	1.967.888	378.413	1.538.923	-
2. Other securities	2.571	-	-	2.571	9.435	-	-	9.435
2.1 structured	-	-	-	-	-	-	-	-
- convertible to shares	-	-	-	-	-	-	-	-
- reverse floater	-	-	-	-	-	-	-	-
- other structured securities: others	-	-	-	-	-	-	-	-
2.2 others	2.571	-	-	2.571	9.435	-	-	9.435
Total	**1.442.823**	**56.360**	**1.441.413**	**2.571**	**1.977.323**	**378.413**	**1.538.923**	**9.435**

3.1 of witch: attributable to insurance companies

Type of security/Amount	Total 31/12/2012				Total 31/12/2011			
	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	11.340	11.833	-	-	11.978	9.761	-	-
- convertible to shares	-	-	-	-	-	-	-	-
- reverse floater	-	-	-	-	-	-	-	-
- structured bonds: others	-	-	-	-	-	-	-	-
1.2 others	11.340	11.833	-	-	11.978	9.761	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
- convertible to shares	-	-	-	-	-	-	-	-
- reverse floater	-	-	-	-	-	-	-	-
- other structured securities: others	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	**11.340**	**11.833**	**-**	**-**	**11.978**	**9.761**	**-**	**-**

3.2 Details of Item 30 “Outstanding securities”: subordinated securities

	Total 31/12/2012	Total 31/12/2011
- subordinated securities	458.873	416.692
Total	**458.873**	**416.692**

The list of subordinated securities eligible for regulatory purposes is presented in Part F – Information on the capital in the present Notes to the Statements.

3.3 Detail of item 30 "Outstanding securities": securities subject to micro-hedging

	Total 31/12/2012	Total 31/12/2011
1. Securities subject to micro-hedging of fair value	**472.161**	**498.011**
a) interest rate risk	472.161	498.011
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	**472.161**	**498.011**

Section 4 - Financial liabilities held for trading - Item 40

Financial liabilities held for trading all pertain to the banks.

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Group components	31/12/2012					31/12/2011				
	VN	FV			FV*	VN	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	65.075	74.107	-	-	74.107	1.397	1.232	-	-	1.232
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	**65.075**	**74.107**	**-**	**-**	**74.107**	**1.397**	**1.232**	**-**	**-**	**1.232**
B. Derivative instruments										
1. Financial derivatives	X	210	23.169	-	X	X	-	42.985	-	X
1.1 Held for trading	X	210	23.169	-	X	X	-	42.953	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	-	-	X	X	-	32	-	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**	**210**	**23.169**	**-**	**X**	**X**	**-**	**42.985**	**-**	**X**
Total A+B	**X**	**74.317**	**23.169**	**-**	**X**	**X**	**1.232**	**42.985**	**-**	**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 74.107 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.

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	31/12/2012					31/12/2011				
	VN	FV			FV*	VN	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	**578.231**	**560.208**	**18.023**	**-**	**-**	**558.085**	**453.562**	**104.523**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Others	578.231	560.208	18.023	-	X	558.085	453.562	104.523	-	X
3. Outstanding securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Others	-	-	-	-	X	-	-	-	-	X
Total	**578.231**	**560.208**	**18.023**	**-**	**-**	**558.085**	**453.562**	**104.523**	**-**	**-**

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 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 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"

	31/12/2012			
	L1	L2	L3	Totale
"Natural hedgings"	-	-	-	-
Structured financial instruments	-	-	-	-
Portfolios of financial assets managed internally on a fair value basis	560.208	18.023	-	578.231
Total	**560.208**	**18.023**	**-**	**578.231**

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	**-**	**558.085**	**-**	**558.085**
B. Increases	**-**	**121.919**	**-**	**121.919**
B.1 Issues	-	82.826	-	82.826
B.2 Sales	-	-	-	-
B.3 Fair value increases	-	26.912	-	26.912
B.4 Other changes	-	12.181	-	12.181
C. Decreases	**-**	**101.773**	**-**	**101.773**
C.1 Purchases	-	-	-	-
C.2 Repayments	-	99.037	-	99.037
C.3 Fair value decreases	-	2.736	-	2.736
C.4 Other changes	-	-	-	-
D. Closing balance	**-**	**578.231**	**-**	**578.231**

The "Other increases" comprise premiums relating to specific funding agreements for assets classified as “investment” products.

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedging and by level	Fair value 31/12/2012			VN 31/12/2012	Fair value 31/12/2011			VN 31/12/2011
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**165.738**	**-**	**1.248.008**	**-**	**128.917**	**-**	**1.296.622**
1) Fair value	-	165.738	-	1.248.008	-	128.917	-	1.296.622
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**165.738**	**-**	**1.248.008**	**-**	**128.917**	**-**	**1.296.622**

Key:

VN = 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.

6.1 of witch attributable to the banking group								
	Fair value 31/12/2012			**VN 31/12/2012**	**Fair value 31/12/2011**			**VN 31/12/2011**
	L1	**L2**	**L3**		**L1**	**L2**	**L3**	
A. Financial derivatives	**-**	**165.738**	**-**	**1.248.008**	**-**	**128.917**	**-**	**1.296.622**
1) Fair value	-	165.738	-	1.248.008	-	128.917	-	1.296.622
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**165.738**	**-**	**1.248.008**	**-**	**128.917**	**-**	**1.296.622**

Key:

VN = Nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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	-	-	-	-	-	165.738	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**165.738**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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	-	-

6.2 of witch: attributable to the banking group

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	-	-	-	-	-	165.738	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**165.738**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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 - Liabilities associated to assets groups held for sale - Item 90

See section 14 of the assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	31/12/2012	31/12/2011
Items payable in transit	1.793	1.848
Taxes payable for third parties	24.013	24.281
Adjustments for non-cash portfolio items	91.535	18.432
Countervalues on securities and derivatives trading being settled	1.015	5.001
Cash available to customers	3.665	6.965
Bank transfers and other payments due	56.811	151.834
Accounts payable and fees payable to sundry third parties	53.879	56.567
Personnel expenses	23.836	21.764
Payables for guarantees and commitments	1.930	1.778
Fees payable to statutory auditors and directors	3.611	2.610
Contributions payable to sundry agencies	9.658	10.667
Deferrals	1.809	1.480
Advances and due to customers	255	709
Debts deriving from direct insurance operations	2.204	4.368
Debts deriving from reinsurance operations	391	466
Commissions for premiums being collected	23	29
Deferred Income Reserve	527	621
Others	13.742	9.348
Total	**290.697**	**318.768**

It should be noted that the data are presented net of the liabilities of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the liabilities of the company was including in Item 90. “Liabilities associated with groups of assets held for sale”).

10.1 of witch: attributable to the banking group

	31/12/2012	31/12/2011
Items payable in transit	1.793	1.848
Deposits recieved from third parties	23.178	23.865
Taxes payable for third parties	91.535	18.432
Adjustments for non-cash portfolio items	1.015	5.001
Countervalues on securities and derivatives trading being settled	3.665	6.965
Items being processed	56.811	151.834
Bank transfers and other payments due	52.888	55.400
Accounts payable and fees payable to sundry third parties	23.557	21.453
Matured costs to be recognised	1.930	1.778
Payables for guarantees and commitments	3.557	2.539
Fees payable to statutory auditors and directors	9.528	10.506
Contributions payable to sundry agencies	1.798	1.473
Special law contributions to be paied to customers	182	285
Cram in liquidation for liability action	2.125	4.047
Others	12.900	7.073
Total	**286.462**	**312.499**

10.1 of witch: attributable to insurance companies		
	31/12/2012	**31/12/2011**
Taxes payable for third parties	835	416
Accounts payable and fees payable to sundry third parties	991	1.167
Personnel expenses	279	311
Fees payable to statutory auditors and directors	54	71
Contributions payable to sundry agencies	130	161
Deferrals	11	7
Advances and due to customers	73	424
Debts deriving from direct insurance operations	79	321
Debts deriving from reinsurance operations	391	466
Commissions for premiums being collected	23	29
Deferred Income Reserve	527	621
Others	842	2.275
Total	**4.235**	**6.269**

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes		
	31/12/2012	**31/12/2011**
A. Opening balance	**35.850**	**35.980**
B. Increases	**7.208**	**2.793**
B.1 Provision of the year	910	963
B.2 Other changes	6.298	1.830
C. Decreases	**2.115**	**2.923**
C.1 Liquidations paid	1.672	1.935
C.2 Other changes	443	988
D. Closing balance	**40.943**	**35.850**

Within other increases were inserted the actuarial effects relative to the valuation reserves for actuarial profit (losses) for defined benefit plans in the amount of 6.010 thousand euro.

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. The technical bases of the actuarial model were prepared by the undersigned observing the Group's experience in relation to the period 01.07.2009 – 30.06.2011 and with reference to the demographic and financial variables described in the following paragraphs. The results of the analyses were discussed with the company's management in order to eliminate any distortions from a statistical point of view.
As agreed with the Parent Company, the assumption thus constructed, which are presented below, were adopted for all the Group companies being assessed.

Demographic assumptions

- mortality/disability: in addition to the historical series observed, the 2009 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. The actuarial valuations considered the new start dates for the pension arrangements provided for in Italian Law Decree No. 201 of 6 December 2011, containing “Urgent measures for

growth, fairness and consolidation of the public accounts", and the rules on adjusting the requirements for access to the pension system to the increases in life expectancy under the terms of Article 12 of Italian Law Decree No. 78 of 31 May 2010, n. 78, converted, with amendments, by Law No 122 of 30 July 2010, severance indemnity advances: in order to take account of the effects of these advances on the timing of disbursements of severance indemnity payments, and, therefore, on the discounting of the company's payable, the probability of the disbursement of a part of the accrued amounts was calculated. The annual advance frequency, deduced by observing corporate data, was set at 3,1%, while the severance indemnity percentage requested in advance was assumed at 70%, that is the maximum percentage provided for in the current legislation;

- complementary pensions: those who have always paid all their severance indemnity contributions to supplementary pension funds relieve the Company from paying severance indemnities and, therefore, were not assessed. As regards other employees, instead, the valuations were carried out considering the choices made by employees updated to 31.12.2012 (at 30.11.2012 for the company Brosel S.p.A.).

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 inflationary scenarios) and, above all, the discounting of the Company's estimated payable 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 valuation:

1. inflation: with reference to the first assumption, the inflationary scenario was deduced from the document "Update Note on the 2012 Economy and Finance Document" adopting a rate equal to planned inflation of 1,5%;

2. salary rises: with reference to salary increases, 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, we adopted an annual increase rate of zero.

– With reference to the second component mentioned, we considered inflation levels as per point 1 above; It should be noted that the assumption relating to salary trends was adopted only for the Group companies that are not obliged to deposit the severance indemnity contributions into the Treasury Fund managed by the INPS, because only for them the actuarial valuation of severance indemnities continues to consider annual units of future severance indemnities accrued by employees (and not paid in to the pension funds).

3. discount rates: pursuant to IAS 19, the discount rate adopted was determined by making reference to the market performance of bonds of leading companies at the measurement date. In this connection, the AA Composite rate curve was used (source: Bloomberg) as at 30 November 2012 for the Company Brosel S.p.A. and as at 31 December 2012 for all the other Companies in the Group.

11.1 of witch: attributable to the banking group

	31/12/2012	31/12/2011
A. Opening balance	**35.184**	**35.243**
B. Increases	**6.948**	**2.729**
B.1 Provision of the year	843	899
B.2 Other changes	6.105	1.830
C. Decreases	**1.932**	**2.788**
C.1 Liquidations paid	1.489	1.800
C.2 Other changes	443	988
D. Closing balance	**40.200**	**35.184**

11.1 of witch attributable to insurance companies		
	31/12/2012	**31/12/2011**
A. Opening balance	**666**	**737**
B. Increases	**260**	**78**
B.1 Provision of the year	67	64
B.2 Other changes	193	14
C. Decreases	**183**	**149**
C.1 Liquidations paid	183	135
C.2 Other changes	-	14
D. Closing balance	**743**	**666**

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown		
Item/Component	**31/12/2012**	**31/12/2011**
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	44.343	43.752
2.1 Legal disputes and customers complaint	12.149	14.350
2.2 Operational risks	24.302	22.546
2.3 Personnel charges	2.157	1.557
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	3.203	2.678
2.5 Others	2.532	2.621
Total	**44.343**	**43.752**

The item “Legal disputes” consists mainly of estimates of liabilities likely for bankruptcy revocatory actions, lawsuits against the company and customers claims.

“Provisions for operational risks” include the amounts set aside for disputes relating to Miret S.A. (up to 2010 Sella Bank Luxembourg S.A.) involving employee disloyalty. For more information on the provisions and their use, please refer to the contents of the chapter devoted to Miret in the Report on Operations.

A list is provided below of the most significant contingent liabilities - deriving from disputes and litigation of a fiscal nature - which the Group has assessed as possible but not probable and with reference to which, therefore, no provisions have been set aside:

- Banca Sella Holding: payment demands with allegations relating to the methods of applying stamp duty on the daily transactions book. Periods from 2003 to 2005. Total disputed amount (including taxes, interest, fines and collection fees): approximately 5,8 million euro. Amounts paid provisionally while judgement is pending: approximately 5,8 million euro. Awaiting judgement of 1st instance. Two judgements of 2nd instance have been issued in favour of other banks regarding similar disputes. The assessment was supported also by favourable opinions on the Bank's conduct, expressed each time by a leading tax law office, also on the basis of the wording of Resolution No. 371/E of 2008 of the Tax Agency, and by the Italian Banking Association. It should be noted finally that the clarification provided by the Tax Agency with Resolution No. 161/E of 2007 could, in the unfortunate case of rejection of the main argument pt forward by the Bank, reduce very considerably the amount of the tax demand;
- Banca Sella Holding: assessment notices with allegations on the subject of taxable base for IRPEG (corporation tax) and IRAP (regional business tax). Period 1999. Total disputed

amount (including taxes, interest and fines): approximately 1,2 million euro. Amounts paid provisionally while judgement is pending: approximately 0,3 million euro. Awaiting judgement of 1st instance. The assessment was supported also by an opinion expressed by a leading tax law office, favourable to the Bank's conduct;

- Banca Sella Holding: inspection report with allegations on the subject of taxable base for VAT, IRES (corporation tax) and IRAP (regional business tax). Periods 2009 and [only for VAT] 2010. Total amount of the disputed taxes: approximately 0,9 million euro. The assessment was supported also by a written opinion given by a leading tax law office, favourable to the Bank's conduct;
- Banca Sella (former Banca Arditi Galati merged by incorporation): assessment notice with allegations on the subject of taxable base for IRES (corporation tax). Period 2005. Total disputed amount (including taxes, interest and fines): approximately 0,7 million euro. Amounts paid provisionally while judgement is pending: approximately 0,2 million euro. Judgement of 1st instance favourable Awaiting judgement of 2nd instance.
- Banca Sella: inspection report with allegations on the subject of taxable base for IRES (corporation tax) and IRAP (regional business tax). Period 2009. Total amount of the disputed taxes: approximately 1,3 million euro. The assessment was supported also by a written opinion given by a leading tax law office, favourable to the Bank's conduct;
- Biella Leasing: assessment notices with allegations on the subject of taxable base for VAT. Periods 2003 and 2004. Total disputed amount (including taxes, interest and fines): approximately 2,9 million euro. Amounts paid provisionally while judgement is pending: approximately 0,6 million euro. Judgement of 1st instance favourable with reference to 2004. Awaiting judgement of 1st instance with reference to 2003. A judgement of 2nd instance has been issued in favour of another leasing company regarding a similar dispute. The assessment was supported also by an opinion expressed by a leading tax law office, favourable to the company's conduct.

It should be noted that the data are presented net of the liabilities of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the liabilities of the company was including in Item 90. “Liabilities associated with groups of assets held for sale”).

12.1 of witch: attributable to the banking group

Item/Component	31/12/2012	31/12/2011
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	43.946	43.654
2.1 Legal disputes and customers complaint	11.890	14.350
2.2 Operational risks	24.268	22.512
2.3 Personnel charges	2.157	1.557
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	3.203	2.678
2.5 Others	2.428	2.557
Total	**43.946**	**43.654**

12.1 of witch: attributable to insurance companies		
Item/Component	**31/12/2012**	**31/12/2011**
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	397	98
2.1 Legal disputes and customers complaint	259	-
2.2 Operational risks	34	34
2.3 Personnel charges	-	-
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	-	-
2.5 Others	104	64
Total	**397**	**98**

12.2 Provisions for risks and charges: annual changes						
	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	**-**	**14.350**	**22.546**	**1.557**	**2.678**	**2.621**
B. Increases	**-**	**4.992**	**3.602**	**2.053**	**698**	**3.573**
B.1 Provisions for the year	-	4.016	2.610	122	698	3.573
B.2 Changes due to passing of time	-	123	366	1	-	-
B.3 Changes due to fluctuations in discount rate	-	89	626	1	-	-
B.4 Other changes	-	764	-	1.929	-	-
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	3	-	5	-	-
- other changes (+)	-	761	-	1.924	-	-
C. Decreases	**-**	**7.193**	**1.846**	**1.453**	**173**	**3.662**
C.1 Utilization in the period	-	5.099	565	835	38	1.983
C.2 Changes due to fluctuations in discount rate	-	1	2	-	-	-
C.3 Other changes	-	2.093	1.279	618	135	1.679
- business combinations (-)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	2.093	1.279	618	135	1.679
D. Closing balance	**-**	**12.149**	**24.302**	**2.157**	**3.203**	**2.532**

It should be noted that the data are presented net of the liabilities of Sella Bank AG, which was sold on 28 February 2013, (as a consequence the liabilities of the company was including in Item 90. "Liabilities associated with groups of assets held for sale").

12.2 of witch: attributable to the banking group

	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	**-**	**14.350**	**22.512**	**1.557**	**2.678**	**2.557**
B. Increases	**-**	**4.733**	**3.602**	**2.053**	**698**	**3.471**
B.1 Provisions for the year	-	3.757	2.610	122	698	3.471
B.2 Changes due to passing of time	-	123	366	1	-	-
B.3 Changes due to fluctuations in discount rate	-	89	626	1	-	-
B.4 Other changes	-	764	-	1.929	-	-
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	3	-	5	-	-
- other changes (+)	-	761	-	1.924	-	-
C. Decreases	**-**	**7.193**	**1.846**	**1.453**	**173**	**3.600**
C.1 Utilization in the period	-	5.099	565	835	38	1.921
C.2 Changes due to fluctuations in discount rate	-	1	2	-	-	-
C.3 Other changes	-	2.093	1.279	618	135	1.679
- business combinations (-)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	2.093	1.279	618	135	1.679
D. Closing balance	**-**	**11.890**	**24.268**	**2.157**	**3.203**	**2.428**

12.2. of witch: attributable to insurance companies	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	**-**	**-**	**34**	**-**	**-**	**64**
B. Increases	**-**	**259**	**-**	**-**	**-**	**102**
B.1 Provisions for the year	-	259	-	-	-	102
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	**-**	**-**	**-**	**-**	**-**	**62**
C.1 Utilization in the period	-	-	-	-	-	62
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-	-
C.3 Other changes	-	-	-	-	-	-
- business combinations (-)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	-	-	-	-	-
D. Closing balance	**-**	**259**	**34**	**-**	**-**	**104**

Section 13 - Technical reserves - Item 130

13.1 Technical reserves: breakdown	Direct work	Indirect work	Total 31/12/2012	Total 31/12/2011
A. Non-life	**1.077**	**-**	**1.077**	**1.203**
A.1 Premium reserves	391	-	391	413
A.2 Claims reserves	202	-	202	296
A.3 Other reserves	484	-	484	494
B. Life business	**571.788**	**-**	**571.788**	**685.003**
B.1 Actuarial reserves	552.425	-	552.425	675.499
B.2 Outstanding claims reserves	10.658	-	10.658	7.869
B.3 Other reserves	8.705	-	8.705	1.635
C. Technical reserves where the investment risk is borne by the policyholders	**117.707**	**-**	**117.707**	**122.439**
C. 1 Reserves relating to investment fund and index-linked contracts	117.707	-	117.707	122.439
C.2 Reserves deriving from the administration of pension funds	-	-	-	-
D. Total technical reserves	**690.572**	**-**	**690.572**	**808.645**

13.2 Technical reserves: annual variations	Total 31/12/2011	Change	Total 31/12/2012
A. Non-life	**1.203**	**(126)**	**1.077**
A.1 Premium reserves	413	(22)	391
Premium portion reserve	413	(22)	391
Current risks reserve	-	-	-
A.2 Claims reserves	296	(94)	202
Compensations and direct expenses reserve	203	(94)	109
Settlment costs reserve	-	-	-
Incurred and unreported losses reserve	93	-	93
A.3 Other reserves	494	(10)	484
B. Life business	**685.003**	**(113.215)**	**571.788**
B.1 Actuarial reserves	675.499	(123.074)	552.425
B.2 Outstanding claims reserves	7.869	2.789	10.658
B.3 Other reserves	1.635	7.070	8.705
C. Technical reserves where the investment risk is borne by the policyholders	**122.439**	**(4.732)**	**117.707**
C. 1 Reserves relating to investment fund and index-linked contracts	122.439	(4.732)	117.707
C.2 Reserves deriving from the administration of pension funds	-	-	-
D. Total technical reserves	**808.645**	**(118.073)**	**690.572**

Section 15 - Consolidated capital - Items 140, 160, 170, 180, 190, 200 and 220

Consolidated capital: breakdown	31/12/2012	31/12/2011
Share capital	104.988	100.500
Share premiums	90.075	49.414
Reserves	426.394	421.281
Valuation reserves	4.582	(34.949)
Profit/(loss) for the year	20.967	15.692
Total	**647.006**	**551.938**

15.1 "Capital" and "Treasury shares": breakdown	31/12/2012			31/12/2011		
	Shares issued	Shares subscribed and not yet paid up	Total	Shares issued	Shares subscribed and not yet paid up	Total
A. Capital	**104.988**	**-**	**104.988**	**100.500**	**-**	**100.500**
A.1 ordinary shares	104.988	-	104.988	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	8.976.000	-
B.1 New issues	8.976.000	-
- for payment	8.976.000	-
- business combinations	-	-
- conversion of bonds	-	-
- exercize of warrants	-	-
- others	8.976.000	-
- 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	**209.976.000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Total shares at end of period	209.976.000	-
- fully paid up	209.976.000	-
- not fully paid up	-	-

15.3 Capital: further information		
	31/12/2012	**31/12/2011**
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		
	31/12/2012	**31/12/2011**
Legal reserve	28.759	28.759
Statutory reserves	71.765	72.387
Other	325.870	320.757
Total reserves	**426.394**	**421.281**

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		
	31/12/2012	31/12/2011
Share capital	40.390	54.931
Share premiums	42.183	49.315
Reserves	9.401	21.724
Valuation reserves	507	(2.912)
Profit/(loss) for the year pertaining to minority interest	1.737	1.588
Total	**94.218**	**124.646**

Other information

1. Guarantees issued and commitments		
Transactions	Balance 31/12/2012	Balance 31/12/2011
1) Financial guarantees issued	**76.276**	**91.129**
a) banks	18.530	20.963
b) customers	57.746	70.166
2) Commercial guarantees issued	**247.754**	**239.540**
a) banks	63	63
b) customers	247.691	239.477
3) Irrevocable commitments to disburse funds	**478.100**	**591.556**
a) banks	93.443	111.195
i) certain to be drawn down	93.443	111.195
ii) not certain to be drawn down	-	-
b) customers	384.657	480.361
i) certain to be drawn down	60.992	62.810
ii) not certain to be drawn down	323.665	417.551
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**30.607**	**46.931**
6) Other commitments	**76.954**	**78.445**
Total	**909.691**	**1.047.601**

2. Assets pledged against own liabilities and commitments		
Portfolios	Balance 31/12/2012	Balance 31/12/2011
1. Financial assets held for trading	345.602	205.268
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	228.326	405.537
4. Financial assets held to maturity	111.770	88.831
5. Due from banks	9.755	15.996
6. Due from customers	12.831	1.999
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 31/12/2012	Balance 31/12/2011
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	624.827	661.818
1. Shares and holdings	303.115	262.000
2. Bonds and other fixed-income securities	314.636	392.710
3. Deposits with credit institutions	-	-
4. Miscellaneous financial investments	7.076	7.108
V. Other assets	-	-
VI. Cash	64.770	45.285
Total	**689.597**	**707.103**

5. Management and intermediation on third parties behalf		
Type of service	**Balance 31/12/2012**	**Balance 31/12/2011**
1. Order execution on customers' behalf	***109.734.011***	***77.115.051***
a) Purchases	55.234.437	38.554.584
1. settled	55.152.610	38.503.299
2. not settled	81.827	51.285
b) Sales	54.499.574	38.560.467
1. settled	54.430.611	38.498.639
2. not settled	68.963	61.828
2. Portfolio management	***2.795.558***	***2.998.503***
a) Individual	2.681.357	2.865.675
b) Collective	114.201	132.828
3. Custody and administration of securities	***35.756.514***	***35.462.199***
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	-	-
1. securities issued by companies included within consolidation	-	-
2. other securities	-	-
b) other third-party securities on deposit (excluding asset management): others	12.293.649	12.033.829
1. securities issued by companies included within consolidation	1.008.067	1.217.938
2. other securities	11.285.582	10.815.891
c) third-party securities deposited with third parties	16.716.194	16.554.230
c) own securities deposited with third parties	6.746.671	6.874.140
4. Other transactions *	***116.866.511***	***140.971.234***

* The item "Other transactions" includes the volume of work of receiving and sending orders, which is divided as follows:

- purchases: 59.260.349
- sales: 57.606.162

The following chart displays the breakdown of Gruppo Banca Sella's indirect deposit:

Detail of indirect deposit item		
	31/12/2012	**31/12/2011**
a) Indirect deposit referred to management and intermediation on third parties behalf activity (as shown in previous chart)	14.081.140	13.814.394
- Portfolio management	2.795.558	2.998.503
- Custody and administration of securities:		
- Third-party securities on deposit: connected with role of depositary bank (excluding asset management) - other securities	-	-
- Other third-party securities on deposit (excluding asset management): others - other securities	11.285.582	10.815.891
b) Indirect deposit elated to income from insurance activities	607.771	686.186
Total indirect deposit	**14.688.911**	**14.500.580**

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 31/12/2012	Total 31/12/2011
1. Financial assets held for trading	11.687	-	1.500	13.187	18.266
2. Financial assets at fair value through profit or loss	7.205	-	2.941	10.146	9.153
3. Financial assets available for sale	34.946	-	-	34.946	34.032
4. Financial assets held to maturity	35.279	-	-	35.279	15.160
5. Due from banks	1.150	1.953	272	3.375	4.636
6. Due from customers	47	373.965	252	374.264	372.762
7. Hedging derivatives	X	X	7.863	7.863	20.963
8. Other assets	X	X	243	243	245
Total	**90.314**	**375.918**	**13.071**	**479.303**	**475.217**

Further details on interest income accrued on non-performing loans, watchlist loans, past-due exposures and restructured exposures are reported below:

Interest and similar income accrued on impaired assets

	31/12/2012
- accrued on non performing loans	362
- accrued on watchlist loans	11.687
- accrued on past due exposures	3.686
'- accrued on restructured exposures	502

1.1 of witch: attributable to the banking group

Item/Technical type	Debt securities	Loans and advances	Other operations	Total 31/12/2012	Total 31/12/2011
1. Financial assets held for trading	11.687	-	1.500	13.187	18.252
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Financial assets available for sale	24.872	-	-	24.872	18.697
4. Financial assets held to maturity	27.327	-	-	27.327	10.168
5. Due from banks	420	1.948	272	2.640	3.823
6. Due from customers	47	373.965	252	374.264	372.762
7. Hedging derivatives	X	X	7.863	7.863	20.963
8. Other assets	X	X	243	243	245
Total	**64.353**	**375.913**	**10.130**	**450.396**	**444.910**

1.1 of witch: attributable to insurance companies

Item/Technical type	Debt securities	Loans and advances	Other operations	Total 31/12/2012	Total 31/12/2011
1. Financial assets held for trading	-	-	-	-	14
2. Financial assets at fair value through profit or loss	7.205	-	2.941	10.146	9.153
3. Financial assets available for sale	10.074	-	-	10.074	15.335
4. Financial assets held to maturity	7.952	-	-	7.952	4.992
5. Due from banks	730	5	-	735	813
6. Due from customers	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
Total	**25.961**	**5**	**2.941**	**28.907**	**30.307**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies

	Total 31/12/2012	Total 31/12/2011
- on assets in foreign currencies	5.004	4.666

1.3.2 Interest income on financial leasing operations

	Total 31/12/2012	Total 31/12/2011
- on financial leasing operations	42.795	46.492

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2012	Total 31/12/2011
1. Due to central banks	4.474	X	-	4.474	273
2. Due to banks	4.354	X	-	4.354	5.207
3. Due to customers	79.803	X	-	79.803	57.228
4. Outstanding securities	X	38.189	-	38.189	47.224
5. Financial liabilities held for trading	-	749	1.256	2.005	3.000
6. Financial liabilities at fair value through profit or loss	8	-	-	8	133
7. Other liabilities and funds	X	X	388	388	354
8. Hedging derivatives	X	X	37.610	37.610	53.928
Total	**88.639**	**38.938**	**39.254**	**166.831**	**167.347**

1.4 of witch: attributable to the banking group	Debts	Securities	Other operations	Total 31/12/2012	Total 31/12/2011
1. Due to central banks	4.474	X	-	4.474	273
2. Due to banks	4.354	X	-	4.354	5.207
3. Due to customers	79.803	X	-	79.803	57.228
4. Outstanding securities	X	37.685	-	37.685	46.565
5. Financial liabilities held for trading	-	749	1.256	2.005	3.000
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	64	64	98
8. Hedging derivatives	X	X	37.610	37.610	53.928
Total	**88.631**	**38.434**	**38.930**	**165.995**	**166.299**

1.4 of witch: attributable to insurance companies	Debts	Securities	Other operations	Total 31/12/2012	Total 31/12/2011
1. Due to central banks	-	X	-	-	-
2. Due to banks	-	X	-	-	-
3. Due to customers	-	X	-	-	-
4. Outstanding securities	X	504	-	504	659
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	8	-	-	8	133
7. Other liabilities and funds	X	X	324	324	256
8. Hedging derivatives	X	X	-	-	-
Total	**8**	**504**	**324**	**836**	**1.048**

1.5 Interest and similar expense: differences on hedging transactions

Item/Segment	Total 31/12/2012	Total 31/12/2011
A. Positive differences on hedging transactions	7.863	20.963
B. Negative differences on hedging transactions	37.610	53.928
Balance (A-B)	**(29.747)**	**(32.965)**

1.5.1 attributable to the banking group

Item/Segment	Total 31/12/2012	Total 31/12/2011
A. Positive differences on hedging transactions	7.863	20.963
B. Negative differences on hedging transactions	37.610	53.928
Balance (A-B)	**(29.747)**	**(32.965)**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies

	Total 31/12/2012	Total 31/12/2011
- on liabilities in foreign currencies	3.709	3.323

Section 2 - Fees - Items 40 and 50

2.1 Fee income: breakdown		
Type of service/Amount	**Total 31/12/2012**	**Total 31/12/2011**
a) Sureties issued	3.240	3.279
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	112.117	115.703
1. Financial instruments trading	1.317	2.171
2. Currency trading	1.298	1.386
3. Portfolio management	43.513	43.170
3.1. individual	23.928	24.869
3.2. collective	19.585	18.301
4. Custody and administration of securities	1.450	2.450
5. Depositary bank	-	-
6. Placement of securities	18.623	14.014
7. Order reception and transmission activities	32.807	35.232
8. Consultancy activities	705	554
8.1 about investments matters	335	338
8.2 about financial structure matters	370	216
9. Distribution of third party services	12.404	16.726
9.1. Portfolio management	176	229
9.1.1. individual	176	229
9.1.2. collective	-	-
9.2. Insurance products	12.213	16.021
9.3. Other products	15	476
d) Collection and payment services	106.467	105.222
e) Servicing for securitization transactions	2	2
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	23.670	24.566
j) Other services	58.379	59.957
Total	**303.875**	**308.729**

Further detail on the "other services" item is provided below:

Fee income: details on the item "Other services"		
	31/12/2012	**31/12/2011**
Credit and debit cards	10.271	8.499
Expense recovery on loans to customers	1.122	1.297
Fees and commissions on relations with credit institutions	450	135
Safe-deposit box lease	188	178
Recovery of postal, printing and similar expenses.	3.436	3.915
Fees on loans to customers	21.415	32.924
Others	21.497	13.009
Total "Other services"	**58.379**	**59.957**

2.1 of witch: attributable to the banking group

Type of service/Amount	Total 31/12/2012	Total 31/12/2011
a) Sureties issued	3.240	3.279
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	110.822	114.415
1. Financial instruments trading	1.317	2.171
2. Currency trading	1.298	1.386
3. Portfolio management	42.218	41.882
3.1. individual	23.928	24.869
3.2. collective	18.290	17.013
4. Custody and administration of securities	1.450	2.450
5. Depositary bank	-	-
6. Placement of securities	18.623	14.014
7. Order reception and transmission activities	32.807	35.232
8. Consultancy activities	705	554
8.1 about investments matters	335	338
8.2 about financial structure matters	370	216
9. Distribution of third party services	12.404	16.726
9.1. Portfolio management	176	229
9.1.1. individual	176	229
9.1.2. collective	-	-
9.2. Insurance products	12.213	16.021
9.3. Other products	15	476
d) Collection and payment services	106.467	105.222
e) Servicing for securitization transactions	2	2
i) Current accounts holding and management	23.670	24.566
j) Other services	58.123	59.374
Credit and debit cards	10.271	8.499
Expense recovery on loans to customers	1.122	1.297
Fees and commissions on relations with credit institutions	450	135
Safe-deposit box lease	188	178
Recovery of postal, printing and similar expenses.	3.436	3.915
Fees on loans to customers	21.415	32.924
Others	21.241	12.426
Total	**302.324**	**306.858**

2.1 of witch: attributable to insurance companies		
Type of service/Amount	**Total 31/12/2012**	**Total 31/12/2011**
c) Asset management, brokerage and advisory services:	1.295	1.288
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Portfolio management	1.295	1.288
3.1. individual	-	-
3.2. collective	1.295	1.288
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	256	583
Total	**1.551**	**1.871**

2.2 Fee expense: breakdown		
Service/Amount	**Total 31/12/2012**	**Total 31/12/2011**
a) Sureties received	3.009	213
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	32.761	31.279
1. Financial instruments trading	4.131	4.597
2. Currency trading	2	3
3. Portfolio management	619	642
3.1. own	73	57
3.2. delegated to third parties	546	585
4. Custody and administration of securities	844	1.103
5. Placement of fnancial instruments	1.202	1.435
6. Door-to-door sale of securities, products and services	25.963	23.499
d) Collection and payment services	53.910	50.771
e) Other services	3.831	3.301
Total	**93.511**	**85.564**

Further detail on the "other services" item is provided below:

Fee expense: details on the item "Other services"		
	31/12/2012	**31/12/2011**
Connections with banks	410	557
Loans	854	979
Brokerage activity	1.431	1.356
Others	1.136	409
Total "Other services"	**3.831**	**3.301**

2.2 of witch: attributable to the banking group		
Service/Amount	**Total 31/12/2012**	**Total 31/12/2011**
a) Sureties received	3.009	213
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	32.357	30.887
1. Financial instruments trading	4.131	4.597
2. Currency trading	2	3
3. Portfolio management	215	250
3.1. own	2	5
3.2. delegated to third parties	213	245
4. Custody and administration of securities	844	1.103
5. Placement of fnancial instruments	1.202	1.435
6. Door-to-door sale of securities, products and services	25.963	23.499
d) Collection and payment services	53.902	50.768
e) Other services	3.829	3.294
Total	**93.097**	**85.162**

2.2 of witch: attributable to insurance companies		
Service/Amount	**Total 31/12/2012**	**Total 31/12/2011**
a) Sureties received	-	-
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	404	392
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Portfolio management	404	392
3.1. own	71	52
3.2. delegated to third parties	333	340
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	8	3
e) Other services	2	7
Total	**414**	**402**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown				
Item/Income	**Total 31/12/2012**		**Total 31/12/2011**	
	Dividends	**Income from UCITS units**	**Dividends**	**Income from UCITS units**
A. Financial assets held for trading	570	-	1.812	87
B. Financial assets available for sale	899	-	903	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**1.469**	**-**	**2.715**	**87**

3.1 of witch: attributable to the banking group				
Item/Income	**Total 31/12/2012**		**Total 31/12/2011**	
	Dividends	**Income from UCITS units**	**Dividends**	**Income from UCITS units**
A. Financial assets held for trading	550	-	1.812	-
B. Financial assets available for sale	899	-	903	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**1.449**	**-**	**2.715**	**-**

3.1 of witch: attributable to insurance companies				
Item/Income	Total 31/12/2012		Total 31/12/2011	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	20	-	-	87
B. Financial assets available for sale	-	-	-	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**20**	**-**	**-**	**87**

Section 4 - Net 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	**7.538**	**44.006**	**618**	**9.758**	**41.168**
1.1 Debt securities	6.951	42.047	296	8.404	40.298
1.2 Equity securities	66	1.438	5	1.342	157
1.3 UCITS units	521	503	317	12	695
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	18	-	-	18
2. Financial liabilities held for trading	**-**	**32**	**2.597**	**90**	**(2.655)**
2.1 Debt securities	-	-	2.597	-	(2.597)
2.2 Debts	-	32	-	90	(58)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**4.047**
4. Derivative instruments	**18.418**	**43.254**	**17.343**	**47.259**	**(1.358)**
4.1 Financial derivatives:	18.418	43.254	17.343	47.259	(1.358)
- On debt securities and interest rates	18.398	31.310	17.343	35.548	(3.183)
- On equity securities and share indices	20	11.919	-	11.711	228
- On currencies and gold	X	X	X	X	1.572
- Others	-	25	-	-	25
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**25.956**	**87.292**	**20.558**	**57.107**	**41.202**

4.1 of witch: 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	**7.503**	**44.006**	**614**	**9.758**	**41.137**
1.1 Debt securities	6.951	42.047	296	8.404	40.298
1.2 Equity securities	31	1.438	1	1.342	126
1.3 UCITS units	521	503	317	12	695
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	18	-	-	18
2. Financial liabilities held for trading	**-**	**32**	**2.597**	**90**	**(2.655)**
2.1 Debt securities	-	-	2.597	-	(2.597)
2.2 Debts	-	32	-	90	(58)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**4.047**
4. Derivative instruments	**18.418**	**43.215**	**16.783**	**46.187**	**235**
4.1 Financial derivatives:	18.418	43.215	16.783	46.187	235
- On debt securities and interest rates	18.398	31.271	16.783	34.476	(1.590)
- On equity securities and share indices	20	11.919	-	11.711	228
- On currencies and gold	X	X	X	X	1.572
- Others	-	25	-	-	25
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**25.921**	**87.253**	**19.994**	**56.035**	**42.764**

4.1 of witch: 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	**35**	**-**	**4**	**-**	**31**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	35	-	4	-	31
1.3 UCITS units	-	-	-	-	-
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	**-**	**39**	**560**	**1.072**	**(1.593)**
4.1 Financial derivatives:	-	39	560	1.072	(1.593)
- On debt securities and interest rates	-	39	560	1.072	(1.593)
- On equity securities and share indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**35**	**39**	**564**	**1.072**	**(1.562)**

Section 5 - Net gains/(losses) on hedging activities - Item 90

5.1 Net gains/(losses) on hedging activities: breakdown

Income component/Amount	Total 31/12/2012	Total 31/12/2011
A. Income from:		
A.1 Fair value hedging derivatives	11.657	52.136
A.2 Hedged financial assets (fair value)	35.184	42.850
A.3 Hedged financial liabilities (fair value)	284	-
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**47.125**	**94.986**
B. Expenses for:		
B.1 Fair value hedging derivatives	35.984	76.392
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	6.432	13.862
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**42.416**	**90.254**
C. Net gains/(losses) on hedging activities (A-B)	**4.709**	**4.732**

5.1 of witch: attributable to the banking group

Income component/Amount	Total 31/12/2012	Total 31/12/2011
A. Income from:		
A.1 Fair value hedging derivatives	11.657	52.136
A.2 Hedged financial assets (fair value)	35.184	42.850
A.3 Hedged financial liabilities (fair value)	284	-
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**47.125**	**94.986**
B. Expenses for:		
B.1 Fair value hedging derivatives	35.984	76.392
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	6.432	13.862
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**42.416**	**90.254**
C. Net gains/(losses) on hedging activities (A-B)	**4.709**	**4.732**

Section 6 - Gains (losses) from sale/repurchase - Item 100

6.1 Gains/(Losses) on sale/repurchase: breakdown

Item / Income component	Total 31/12/2012			Total 31/12/2011		
	Gains	Losses	Net gains / (losses)	Gains	Losses	Net gains / (losses)
Financial assets						
1. Due from banks	203	1	202	34	5	29
2. Due from customers	572	3.009	(2.437)	546	3.810	(3.264)
3. Financial assets available for sale	18.616	13.654	4.962	4.310	5.326	(1.016)
3.1 Debt securities	17.745	13.654	4.091	1.422	5.265	(3.843)
3.2 Equity securities	871	-	871	2.888	61	2.827
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**19.391**	**16.664**	**2.727**	**4.890**	**9.141**	**(4.251)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	470	-	470	-	-	-
3. Outstanding securities	1.490	1.761	(271)	5.439	2.618	2.821
Total liabilities	**1.960**	**1.761**	**199**	**5.439**	**2.618**	**2.821**

6.1 of witch: attributable to the banking group

Item / Income component	Total 31/12/2012			Total 31/12/2011		
	Gains	Losses	Net gains / (losses)	Gains	Losses	Net gains / (losses)
Financial assets						
1. Due from banks	25	1	24	34	5	29
2. Due from customers	572	3.009	(2.437)	546	3.810	(3.264)
3. Financial assets available for sale	17.411	11.500	5.911	3.777	2.312	1.465
3.1 Debt securities	16.540	11.500	5.040	889	2.251	(1.362)
3.2 Equity securities	871	-	871	2.888	61	2.827
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**18.008**	**14.510**	**3.498**	**4.357**	**6.127**	**(1.770)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	470	-	470	-	-	-
3. Outstanding securities	1.374	1.761	(387)	5.334	2.457	2.877
Total liabilities	**1.844**	**1.761**	**83**	**5.334**	**2.457**	**2.877**

6.1 of witch: attributable to insurance companies						
Item/Income component	Total 31/12/2012			Total 31/12/2011		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	178	-	178	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	1.205	2.154	(949)	533	3.014	(2.481)
3.1 Debt securities	1.205	2.154	(949)	533	3.014	(2.481)
3.2 Equity securities	-	-	-	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**1.383**	**2.154**	**(771)**	**533**	**3.014**	**(2.481)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	116	-	116	105	161	(56)
Total liabilities	**116**	**-**	**116**	**105**	**161**	**(56)**

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	**38.994**	**17.694**	**4.202**	**2.029**	**50.457**
1.1 Debt securities	18.255	12.308	2.361	1.259	26.943
1.2 Share capital securities	2.320	1.250	720	15	2.835
1.3 UCITS units	18.419	4.136	1.121	755	20.679
1.4 Loans and advances	-	-	-	-	-
2. Financial liabilities	**2.736**	**733**	**26.912**	**14.233**	**(37.676)**
2.1 Debt securities	-	15	-	-	15
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	2.736	718	26.912	14.233	(37.691)
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**(56)**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**41.730**	**18.427**	**31.114**	**16.262**	**12.725**

7.1 of witch: attributable to insurance companies					
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	**38.994**	**17.694**	**4.202**	**2.029**	**50.457**
1.1 Debt securities	18.255	12.308	2.361	1.259	26.943
1.2 Share capital securities	2.320	1.250	720	15	2.835
1.3 UCITS units	18.419	4.136	1.121	755	20.679
1.4 Loans and advances	-	-	-	-	-
2. Financial liabilities	**2.736**	**733**	**26.912**	**14.233**	**(37.676)**
2.1 Debt securities	-	15	-	-	15
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	2.736	718	26.912	14.233	(37.691)
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**(56)**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**41.730**	**18.427**	**31.114**	**16.262**	**12.725**

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 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**(36)**	**-**	**-**	**-**	**-**	**(36)**	**(15)**
- Loans and advances	-	-	(36)	-	-	-	-	(36)	(15)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**(20.157)**	**(142.573)**	**(1.940)**	**11.486**	**25.703**	**-**	**-**	**(127.481)**	**(115.931)**
Purchased impaired loans	-	-	-	-	-	-	-	-	-
- Loans and advances	-	-	X	-	-	-	X	-	-
- Debt securities	-	-	X	-	-	-	X	-	-
Other loans	(20.157)	(142.573)	(1.940)	11.486	25.703	-	-	(127.481)	(115.931)
- Loans and advances	(20.157)	(142.573)	(1.940)	11.486	25.703	-	-	(127.481)	(115.931)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(20.157)**	**(142.573)**	**(1.976)**	**11.486**	**25.703**	**-**	**-**	**(127.517)**	**(115.946)**

8.1 Of which: attributable to the banking group

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**(36)**	**-**	**-**	**-**	**-**	**(36)**	**(15)**
- Loans and advances	-	-	(36)	-	-	-	-	(36)	(15)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**(20.157)**	**(142.573)**	**(1.940)**	**11.486**	**25.703**	**-**	**-**	**(127.481)**	**(115.931)**
Purchased impaired loans	-	-	-	-	-	-	-	-	-
- Loans and advances	-	-	X	-	-	-	X	-	-
- Debt securities	-	-	X	-	-	-	X	-	-
Other loans	(20.157)	(142.573)	(1.940)	11.486	25.703	-	-	(127.481)	(115.931)
- Loans and advances	(20.157)	(142.573)	(1.940)	11.486	25.703	-	-	(127.481)	(115.931)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(20.157)**	**(142.573)**	**(1.976)**	**11.486**	**25.703**	**-**	**-**	**(127.517)**	**(115.946)**

8.2 Net value adjustments for impairment of financial assets available for sale: breakdown

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	(16.443)
B. Equity securities	-	(589)	X	X	(589)	(72)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	(46)
F. Total	**-**	**(589)**	**-**	**-**	**(589)**	**(16.561)**

8.2 of witch attributable to the banking group

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	(6.162)
B. Equity securities	-	(589)	X	X	(589)	(72)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	(46)
F. Total	**-**	**(589)**	**-**	**-**	**(589)**	**(6.280)**

8.2 of witch attributable to insurance companies						
Transaction / Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	(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)**

8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	(158)	-	-	-	-	(158)	780
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	7	7	(7)
D. Other transactions	(50)	(885)	(231)	1	384	-	-	(781)	(415)
Total	**(50)**	**(885)**	**(389)**	**1**	**384**	**-**	**7**	**(932)**	**358**

8.4 of witch attributable to the banking group									
Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	(158)	-	-	-	-	(158)	780
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	7	7	(7)
D. Other transactions	(50)	(885)	(229)	1	384	-	-	(779)	(415)
Total	**(50)**	**(885)**	**(387)**	**1**	**384**	**-**	**7**	**(930)**	**358**

8.4 of witch attributable to insurance companies									
Transaction / Income component	**Writedowns (1)**			**Writebacks (2)**				**Total 31/12/2012 (1)-(2)**	**Total 31/12/2011 (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	-	-	(2)	-	-	-	-	(2)	-
Total	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**	**(2)**	**-**

Section 9 - Net premiums - Item 150

9.1 Net premiums: breakdown				
Premiums deriving from insurance activity	**Direct work**	**Indirect work**	**Total 31/12/2012**	**Total 31/12/2011**
A. Life assurance				
A.1 Gross premiums written (+)	201.225	-	201.225	202.733
A.2 Reinsurance premiums ceded (-)	(1.159)	X	(1.159)	(1.367)
A.3 Total	200.066	-	200.066	201.366
B. Non-life assurance				
B.1 Gross premiums written (+)	1.709	-	1.709	1.714
B.2 Reinsurance premiums ceded (-)	(705)	X	(705)	(689)
B.3 Change in the gross amount of the premium reserve (+/-)	22	-	22	87
B.4 Change in the reinsurers' share of premiums reserve (+/-)	(15)	-	(15)	(46)
B.5 Total	1.011	-	1.011	1.066
C. Total net premiums	**201.077**	**-**	**201.077**	**202.432**

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 31/12/2012**	**Total 31/12/2011**
1. Net change in technical reserves	128.653	128.296
2. Incurred losses paid during the year	(361.129)	(337.802)
3. Other income/expenses from insurance operations	966	1.068
Total	**(231.510)**	**(208.438)**

10.2 Composition of subheading: "Net change in technical reserve"		
Net change in technical reserve	**Total 31/12/2012**	**Total 31/12/2011**
1. Life assurance		
A. Actuarial reserves	85.338	112.537
A.1 Gross annual amount	85.852	112.953
A.2 (-) Reinsurers' shares	(514)	(416)
B. Other technical reserves	2.520	1.757
B.1 Gross annual amount	2.777	2.005
B.2 (-) Reinsurers' shares	(257)	(248)
C. Technical reserves where the investment risk is borne by the policyholders	40.738	13.950
C.1 Gross annual amount	40.738	13.950
C.2 (-) Reinsurers' shares	-	-
Total "Life assurance reserves"	**128.596**	**128.244**
2. Non-life assurance		
Change in other non-life technical reserves other than loss reserves net of reinsurance assignments	57	52

10.3 Composition of subheading: "Losses incurred in the year"

Net change in technical reserve	Total 31/12/2012	Total 31/12/2011
Life assurance: expenses for losses, net of reinsurance assignments		
A. Amounts paid	(355.081)	(335.185)
A.1 Gross annual amount	(355.902)	(335.820)
A.2 (-) Reinsurers' shares	821	635
B. Change in the reserve for outstanding claims	(5.712)	(2.215)
B.1 Gross annual amount	(5.617)	(2.159)
B.2 (-) Reinsurers' shares	(95)	(56)
Total Life assurance losses	**(360.793)**	**(337.400)**
Non-life assurance: expenses for losses, net of recoveries and reinsurance assignments		
C. Amounts paid	(398)	(351)
C.1 Gross annual amount	(534)	(465)
C.2 (-) Reinsurers' shares	136	114
D. Change in recoveries net of reinsurers' shares	-	-
E. Changes in loss reserve	62	(51)
E.1 Gross annual amount	94	(75)
E.2 (-) Reinsurers' shares	(32)	24
Total Non-life assurance losses	**(336)**	**(402)**

10.4 Composition of subheading: "Other income/expenses from insurance operations"

	Total 31/12/2012	Total 31/12/2011
LIFE ASSURANCE		
Income	**1.053**	**1.126**
- Other technical income net of reinsurance assignments	348	443
- 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	705	683
Expenses	**(310)**	**(100)**
- Other technical expenses net of reinsurance assignments	(338)	(74)
- Expenses and unrealized capital losses on investments in favour of risk-bearing policyholders	-	-
- Acquisiton fees	46	87
- Other acquisition expenses	(7)	(8)
- Collection fees	(11)	(105)
Total Life assurance	**743**	**1.026**
NON-LIFE ASSURANCE		
Income	**265**	**295**
- Other technical income net of reinsurance assignments	16	38
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	249	257
Expenses	**(42)**	**(253)**
- Other technical expenses net of reinsurance assignments	(38)	(82)
- Acquisiton fees	-	(85)
- Other acquisition expenses	-	-
- Collection fees	(4)	(86)
Total Non-life assurance	**223**	**42**

Section 11 - Administrative expenses - Item 180

11.1 Personnel expenses: breakdown

Type of expense/Amount	Total 31/12/2012	Total 31/12/2011
1) Employees	215.368	214.107
a) Wages and Salaries	156.638	154.835
b) Social security contributions	40.428	37.538
c) Severance indemnities	4.083	5.394
d) Pension expenses	502	478
e) Provision for employees' severance indemnities	910	963
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	6.630	8.513
- defined contribution	6.630	8.513
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	6.177	6.386
2) Other working personnel	1.868	2.813
3) Directors andf statuory auditors	5.505	5.070
4) Non-working personnel	-	-
Total	**222.741**	**221.990**

11.1 of witch: attributable to the banking group

Type of expense/Amount	Total 31/12/2012	Total 31/12/2011
1) Employees	211.769	210.772
a) Wages and Salaries	154.148	152.501
b) Social security contributions	39.791	36.988
c) Severance indemnities	4.077	5.390
d) Pension expenses	502	478
e) Provision for employees' severance indemnities	843	899
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	6.447	8.333
- defined contribution	6.447	8.333
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	5.961	6.183
2) Other working personnel	1.614	2.363
3) Directors andf statuory auditors	4.879	4.712
4) Non-working personnel	-	-
Total	**218.262**	**217.847**

11.1 of witch: attributable to insurance companies

Type of expense/Amount	Total 31/12/2012	Total 31/12/2011
1) Employees	3.599	3.335
a) Wages and Salaries	2.490	2.334
b) Social security contributions	637	550
c) Severance indemnities	6	4
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	67	64
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	183	180
- defined contribution	183	180
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	216	203
2) Other working personnel	254	450
3) Directors andf statuory auditors	626	358
4) Non-working personnel	-	-
Total	**4.479**	**4.143**

11.2 Average number of employees per category

	Total 31/12/2012	Total 31/12/2011
Employees:	3.929	4.036
- Executives	80	80
- Middle management	980	978
- Remaining employees	2.869	2.978
Other personnel	45	44
Total	**3.974**	**4.080**

11.2 of witch attributable to the banking group

	Total 31/12/2012	Total 31/12/2011
Employees:	3.887	3.993
- Executives	73	73
- Middle management	970	967
- Remaining employees	2.844	2.953
Other personnel	43	42
Total	**3.930**	**4.035**

11.2 of witch attributable to insurance companies

	Total 31/12/2012	Total 31/12/2011
Employees:	42	43
- Executives	7	7
- Middle management	10	11
- Remaining employees	25	25
Other personnel	2	2
Total	**44**	**45**

11.4 Other employee benefits

	Total 31/12/2012	Total 31/12/2011
Costs relating to staff exits	226	576
Benefits for employees' children	86	185
Benefits in kind	1.651	1.135
Insurance policies stipulated in favour of employees	2.176	1.941
Professional employee update courses	763	722
Travel costs	100	297
Others	1.175	1.530
Total	**6.177**	**6.386**

11.4 of witch: attributable to the banking group

	Total 31/12/2012	Total 31/12/2011
Costs relating to staff exits	226	576
Benefits for employees' children	86	185
Benefits in kind	1.651	1.135
Insurance policies stipulated in favour of employees	2.047	1.824
Professional employee update courses	749	713
Travel costs	94	285
Others	1.108	1.465
Total	**5.961**	**6.183**

11.4 of witch: attributable to insurance companies

	Total 31/12/2012	Total 31/12/2011
Costs relating to staff exits	-	-
Benefits for employees' children	-	-
Benefits in kind	-	-
Insurance policies stipulated in favour of employees	129	117
Professional employee update courses	14	9
Travel costs	6	12
Others	67	65
Total	**216**	**203**

11.5 Other administrative expenses: breakdown

Type of expense/Segments	Total 31/12/2012	Total 31/12/2011
Legal and notarial expenses	6.671	7.270
IT assistance and sundry advice	4.589	4.907
Other expenses for professional services	177	199
Printing and stationery	922	1.363
Leasing of electronic machines and software licences	1.275	1.701
Sundry rentals and expenses for services provided by third parties	30.483	26.550
Fees for data transmission	3.795	4.438
Purchase of sundry materials for data processing centre	39	79
Postal and telegraphic expenses	5.542	6.276
Telephone charges	1.762	2.304
Transport expenses	1.603	1.578
Cleaning of premises	1.372	1.640
Surveillance and escort of valuables	3.628	2.999
Electricity and heating	5.301	4.940
Rent of premises	19.593	19.788
Sundry insurance policies	2.491	2.459
Advertising and promotion	1.403	1.545
Entertainment expenses	820	557
Donations	156	247
Membership fees	1.614	1.872
Subscriptions and books	152	198
Gifts to staff	16	27
Personnel studies	14	23
Information and inspections	2.960	3.578
Travelling expenses	2.937	3.137
Expenses for interbank network service	335	512
Expenses for web site	2	-
Pension expenses for financial promoters	814	720
Other fees payable	1.728	2.496
Others	4.064	3.651
Maintenance and repair expenses	**9.865**	**11.033**
- Properties owned	223	399
- Properties rented	259	221
- Movables	2.918	3.039
- Hardware and software	6.465	7.374
Indirect taxes and duties	**40.422**	**33.573**
- Stamp duty	30.403	25.131
- Substitute tax Pres. Dec. 601/73	1.458	2.000
- Local property tax	1.487	630
- Other indirect taxes and duties	7.074	5.812
Total	**156.545**	**151.660**

11.5 of witch: attributable to the banking group		
Type of expense/Segments	**Total 31/12/2012**	**Total 31/12/2011**
Legal and notarial expenses	6.521	7.053
IT assistance and sundry advice	4.462	4.831
Other expenses for professional services	172	188
Printing and stationery	904	1.345
Leasing of electronic machines and software licences	1.275	1.701
Sundry rentals and expenses for services provided by third parties	30.234	26.264
Fees for data transmission	3.753	4.393
Purchase of sundry materials for data processing centre	39	79
Postal and telegraphic expenses	5.433	6.181
Telephone charges	1.738	2.277
Transport expenses	1.595	1.567
Cleaning of premises	1.360	1.630
Surveillance and escort of valuables	3.628	2.999
Electricity and heating	5.292	4.935
Rent of premises	19.284	19.473
Sundry insurance policies	2.467	2.439
Advertising and promotion	1.342	1.479
Entertainment expenses	816	554
Donations	156	247
Membership fees	1.413	1.611
Subscriptions and books	150	197
Gifts to staff	16	27
Personnel studies	8	20
Information and inspections	2.960	3.578
Travelling expenses	2.895	3.112
Expenses for interbank network service	335	512
Expenses for web site	2	-
Pension expenses for financial promoters	814	720
Other fees payable	1.697	2.465
Others	3.731	3.369
Maintenance and repair expenses	**9.599**	**10.769**
- Properties owned	223	399
- Properties rented	258	221
- Movables	2.900	3.012
- Hardware and software	6.218	7.137
Indirect taxes and duties	**40.350**	**33.532**
- Stamp duty	30.400	25.129
- Substitute tax Pres. Dec. 601/73	1.458	2.000
- Local property tax	1.487	630
- Other indirect taxes and duties	7.005	5.773
Total	**154.441**	**149.547**

11.5 of witch: attributable to insurance companies		
Type of expense/Segments	**Total 31/12/2012**	**Total 31/12/2011**
Legal and notarial expenses	150	217
IT assistance and sundry advice	127	76
Other expenses for professional services	5	11
Printing and stationery	18	18
Sundry rentals and expenses for services provided by third parties	249	286
Fees for data transmission	42	45
Postal and telegraphic expenses	109	95
Telephone charges	24	27
Transport expenses	8	11
Cleaning of premises	12	10
Electricity and heating	9	5
Rent of premises	309	315
Sundry insurance policies	24	20
Advertising and promotion	61	66
Entertainment expenses	4	3
Donations	-	-
Membership fees	201	261
Subscriptions and books	2	1
Personnel studies	6	3
Travelling expenses	42	25
Other fees payable	31	31
Others	333	282
Maintenance and repair expenses	**266**	**264**
- Properties rented	1	-
- Movables	18	27
- Hardware and software	247	237
Indirect taxes and duties	**72**	**41**
- Stamp duty	3	2
- Other indirect taxes and duties	69	39
Total	**2.104**	**2.113**

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	
	31/12/2012
Fees due for:	
- legal auditing of the accounts	573
- other auditing services	25
- tax consulting	26
- services other than auditing the accounts	1
Total	**625**

Section 12 - Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown	Balances 31/12/2012	Balances 31/12/2011
Relating to risks of legal disputes and customer complaints	4.221	4.350
Relating to operational risk	3.600	1.460
Relating to staff expenses	124	3.090
Relating to other risks	2.621	2.185
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(1.787)	(2.714)
Reattributions to Income Statement relating to operational risk	(623)	(168)
Reattributions to Income Statement relating to staff expenses	(14)	(4)
Reattributions to Income Statement relating to other risks	(145)	(443)
Total	**7.997**	**7.756**

The higher provisions for operational risks was made to cover transactions to be carried out in favour of customers who had subscribed policies issued by the company C.B.A. Vita with underlying securities issued by Lehman.

12.1 of witch: attributable to the banking group	Balances 31/12/2012	Balances 31/12/2011
Relating to risks of legal disputes and customer complaints	3.962	4.350
Relating to operational risk	3.600	1.460
Relating to staff expenses	124	3.090
Relating to other risks	2.519	2.183
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(1.787)	(2.714)
Reattributions to Income Statement relating to operational risk	(623)	(167)
Reattributions to Income Statement relating to staff expenses	(14)	(4)
Reattributions to Income Statement relating to other risks	(145)	(443)
Total	**7.636**	**7.755**

12.1 of witch attributable to insurance companies	Balances 31/12/2012	Balances 31/12/2011
Relating to risks of legal disputes and customer complaints	259	-
Relating to operational risk	-	-
Relating to staff expenses	-	-
Relating to other risks	102	2
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	**361**	**1**

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	14.035	298	-	14.333
- for business purposes	13.753	298	-	14.051
- for investment	282	-	-	282
A.2 Acquired in financial leasing	1.640	-	-	1.640
- for business purposes	1.640	-	-	1.640
- for investment	-	-	-	-
Total	**15.675**	**298**	**-**	**15.973**

13.1of witch: 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	14.008	298	-	14.306
- for business purposes	13.726	298	-	14.024
- for investment	282	-	-	282
A.2 Acquired in financial leasing	1.640	-	-	1.640
- for business purposes	1.640	-	-	1.640
- for investment	-	-	-	-
Total	**15.648**	**298**	**-**	**15.946**

13.1 of witch 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	27	-	-	27
- for business purposes	27	-	-	27
- for investment	-	-	-	-
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**27**	**-**	**-**	**27**

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	14.006	34	-	14.040
- Generated internally by the company	1.218	-	-	1.218
- Others	12.788	34	-	12.822
A.2 Acquired in financial leasing	-	-	-	-
Total	**14.006**	**34**	**-**	**14.040**

14.1 of witch: 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	13.768	34	-	13.802
- Generated internally by the company	1.218	-	-	1.218
- Others	12.550	34	-	12.584
A.2 Acquired in financial leasing	-	-	-	-
Total	**13.768**	**34**	**-**	**13.802**

14.1 of witch: 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	238	-	-	238
- Generated internally by the company	-	-	-	-
- Others	238	-	-	238
A.2 Acquired in financial leasing	-	-	-	-
Total	**238**	**-**	**-**	**238**

Section 15 - Other operating expenses and income - Item 220

Other operating expenses and income	31/12/2012	31/12/2011
Total other operating expenses	19.358	17.886
Total other operating income	61.622	51.056
Other operating expenses and income	**42.264**	**33.170**

15.1 Other operating expenses: breakdown	Total 31/12/2012	Total 31/12/2011
Amortization of expenses for improvements on third party assets	2.252	2.531
Losses related to operational risks	6.050	4.247
Refunds of interest on collection and payment transactions	39	42
Financial leasing management expenses	1.106	952
Penalties payable for contract defaults	90	99
Expenses from derivative contracts	-	-
Expenses for service renderings advanced on behalf of customers	277	198
Insurance premiums advanced on behalf of customers	1.053	882
Costs advanced on behalf of customers	943	1.209
Service renderings related to credit recovery	816	960
Expenses for guaranteed minimum on assets managed	-	-
Return to customers of Funds-UCITS incentives (Mifid)	1.050	1.276
Losses related to the participation in deposit-guarantee schemes	-	510
Others	5.682	4.980
Total	**19.358**	**17.886**

15.1of witch: attributable to the banking group	Total 31/12/2012	Total 31/12/2011
Amortization of expenses for improvements on third party assets	2.252	2.531
Losses related to operational risks	6.050	4.247
Refunds of interest on collection and payment transactions	39	42
Financial leasing management expenses	1.106	952
Penalties payable for contract defaults	90	99
Expenses from derivative contracts	-	-
Expenses for service renderings advanced on behalf of customers	277	198
Insurance premiums advanced on behalf of customers	1.053	882
Costs advanced on behalf of customers	943	1.209
Service renderings related to credit recovery	816	960
Expenses for guaranteed minimum on assets managed	-	-
Return to customers of Funds-UCITS incentives (Mifid)	1.050	1.276
Losses related to the participation in deposit-guarantee schemes	-	510
Others	5.571	4.979
Total	**19.247**	**17.885**

15.1 of witch: attributable to insurance companies		
	Total 31/12/2012	**Total 31/12/2011**
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	111	1
Total	**111**	**1**

15.2 Other operating income: breakdown		
	Total 31/12/2012	**Total 31/12/2011**
Rents and instalments receivable	602	1.092
Charges to third parties and refunds received:	33.253	27.175
- taxes recovered	32.085	25.862
- insurance premiums and refunds	1.168	1.313
Expenses recovered and other revenues on current accounts and deposits	4.435	354
Income from software services	3.589	2.980
Recoveries of interest on collection and payment transactions	11	28
Income on insurance brokerage activities	2.510	2.744
Rents and income from financial leasing	972	806
POS fee income	3.587	2.798
Administrative services rendered to third parties	392	271
Penalties receivable for contract defaults	336	376
Expenses and services rendered in advance on behalf of customers	1.362	1.551
Expenses recovered for services rendered in relation to credit recovery	3.743	3.451
Other income	6.830	7.430
Total	**61.622**	**51.056**

Following entry into force of the "Italy Rescue" Decree, during financial year 2012, a new taxation was applied on financial instruments, bank current accounts and securities deposit accounts in the form of stamp duty on current accounts, certificate of deposit and financial products. It began with the debiting of a fixed amount but was changed to a proportion of the total amount invested. The item taxes recovered includes in fact the stamp duty recovered on financial products that justify its increase.

15.2 of witch: attributable to the banking group

	Total 31/12/2012	Total 31/12/2011
Rents and instalments receivable	602	1.092
Charges to third parties and refunds received:	33.253	27.175
- taxes recovered	32.085	25.862
- insurance premiums and refunds	1.168	1.313
Expenses recovered and other revenues on current accounts and deposits	4.435	354
Income from software services	3.589	2.980
Recoveries of interest on collection and payment transactions	11	28
Rents and income from financial leasing	972	806
POS fee income	3.587	2.798
Administrative services rendered to third parties	392	271
Penalties receivable for contract defaults	336	376
Expenses and services rendered in advance on behalf of customers	1.362	1.551
Expenses recovered for services rendered in relation to credit recovery	3.743	3.451
Other income	6.709	7.325
Total	**58.991**	**48.207**

15.2 of witch: attributable to insurance companies

	Total 31/12/2012	Total 31/12/2011
Income on insurance brokerage activities	2.510	2.744
Other income	121	105
Total	**2.631**	**2.849**

Section 16 - Gains/(Losses) on equity investments - Item 240

16.1 Gains/(losses) on equity investments: breakdown		
Income components/Sectors	**Total 31/12/2012**	**Total 31/12/2011**
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	256	1.091
1. Revaluations	256	664
2. Gains on sales	-	427
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	1	2.172
1. Devaluations	1	2.172
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**255**	**(1.081)**
Total	**255**	**(1.081)**

16.1 of witch: attributable to the banking group

Income components/Sectors	Total 31/12/2012	Total 31/12/2011
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	242	1.091
1. Revaluations	242	664
2. Gains on sales	-	427
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	1	1
1. Devaluations	1	1
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**241**	**1.090**
Total	**241**	**1.090**

16.1 of witch: attributable to insurance companies		
Income components/Sectors	**Total 31/12/2012**	**Total 31/12/2011**
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	14	-
1. Revaluations	14	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	2.171
1. Devaluations	-	2.171
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**14**	**(2.171)**
Total	**14**	**(2.171)**

Section 18 - Impairment of goodwill - Item 260

18.1 Impairment of goodwill: breakdown		
	31/12/2012	**31/12/2011**
Impairment of goodwill	2.505	920
Total	**2.505**	**920**

The item, amounting to 2,5 million euro, includes the effects of the impairment of goodwill relating to Biella Leasing and Consel. 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 31/12/2012**	**Total 31/12/2011**
A. Properties	-	4.643
- Gains on sales	-	4.643
- Losses on sales	-	-
B. Altre attività	(18)	91
- Gains on sales	17	103
- Losses on sales	35	12
Net gains/(losses)	**(18)**	**4.734**

19.1 of witch: attributable to the banking group		
Income component/Amount	**Total 31/12/2012**	**Total 31/12/2011**
A. Properties	-	4.643
- Gains on sales	-	4.643
- Losses on sales	-	-
B. Altre attività	(18)	88
- Gains on sales	17	100
- Losses on sales	35	12
Net gains/(losses)	**(18)**	**4.731**

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 31/12/2012**	**Total 31/12/2011**
1. Current taxes (-)	(58.464)	(53.129)
2. Change in current taxes of previous years (+/-)	9.920	20
3. Reduction of current taxes for the year (+)	306	1.682
3.bis Reduction in current taxes for tax credits of Law n.214/2011 (+)	583	78
4. Change in prepaid taxes (+/-)	18.703	24.798
5. Change in deferred taxes (+/-)	4.079	(2.123)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(24.873)	(28.674)

Sub-item 2) includes an amount of 7,1 million euro, of lower IRES taxes under the terms of Art. 2 paragraph 1-quater of Italian Law Decree No. 201/2011, which regulated presentation to the Tax Agency of applications for an income tax rebate for deduction of the regional business tax on labour costs paid in the financial years from 2007 to 2011.

Following interpretative clarifications, a downwards adjustments was made in the present income statement – of approximately 1,1 million euro – of the net positive impact recognised in the 2011 income statement, after making the redemption provided for in Italian Decree Law no. 98/2011, Art. 23, paragraphs from 12 to 14.

20.1 of witch: attributable to the banking group		
Component/Amount	**Total 31/12/2012**	**Total 31/12/2011**
1. Current taxes (-)	(53.762)	(55.074)
2. Change in current taxes of previous years (+/-)	9.886	11
3. Reduction of current taxes for the year (+)	306	1.682
3.bis Reduction in current taxes for tax credits of Law n.214/2011 (+)	583	78
4. Change in prepaid taxes (+/-)	19.163	24.353
5. Change in deferred taxes (+/-)	(179)	(1.162)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(24.003)	(30.112)

20.1 of witch: attributable to insurance companies		
Component/Amount	**Total 31/12/2012**	**Total 31/12/2011**
1. Current taxes (-)	(4.702)	1.945
2. Change in current taxes of previous years (+/-)	34	9
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction in current taxes for tax credits of Law n.214/2011 (+)	-	-
4. Change in prepaid taxes (+/-)	(460)	445
5. Change in deferred taxes (+/-)	4.258	(961)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(870)	1.438

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	49.096		
Nominal rate (*)		**33,07%**	**16.236**
Effects net of the participation exemption and dividend taxation		1,12%	548
Non-deductible interest expense (so-called Robin Hood tax)		2,88%	1.414
Change in life reserves (Legislative Decree 78/2010)		-0,73%	-357
Redemption of goodwill, pursuant to article 23, paragraphs 12 and 14, Legislative Decree no. 98 of		-21,53%	-10.569
Non-deductible provisions/costs and other		7,31%	3.589
IRES IRAP deductions from the exercise		-4,64	2.280
Adjusted rate		**17,48%**	**8.581**
Other changes - Irap taxable base		33,18%	16.292
Effective rate		**50,66%**	**24.873**

(*) *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	Totale 31/12/2012	Totale 31/12/2011
1. Income	7.162	1.288
2. Expenses	(9.023)	(6.975)
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	-	8.047
5. Taxes and duties	342	-
Profit (loss)	**(1.519)**	**2.360**

The item Gains/(losses) of groups of assets held for sale includes the operating income and expenses of Sella Bank AG, the assets and liabilities of which were classified among groups of assets/liabilities held for sale since at the end of the year a sale agreement had been signed, which was then completed on 28 February 2013.

21.1 of witch: attributable to the banking group

Income components/Sectors	Totale 31/12/2012	Totale 31/12/2011
1. Income	7.162	1.288
2. Expenses	(9.023)	(4.031)
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	-	8.047
5. Taxes and duties	342	-
Profit (loss)	**(1.519)**	**5.304**

21.1 of witch: attributable to insurance companies

Income components/Sectors	Totale 31/12/2012	Totale 31/12/2011
1. Income	-	-
2. Expenses	-	(2.944)
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	-	-
5. Taxes and duties	-	-
Profit (loss)	**-**	**(2.944)**

21.2 Detail of taxes on income and on asset/liability groups held for sale

	Balance 31/12/2012	Balance 31/12/2011
1. Current taxes (-)	(1.265)	-
2. Change in prepaid taxes (+/-)	-	-
3. Change in deferred taxes (+/-)	1.607	-
Income taxes for the period (-1+/-1+/-3)	**342**	**-**

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 31/12/2012	Total 31/12/2011
Biella Leasing S.p.A.	25	1.239
Banca Patrimoni Sella & C. S.p.A.	1.495	331
Banca Sella Nordest Bovio Calderari S.p.A.	-	(1.892)
Consel S.p.A.	(465)	1.627
CBA Vita S.p.A.	106	(628)
Sella Gestioni SGR S.p.A.	89	20
Brosel S.p.A.	30	177
Sella Bank AG	(91)	156
Altre	573	558
Profit for the year pertaining to minority interest	**1.737**	**1.588**

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	31/12/2012		31/12/2011	
	Ordinary	**Other**	**Ordinary**	**Other**
Profit for the period pertaining to the Parent Company *(thousands of Euro)*	20.967	**-**	15.692	**-**
Average number of shares outstanding	209.976.000	-	201.000.000	-
EPS base *(in euros)*	**0,1**	**-**	**0,08**	**-**

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 2012 (that is 209.976.000) as:

- on 1 January 2012 there were 201.000.000 ordinary Banca Sella Holding shares in circulation;
- during the course of 2012 Banca Sella Holding did not issue any new ordinary or special shares;
- on 31 December 2012, 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**	**22.704**
	Other income net of tax			
20.	Financial assets available for sale:	70.143	(23.387)	46.756
	a) fair value changes	59.775	(19.800)	39.975
	b) reversal to income statement	10.368	(3.587)	6.781
	- impairment losses	-	-	-
	- gain/losses from disposal	10.368	(3.587)	6.781
	c) other changes	-	-	-
30.	Tangible assets	50	27	77
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	(5.962)	1.641	(4.321)
100.	Share of valuation reserves connected with investments carried at equity:	438	-	438
	a) fair value changes	438	-	438
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gain/losses from disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income net of tax**	**64.669**	**(21.719)**	**42.950**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**65.654**
130	Consolidated comprehensive profit pertaining to minority ionterest	X	X	4.567
140	**Consolidated comprehensive profit pertaining to Parent Company**	**X**	**X**	**61.087**

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 customer needs with the need to ensure the maintenance of quality for the lending business.

Specifically, credit risk control activities are the responsibility of the Risk Management service (Credit Risk Management Unit) of Banca Sella Holding and the Credit Quality Control service 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. On the other hand, the second is dedicated to more traditional monitoring, mainly focused on analysis of individual risk positions and trend analysis of certain variables held to be significant in terms of controlling credit risk.

2. Credit risk management policies

2.1 Organisational Aspects

In general, requests for financing are presented directly to the branches of the respective Group banks.

In the process of credit disbursement, applications must first be assessed by a specific decision-making structure in the branch. In support of the assessment process, the banks are equipped with scoring and rating systems which are applied differently to the different customer classes: retail, small business, SMEs and Corporate. 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 2012, 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, the internal procedure was entirely reviewed to classify customers even more precisely according to the anomalies that may arise from their accounts. 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

The systems of management, measurement and control of exposure to credit risk 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 Credit Risk Management service has the task of developing credit risk measurement methods and supporting the creation of specific models for the assessment of risk components on the individual loan portfolios.

The Credit Risk Management service also carries on supervisory work preparing regular reports at every level and laying down common guidelines. The regular analyses concern, among other things, the distribution of customers by rating class and the development of risk profiles covering the entire loan portfolio or particular sub-portfolios characterized by specific risk conditions. The activities performed by the Risk Management Service also include the monitoring of risk limits and danger thresholds relating to credit quality and risk concentration.

As regards the assessment of the risk of default, there are different management processes and analysis tools according to a segmentation of customers in keeping with the parameters laid down in the Basel 2 Standardized Approach, as confirmed in Bank of Italy Circular 263/2006, 11th update of 31 January 2012. The customersegmentation makes it possible, among other things, to divide enterprises into four size classes, labelledin ascending order: small businesses, small and medium-sized enterprises, corporate enterprises and largecorporate enterprises.

Each enterprise is associated with a summary risk judgement attributed according to an internal rating model. During 2012, the Risk Management service completed the revision of the rating model for small business, and small/medium-sized enterprises, with methodological assistance from Crif. The new internal rating model was released to production in October 2012. Starting from that date, there have been two internal rating models in use at Banca Sella: one for small business customers and small/medium-sized enterprises and one for corporate and large corporate customers. 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 in use at the Italian banks of the Banca Sella Group is an automatic judgement integrated into the corporate information systems and consists of the following components which intervene to a different extent in the assessment depending on the type of counterparty (small business and small/medium-sized enterprises or corporate and large corporate):

- Financial information (accounting data). For corporate and large corporate enterprises a real and proper statutory accounting rating is calculated; this can 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. The statutory accounting score is also the maximum level of detail obtainable for the following categories of customer: financial companies, leasing companies, factoring companies and holdings companies. For small business customers and small/medium-sized enterprises a number of statutory accounting indicators are calculated, contributing to the final assessment of the customers' creditworthiness.
- Qualitative information For corporate and large corporate enterprises an enterprise rating is calculated. This derives from the integration between the statutory accounting rating and the qualitative component obtained after the account manager fills in a specific questionnaire. Like the statutory accounting rating, the enterprise rating is calculated on every corporate and large corporate 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. For small business customers and small/medium-sized enterprises compilation of the qualitative questionnaire is provided for but this information does not affect the final judgement on the customer.

- Performance information (the bank's internal data and Central Credit Register data). For corporate and large corporate businesses, integration between the enterprise rating and the behavioural component makes it possible to determine the overall rating which represents the most detailed assessment possible of the creditworthiness of a corporate or large corporate customer. For small business customers and small/medium-sized enterprises a number of performance indicators are calculated, contributing to the final assessment of the customers' creditworthiness. The performance component can only be calculated for companies with performance data monitored for at least three months out of a six-month time frame.

The internal rating models in existence at the Italian banks of the Banca Sella Group consist of nine classes for performing positions: from SA1 (least risky customers) to SA9 (most risky customers) for small business customers and small/medium-sized enterprises, from AAA (least risky customers) to C (most risky customers) for corporate and large corporate enterprises.

No rating is assigned if one of the essential elements for determination of the rating – such as for example definitive financial statements valid at the time – is missing.

The loan disbursement and monitoring process also provides for the addition (for information purposes only) of a performance scoring model for continuous assessment of the probability of default associated with private customers. The scoring model for private customers has been re-estimated by the Risk Management service, with the methodological support of Crif, and will be released into production during 2013.. 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 2012 work continued on assigning and updating ratings to business borrowers, further consolidating the already significant levels of coverage achieved in previous years. The activity of the Rating Committee also continued. This is both an advisory board and a decision-making body and its tasks include resolving to override the ratings of business customers. 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 supervisory regulations known as Basel 2 were immediately interpreted 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 its capital requirement against credit risk is determined according to the First Pillar through the Standardized Approach, the Group firmly undertakes all the necessary organizational and methodological actions aimed at proving that its internal rating system is substantially in line with the requirements provided for in the supervisory legislation (so-called experience tests).

The Group 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 sectoral meaning) and residual risk (the risk that credit risk mitigation techniques prove, after the fact, to be less effective than expected). Alongside scrupulous observance of the supervisory legislation on the subject of large risks and the quantification of internal capital to cover concentration risk under the terms of the Second Pillar of Basel 2, the Parent Company has defined precise guidelines designed to mitigate concentration risk through fragmentation, both at the level of single entities, and in terms of business sector/geographical area. The loan disbursement process also provides for growing decision-making limits on the basis of the amounts being lent. Individual loan applications for which the total exposure of the debtor and of any group of customers associated with it exceeds certain thresholds are always examined by the Parent Company. Exposure to concentration risk is monitored monthly on the basis of objective indicators, such as the Herfindahl index, of which precise thresholds have been set to limit the overall exposure in individual business sectors/geographical areas and dimensional classes. As far as residual risk is concerned, the Parent Company has adopted a special process with the purpose of checking the acceptability of guarantees according to each specific and general requirement prescribed by the Supervisory Authority.

At the same time as drafting the ICAAP Report (analysis of capital adequacy 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).

With specific reference to the new Basel 3 regulations, for which the Banca Sella Group was involved in the sixth quantitative impact study run by the Basel Committee (known as QIS6), the changes envisaged in terms of credit and counterparty risk do not significantly impact the risk profile of the portfolio.

Banca Sella's Credit Control service carries out second-level control activities regarding the correct disbursement and management of credit in the Group companies.

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 disbursement and management of loans;
- it also carries out certain credit management monitoring activities for the companies Biella Leasing and Consel. The activities carried out in outsourcing are governed by specific contracts with precise service levels and penalty clauses.

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 performance monitoring work, the Credit Quality service employs the following information procedures:

ARC - AUTOMATIC RISK CLASSIFICATION - procedure. The procedure classifies all positions in the Credit Portfolio of the Group Banks (borrowers or with overdrafts in use) into 4 classes on the basis of the credit risk:

- ARC class 1 (green): positions with no anomalies and positions with a low level of anomalies;
- ARC class 2 (yellow): positions with more serious anomalies, not such as to jeopardize continuation of the relationship, but which need to be remedied;
- ARC class 3 (red): anomalous positions which provide for action on the basis of the type of anomaly in being, the amount of the exposure and the amount past-due understood as the sum of instalments unpaid and unauthorised current account overdraft;
- ARC class 4 (black): positions with significant anomalies such as to require immediate action to remedy them.

Purpose: The ARC procedure is aimed at:

- classifying the loan portfolio according to the credit risk associated with customers;
- making available a customer risk record useful for monitoring and managing credit risk; the record is integrated into the platform in CRM and enables all the indicators used to calculate policies to be displayed on one screen, together with other information useful for managing the position.

The data are updated every week.

Monitoring credit risk: the credit risk management process is carried out on the CRM Platform where there is a section devoted to monitoring credit risk entitled “Credit Alarms”.

It contains contracts which show anomalies in relation to: ARC Risk and unauthorised current account overdrafts and unpaid instalments.

The CRM quickly provides the contacts to be worked to reduce the risk of losses on loans. The CRM also shows information on the customer including of a commercial nature so as to obtain a complete view of the said customer. The players that intervene in the CRM monitoring process are: the Branch, the Phone Collection, the Anomalous Loan Auditors and the Deciders.

Performance Anomaly Classes (from May 2012 the SIA - Summary Performance Anomaly Indicator - has been replaced)

Purpose: Their purpose is to identify immediately customer relationships which have the greatest performance anomalies within the classifications already made by the ARC - Automatic Risk Classification - procedure. They make it possible to:

- define the seriousness of the relationships;
- set action priorities.

The 12 new classes represent probability of default in the short term. A higher class corresponds to a more critical customer relationship. Class 12 in fact includes all positions marked as "Subjective Watchlist". The class can be viewed in the ARC risk record integrated into the CRM.

The data are updated every week.

TABLEAU DE BORD

This tool enables viewing of the trend of specific performance data with the possibility of segmenting the portfolio reports at the level of the Bank, a Territory, a District and a Branch.

Purpose: the Tableau de Bord has the purpose of monitoring the trend of specific performance anomalies and measuring the achievement of the targets assigned (unauthorised current account overdrafts, Frozen current accounts, Delinquency Ratio, Past-due invoices, Past-due resolutions, Past-due foreign loans, Subject-to-collection portfolio non-payments, Loan performance by ARC risk classes, Non-revoked watchlist positions, Past-due, Objective Restructured positions, PD).

Users: the data contained in the Tableau de Bord are available to the internal Offices and the Distribution Network.

Data updating period: the data are updated every month and refer to the figures in being at the end of the month. Unauthorised overdrafts and Delinquency ratios are instead updated daily.

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 Banca Sella, a team operates which is devoted to positions involved in restructuring in accordance with Art. 67, paragraph 3 and Art. 182-bis of the Bankruptcy Law. 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 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 Group does not have recourse either to the use of clearing agreements related to balance-sheet and "off-balance-sheet" transactions or to the purchase of credit derivatives.

The Group 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 realisation, organisational 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, which involves numerous players: from the Distribution staff who deal with the guarantee acquisition process to the

Parent Company's Risk Management Service which handles the stage of verifying the 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 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 Service works in two ways:

- statistical revaluations (known as surveillance) of the value of properties mortgaged for all contracts for which Bank of Italy Circular 263/2006, 11th update of 31 January 2012, permits recourse to this type of valuation. To this end the Group makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;
- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

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. It can be noted that the Group continued, also in 2012, to make use, when possible, of 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. In 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 Group Guarantees 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 property: both mortgage loans and real-estate leasing transactions are mainly aimed at private customers or small enterprises. This allows maintaining a high level of risk sharing;
- real guarantees on financial instruments and personal sureties: 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 for Banca Sella itself, for Banca Patrimoni & Sella and the for leasing company Biella Leasing.

Alongside its management functions, following the contractual terms for the task received, the service is responsible for:

- 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 accounts;
- periodically checking the adequacy of the recovery forecasts and the terms of recoverability of the credit;
- optimising the costs/results of the legal measures taken to recover the credit;
- 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 as regards Banca Sella is attributed in part directly to the manager of the service and in part to single managers within the range of the powers granted to the single CEOs of Banca Sella, while for the other companies managed in outsourcing, the powers are granted to the single CEOs of the 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.

On the first-time adoption of the IASs, as regards analytical assessments and the definition of the effective interest rate – seeing the objective impossibility of retrieving the 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, this 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 discharge plan; however, these rates have been reduced to the usury rate threshold at 31 December 2004;
- 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.

Banca Sella's 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	-	-	137	-	326.514	-	1	326.652
2. Financial assets available for sale	-	-	2.424	-	784.246	-	283.464	1.070.134
3. Financial assets held to maturity	-	-	-	-	708.050	-	200.995	909.045
4. Due from banks	-	-	-	-	329.813	-	10.342	340.155
5. Due from customers	258.951	239.841	27.912	83.649	8.011.503	-	243	8.622.099
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	380.524	380.524
7. Financial assets held for sale	-	-	-	-	92.431	-	-	92.431
8. Hedging derivatives	-	-	-	-	28.530	-	-	28.530
Total 31/12/2012	**258.951**	**239.841**	**30.473**	**83.649**	**10.281.087**	**-**	**875.569**	**11.769.570**
Total 31/12/2011	**205.746**	**266.355**	**20.125**	**38.970**	**10.153.154**	**-**	**975.047**	**11.659.397**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	137	-	137	X	X	326.514	326.651
2. Financial assets available for sale	2.424	-	2.424	784.246	-	784.246	786.670
3. Financial assets held to maturity	-	-	-	708.050	-	708.050	708.050
4. Due from banks	-	-	-	329.864	51	329.813	329.813
5. Due from customers	1.082.653	472.300	610.353	8.054.878	43.375	8.011.503	8.621.856
6. Financial assets at fair value through profit or loss	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	92.431	-	92.431	92.431
8. Hedging derivatives	-	-	-	X	X	28.530	28.530
Total A	**1.085.214**	**472.300**	**612.914**	**9.969.469**	**43.426**	**10.281.087**	**10.894.001**
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	X	X	1	1
2. Financial assets available for sale	-	-	-	283.464	-	283.464	283.464
3. Financial assets held to maturity	-	-	-	200.995	-	200.995	200.995
4. Due from banks	-	-	-	10.342	-	10.342	10.342
5. Due from customers	-	-	-	243	-	243	243
6. Financial assets at fair value through profit or loss	-	-	-	X	X	380.524	380.524
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**-**	**-**	**-**	**495.044**	**-**	**875.569**	**875.569**
Total 31/12/2012	**1.085.214**	**472.300**	**612.914**	**10.464.513**	**43.426**	**11.156.656**	**11.769.570**
Total 31/12/2011	**927.815**	**396.619**	**531.196**	**10.271.953**	**44.337**	**11.128.201**	**11.659.397**

Totally attributable to the company Banca Sella:

Positions subject to collective agreements

Total remaining debt at 31/12/12	of which overdue			
	up to 3 months	from 3 to 6 months	from 6 months to 1 year	over 1 year
	amount overdue	amount overdue	amount overdue	amount overdue
101.869	120	17	4	-

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	590.276	X	51	590.225
TOTAL A	**590.276**	**-**	**51**	**590.225**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	X	-
b) Others	75.975	X	-	75.975
TOTAL B	**75.975**	**-**	**-**	**75.975**
TOTAL A+B	**666.251**	**-**	**51**	**666.200**

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	660.925	401.974	X	258.951
b) Watchlist exposures	303.478	63.637	X	239.841
c) Restructured exposures	31.564	1.228	X	30.336
d) Past due exposures	89.110	5.461	X	83.649
e) Other assets	9.685.091	X	43.375	9.641.716
TOTAL A	**10.770.168**	**472.300**	**43.375**	**10.254.493**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	12.485	30	X	12.455
b) Others	889.812	X	1.900	887.912
TOTAL B	**902.297**	**30**	**1.900**	**900.367**
TOTAL (A+B)	**11.672.465**	**472.330**	**45.275**	**11.154.860**

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	**549.900**	**315.665**	**21.579**	**40.546**
- of which: exposures sold but not derecognized	2.415	392	-	-
B. Increases	**267.322**	**305.654**	**16.136**	**96.636**
B.1 Inflows from performing loans	18.990	275.557	6.084	93.447
B.2 Transfers from other categories of impaired exposures	181.020	20.869	9.811	1.978
B.3 Other increases	67.312	9.228	241	1.211
C. Decreases	**156.297**	**317.841**	**6.151**	**48.072**
C.1 Outflows to performing loans	719	46.531	52	15.254
C.2 Write-offs	108.525	647	59	18
C.3 Collections	40.440	18.463	762	8.673
C.4 Realizations through sales	3.453	-	-	-
C.5 Transfers to other categories of impaired exposures	114	185.031	5.190	23.343
C.6 Other decreases	3.046	67.169	88	784
D. Final gross exposure	**660.925**	**303.478**	**31.564**	**89.110**
- of which: exposures sold but not derecognized	3.689	4.605	-	-

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	**344.161**	**49.428**	**1.454**	**1.576**
- of which: exposures sold but not derecognized	668	24	-	-
B. Increases	**204.853**	**60.067**	**1.081**	**5.202**
B.1 Writedowns	131.337	42.718	575	2.795
B.1.bis Losses on sale	2.976	-	-	-
B.2 Transfers from other categories of impaired exposures	31.874	913	487	49
B.3 Other increases	38.666	16.436	19	2.358
C. Decreases	**147.040**	**45.858**	**1.307**	**1.317**
C.1 Writebacks on valuation	18.640	4.865	866	394
C.2 Writebacks on collection	12.672	1.963	53	74
C.2.bis Gains on sale	2.576	-	-	-
C.3 Write-offs	108.832	647	59	18
C.4 Transfers to other categories of impaired exposures	38	32.224	329	732
C.5 Other decreases	4.282	6.159	-	99
D. Final total adjustments	**401.974**	**63.637**	**1.228**	**5.461**
- of which: exposures sold but not derecognized	1.050	1.094	-	-

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	**789.558**	**1.573.704**	**62.451**	**15.770**	**-**	**-**	**8.415.254**	**10.856.737**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**48.771**	**48.771**
B.1 Financial derivatives	-	-	-	-	-	-	48.771	48.771
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**15**	**-**	**45**	**-**	**-**	**-**	**323.970**	**324.030**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**495.980**	**495.980**
E. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**789.573**	**1.573.704**	**62.496**	**15.770**	**-**	**-**	**9.283.975**	**11.725.518**

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	**91.969**	**110.197**	**289.127**	**289.623**	**271.811**	**235.814**	**141.240**	**1.976.459**	**31.423**	**7.453.159**	**10.890.822**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38.792**	**-**	**9.979**	**48.771**
B.1 Financial derivatives	-	-	-	-	-	-	-	38.792	-	9.979	48.771
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**42.253**	**10.035**	**8.500**	**13.208**	**17.962**	**5.297**	**12.599**	**44.564**	**81**	**169.531**	**324.030**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**168.689**	**-**	**332.887**	**501.576**
E. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**134.222**	**120.232**	**297.627**	**302.831**	**289.773**	**241.111**	**153.839**	**2.228.504**	**31.504**	**7.965.556**	**11.765.199**

With regard to internal ratings, all the Group's Italian banks of have an internal model for assigning companies a credit 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 customers 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)
		Real estate				Credit derivatives					Guaranteed loans				
							Other derivatives								
		Mortgages	Financial leasing	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	16.203	-	624	17.430	-	-	-	-	-	-	-	-	-	-	18.054
- 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

		Real guarantees (1)				Personal guarantees (2)									
		Real estate				Credit derivatives					Guaranteed loans				
							Other derivatives								
	Net exposure value	Mortgages	Financial leasing	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	Total (1)+(2)
1. Guaranteed cash exposure:															
1.1 Totally guaranteed	5.281.177	7.006.599	-	342.266	32.665	-	-	-	-	-	494	1.661	7.126	895.978	8.286.789
- of wich: impaired	388.970	537.568	-	3.173	600	-	-	-	-	-	-	800	1.190	93.656	636.987
1.2 Partially guaranteed	160.445	10.060	-	31.520	6.369	-	-	-	-	-	9.745	-	25	-	57.719
- of wich: impaired	20.844	6.628	-	3.421	423	-	-	-	-	-	116	-	25	-	10.613
2. Guaranteed "off balance sheet" exposure															
2.1 Totally guaranteed	248.505	57.738	-	42.898	10.348	-	-	-	-	-	-	432	3.853	4.349	119.618
- of wich: impaired	5.638	2.355	-	51	109	-	-	-	-	-	-	-	-	1.769	4.284
2.2 Partially guaranteed	19.618	-	-	1.805	902	-	-	-	-	-	-	-	24	933	3.664
- of wich: impaired	55	-	-	-	20	-	-	-	-	-	-	-	-	933	953

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	-	1	X	3.932	1.546	X	-	2	X	155.923	209.836	X	99.096	190.589	X
A.2 Watchlist exposures	-	-	X	-	-	X	10	38	X	-	-	X	179.808	49.240	X	60.023	14.359	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	22.032	798	X	8.304	430	X
A.4 Past due exposures	-	-	X	39	3	X	381	15	X	-	-	X	55.048	2.128	X	28.181	3.315	X
A.5 Other exposures	1.592.458	X	5	19.732	X	1	174.791	X	158	4.484	X	-	4.406.145	X	32.516	3.444.106	X	10.695
Total A	**1.592.458**	**-**	**5**	**19.771**	**4**	**1**	**179.114**	**1.599**	**158**	**4.484**	**2**	**-**	**4.818.956**	**262.002**	**32.516**	**3.639.710**	**208.693**	**10.695**
B. "Off balance sheet" exposures																		
B.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	1.765	11	X	28	-	X
B.2 Watchlist exposures	-	-	X	-	-	X	-	-	X	-	-	X	9.383	18	X	436	-	X
B.3 Other impaired assets	-	-	X	-	-	X	6	-	X	-	-	X	724	1	X	113	-	X
B.4 Other exposures	110.561	X	-	937	X	-	65.210	X	47	1.399	X	3	585.420	X	1.758	123.694	X	92
Total B	**110.561**	**-**	**-**	**937**	**-**	**-**	**65.216**	**-**	**47**	**1.399**	**-**	**3**	**597.292**	**30**	**1.758**	**124.271**	**-**	**92**
Total (A+B) 31/12/2012	**1.703.019**	**-**	**5**	**20.708**	**4**	**1**	**244.330**	**1.599**	**205**	**5.883**	**2**	**3**	**5.416.248**	**262.032**	**34.274**	**3.763.981**	**208.693**	**10.787**
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**

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	255.167	(400.741)	3.765	(1.135)	19	(27)	-	(6)	-	(65)
A.2 Watchlist exposures	239.828	(63.486)	9	(146)	4	(5)	-	-	-	-
A.3 Restructured exposures	30.336	(1.228)	-	-	-	-	-	-	-	-
A.4 Past due exposures	83.621	(5.461)	28	-	-	-	-	-	-	-
A.5 Other transactions	9.455.969	(43.283)	166.723	(68)	7.476	(10)	1.043	-	10.505	(14)
TOTAL A	**10.064.921**	**(514.199)**	**170.525**	**(1.349)**	**7.499**	**(42)**	**1.043**	**(6)**	**10.505**	**(79)**
B. Off balance sheet exposures										
B.1 Non-performing exposures	1.793	(11)	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	9.819	(18)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	843	(1)	-	-	-	-	-	-	-	-
B.4 Other exposures	757.271	(1.900)	125.574	-	2.269	-	20	-	2.087	-
TOTAL B	**769.726**	**(1.930)**	**125.574**	**-**	**2.269**	**-**	**20**	**-**	**2.087**	**-**
TOTAL (A+B) 31/12/2012	**10.834.647**	**(516.129)**	**296.099**	**(1.349)**	**9.768**	**(42)**	**1.063**	**(6)**	**12.592**	**(79)**
TOTAL (A+B) 31/12/2011	**10.472.260**	**(440.076)**	**282.290**	**(2.371)**	**19.603**	**(102)**	**1.059**	**(24)**	**10.143**	**(108)**

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	106.108	(149.108)	50.091	(56.963)	32.306	(60.246)	66.662	(134.424)
A.2 Watchlist exposures	99.097	(25.083)	55.859	(8.008)	30.935	(9.470)	53.937	(20.925)
A.3 Restructured exposures	23.883	(992)	3.166	(155)	441	(10)	2.846	(71)
A.4 Past due exposures	39.802	(2.076)	12.235	(543)	14.096	(1.072)	17.488	(1.770)
A.5 Other transactions	3.856.985	(20.627)	1.231.823	(6.912)	2.749.130	(6.516)	1.618.031	(9.228)
TOTAL A	**4.125.875**	**(197.886)**	**1.353.174**	**(72.581)**	**2.826.908**	**(77.314)**	**1.758.964**	**(166.418)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	649	(7)	96	(1)	1.042	(3)	6	-
B.2 Watchlist exposures	6.555	(13)	2.243	(2)	183	(1)	838	(2)
B.3 Other impaired assets	423	-	107	-	43	-	270	(1)
B.4 Other exposures	379.134	(1.219)	69.843	(181)	226.229	(213)	82.065	(287)
TOTAL B	**386.761**	**(1.239)**	**72.289**	**(184)**	**227.497**	**(217)**	**83.179**	**(290)**
TOTAL (A+B) 31/12/2012	**4.512.636**	**(199.125)**	**1.425.463**	**(72.765)**	**3.054.405**	**(77.531)**	**1.842.143**	**(166.708)**
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)**

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	365.281	(4)	157.049	(46)	3.973	(1)	3.011	-	60.911	-
TOTAL A	**365.281**	**(4)**	**157.049**	**(46)**	**3.973**	**(1)**	**3.011**	**-**	**60.911**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	29.940	-	45.227	-	760	-	-	-	48	-
TOTAL B	**29.940**	**-**	**45.227**	**-**	**760**	**-**	**-**	**-**	**48**	**-**
TOTAL (A+B) 31/12/2012	**395.221**	**(4)**	**202.276**	**(46)**	**4.733**	**(1)**	**3.011**	**-**	**60.959**	**-**
TOTAL (A+B) 31/12/2011	**591.783**	**(12)**	**346.515**	**(40)**	**6.474**	**(1)**	**3.904**	**-**	**521**	**-**

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	147.262	(2)	26.823	-	184.904	(2)	6.292	-
TOTAL A	**147.262**	**(2)**	**26.823**	**-**	**184.904**	**(2)**	**6.292**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	9.234	-	537	-	18.942	-	1.227	-
TOTAL B	**9.234**	**-**	**537**	**-**	**18.942**	**-**	**1.227**	**-**
TOTAL (A+B) 31/12/2012	**156.496**	**(2)**	**27.360**	**-**	**203.846**	**(2)**	**7.519**	**-**
TOTAL (A+B) 31/12/2011	**152.881**	**(11)**	**161.989**	**-**	**275.943**	**(1)**	**969**	**-**

B.4 Large risks

Amount	
- *non weighted*	1.831.415
- *weighted*	35.362
Number	3

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 08 January 2009, and 9 January 2012 Banca Sella S.p.A. completed three 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, 2009 and 2012, 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, 2008, 2009 and 2012, 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: A2 for the class A securities (at issue Aaa) – A2 for the class B securities – Baa2 for the class C securities. Class D securities are not listed, have not rating and are were subscribed by Banca Sella S.p.A..

At 31 December 2012 the securities in classes A-B-C had generated interest in the amount of 0,8 million euro. The Class D securities in the 2012 recorded interest in the amount of 0,9 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. During the course of the year, the servicing fees collected by Banca Sella S.p.A. were 0,07 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: A2 for the class A securities (at issue Aaa) - A2 for the class B securities – Baa2 for the class C securities. 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 class D securities are not listed and have not rating.

The total amount of the notes was subscribed by Banca Sella S.p.A..

At 31 December 2012 the Class A-B-C notes earned interest of 1,8 million euro. The class D securities recorded interest of 0,6 million net of commission expenses. There are not state of mortgage renegotiations.

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 2012 the servicing fees collected by Banca Sella S.p.A. were 0,087 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: A2 for the class A securities (at issue Aaa) – A2 for the class B securities – Baa2 for the class C securities. 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 class D securities are not listed and have not rating.

The total amount of the notes was subscribed by Banca Sella S.p.A..

At 31 December 2012 the Class A-B-C notes earned interest of 2,7 million euro. In 2012, the class D securities recorded interest of 1,4 million net of commission expenses for renegotiation of the guarantees which the bank paid to Mars S.r.l. in the amount of 0,03 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 2012 the servicing fees collected by Banca Sella S.p.A. were 0,088 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.

d) Banca Sella S.p.A. securitisation of performing loans – financial year 2012

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 09 January 2012, while the securities were issued on 14 March 2012.

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 398,8 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for this transaction 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.

The Class A1 and A2 notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: A2 both for class A1 and class A2 notes (at issue it was Aa2). The same securities have the following ratings from DBRS: AA both for class A1 and class A2 notes. Class D notes are not listed and have no rating.

The total amount of the notes was subscribed by Banca Sella S.p.A..

At 31 December 2012 the Class A1 and A2 notes earned interest of about 5,8 million euro. The Class D notes earned interest in FY 2012 of 7,1million 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 quarterly, equivalent to 0,45% of the amount of collections of the performing pecuniary loans made during the reference quarter. At 31 December 2012 the servicing fees collected by Banca Sella S.p.A. were approximately 0,2 million euro.

"THIRD PARTY" SECURITISATION OPERATIONS

Banca Sella Holding's company-owned portfolio includes ABSs issued in securitisations of non-residential loans carried out by banks in the United Kingdom. The total held at 31 December 2012 amounted to approximately 0,8 million euro, thus representing a residual part of the whole portfolio, about 0,12%.

C.1.1 Banking group - Exposures deriving from securization transactions divided by quality of underlying assets

Quality of underlying assets/ Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) Impaired	-	-	-	-	-	934	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	16.070	-	4.004	3.500	2.566	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	768	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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																		
A.1 Secursel S.r.l.																		
- Performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Secursel S.r.l.																		
- Leasing instalments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognized	16.070	-	4.004	-	3.500	-	-	-	-	-	-	-	-	-	-	-	-	-
C.1 Mars 2600 S.r.l.																		
- Performing loans	16.070	-	4.004	-	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
Securization: BUMF Commercial Mortagage Backed Securities	768	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 31/12/2012	Total 31/12/2011
1. Cash exposure							
- " Senior"	-	-	-	-	768	**768**	**2.603**
- " 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	712	-
2. Watchlist exposures	642	-
3. Restructured exposures	-	-
4. Past due exposures	192	-
5. Other assets	74.676	-
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**	1.546	74.676	552	16.848	2%	73%	-	-	-	-

C.2 Sales transactions

a. financial assets sold but not fully derecognised

QUALITATIVE INFORMATION

These are repurchase agreements with Group companies for underlying bonds (mostly issued by Group banks).

C.2.1 Banking group - Financial assets sold but not derecognized: book value and full value																					
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**	**2012**	**2011**
A. Cash assets																				
1. Debt securities	-	-	-	-	-	-	77.366	-	-	37.490	-	-	-	-	-	-	-	-	114.856	54.895
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76.222	-	-	76.222	91.382
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2012	**-**	**-**	**-**	**-**	**-**	**-**	**77.366**	**-**	**-**	**37.490**	**-**	**-**	**-**	**-**	**-**	**76.222**	**-**	**-**	**191.078**	
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.546	-	-	1.546	
Total 31/12/2011	**5.629**	**-**	**-**	**-**	**-**	**-**	**24.840**	**-**	**-**	**24.426**	**-**	**-**	**-**	**-**	**-**	**91.382**	**-**	**-**		**146.277**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.772	-	-		1.772

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: book value

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	-	-	76.774	38.158	1.921	50.394	167.247
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 31/12/2012	**-**	**-**	**76.774**	**38.158**	**1.921**	**50.394**	**167.247**
Total 31/12/2011	**5.813**	**-**	**24.757**	**21.845**	**2.978**	**68.540**	**123.933**

C.2.3 Sale transactions with liabilities having recourse only to the assets sold: fair value

Technical type / 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 (fair value)		Due from banks (fair value)		Due from customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2012	31/12/2011
A. Cash assets														
1. Debt securities	-	-	-	-	77.366	-	37.490	-	-	-	-	-	114.856	54.895
2. Share capital securities	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total assets	**-**	**-**	**-**	**-**	**77.366**	**-**	**37.490**	**-**	**-**	**-**	**-**	**-**	**114.856**	**54.895**
C. Associated liabilities														
1. Due from customers	-	-	-	-	76.774	-	38.158	-	1.921	-	-	-	X	X
2. Due from banks	-	-	-	-	-	-	-	-	-	-	-	-	X	X
3. Outstanding securities	-	-	-	-	-	-	-	-	-	-	-	-	x	x
Total liabilities	**-**	**-**	**-**	**-**	**76.774**	**-**	**38.158**	**-**	**1.921**	**-**	**-**	**-**	**X**	**X**
Net value 31/12/2012	**-**	**-**	**-**	**-**	**592**	**-**	**(668)**	**-**	**(1.921)**	**-**	**-**	**-**	**(1.997)**	**X**
Net value 31/12/2011	**(184)**	**-**	**-**	**-**	**83**	**-**	**2.581**	**-**	**(2.978)**	**-**	**-**	**-**	**X**	**(498)**

Key:
A = financial assets sold and fully recognized
B = Financial assets sold and partially recognized

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 financing 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

Interest rate risk derives from the possibility 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 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 Bank'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 Parent Company's Finance Department 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 service 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 to measure the interest rate and price risks inherent in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular No. 263/2006, and subsequent updates. Hence, capital absorption to cover market risk is represented by the sum of the capital requirements for each individual risk that makes 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 considered 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 analysed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

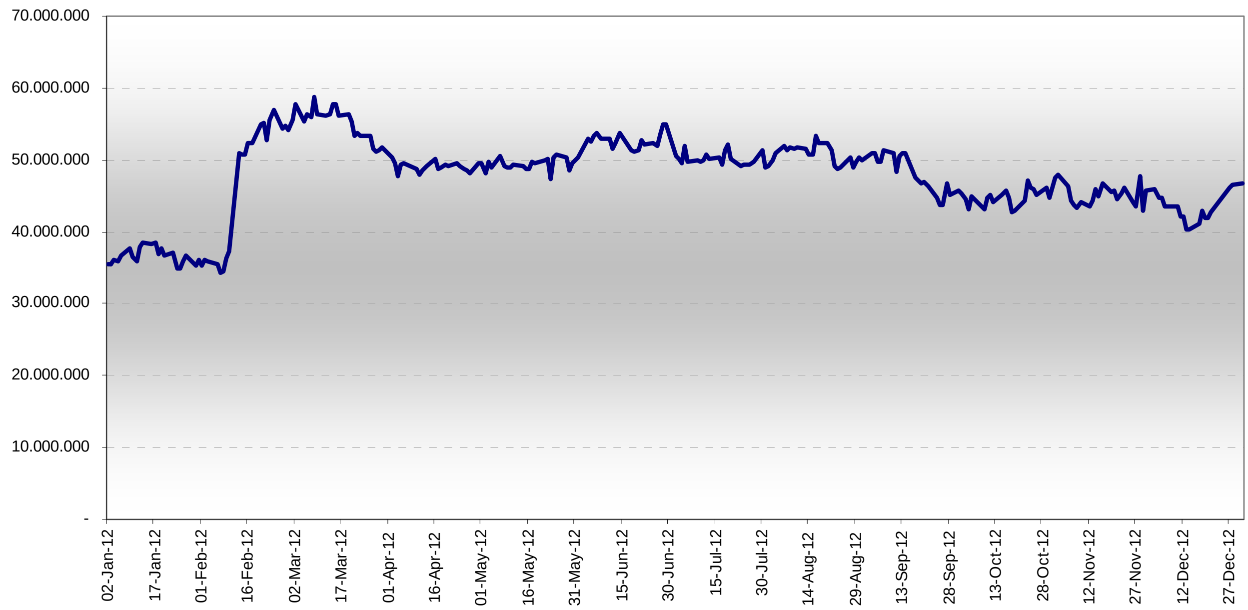
The Group Risk Management service carries out checks on the rend in the VaR (time horizon 10 days and 3 months, confidence interval 99%) for the own portfolios of the companies in the Banca Sella Group and analyses the sensitivity factors including: portfolio duration, effects of sudden interest rate shocks, and finally, checks on the operational limits on investments in securities.

The average duration of the trading book is 1,00 year while the sensitivity, estimated on a parallel movement of +100 basis points of the interest rate curve is about 11,15 million euro (about 1,00% of the portfolio).

The trend in the VaR of the Banca Sella Group (confidence interval 99%, time horizon 3 months, historical method) is shown in the chart below: These values have always remained within the prudential limits set by the Parent Company.

Banca Sella Group – trading book

Market risk VaR (time horizon 3 months – confidence interval 99%)



The Risk Management service also monitors own-account trading operations.

The trend of the VaR (horizon 10 days, confidence interval 99%) of Banca Sella Holding's trading activity is shown in the table below:

VaR Decomposition - Banca Sella Holding at 31.12.2012

Trading Book - Finance Area

Time horizon 10 day, confidence interval 99%

at		31 Dec 12			30 Jun 12		
		VaR Average	VaR Minimum	VaR Maximum	VaR Average	VaR Minimum	VaR Maximum
Risk Type							
Fixed Income	€	630.078	113.880	2.510.090	568.603	113.880	1.746.818
Foreign Exchange	€	2.625	431	102.930	3.438	599	102.930
Equities	€	130.796	-	889.014	144.807	-	398.083
Equity Derivatives	€	81.861	-	350.920	86.906	-	350.920
Derivatives OTC	€	858	858	858	858	858	858
Treasury	€	41.018	18.277	68.928	46.520	23.709	68.928
Total VaR[(b)]	€	**887.237**	**133.447**	**3.922.740**	**851.133**	**139.046**	**2.668.537**

(b) The Value-at-Risk is calculated as the sum of the individual VaR by risk type

1.2.2 INTEREST-RATE RISK AND PRICE RISK – 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 charged 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 interest 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 activities

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 (macro-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 (micro-hedges).

Exposure to interest rate risk inherent in the disbursement of loans is hedged by derivative instruments such as amortising 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 are implemented when fixed-rate bonded loans are issued. Further hedging is put in place 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 Parent Company's Risk Management 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 Parent Company's Risk Management service.

C. Cash flow hedging activities

Due to the substantial balance of assets and liabilities, no hedging is provided for interest rate risk on cash flow generated by variable rate items.

D. Foreign investment hedging activities

Due to the small amount of foreign investments, no hedging is put in place 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 audit processes are based on an organizational structure, which provides that the information is analysed 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 in liabilities with undefined contractual due dates (on demand items). For all other assets and liabilities items, the rules defined by Bank of Italy Circular no. 263/2006, 11th update of 31 January 2012, are used. The audit is carried out taking into consideration all the positions assumed on and off the balance sheet, but limited to interest-bearing assets and liabilities.

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 2012 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	1.034,1	3%

Amounts in euro millions

The price risk of the portfolio is attributable mainly to equity interests held by the Parent Company and by Banca Patrimoni Sella & C. for long-term investment purposes. These positions are adopted following the decisions of the Board of Directors and managed by the Finance Department of the Parent company on the basis of the instructions 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 Parent Company's Finance Department, the Treasury of which 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 "standardised approach" defined by Bank of Italy Circular No. 263/2006 and subsequent updates, which during the year never showed an absorption greater than 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. This body, with the assistance of the Parent Company Treasury, assesses possible hedging actions, if exposures towards currencies are judged to be 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 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	Australian dollar	Japanese Yen	Other currencies
A. Financial assets	**46.566**	**92.850**	**4.857**	**2.984**	**3.580**	**9.661**
A.1 Debt securities	29	19.139	-	2	-	27
A.2 Equity securities	13	2	667	-	-	-
A.3 Loans and advances to banks	24.079	31.816	2.742	1.953	792	7.051
A.4 Loans and advances to customers	22.445	20.198	1.448	1.029	2.788	2.583
A.5 Other financial assets	-	21.695	-	-	-	-
B. Other assets	**6.820**	**9.430**	**789**	**143**	**100**	**3.836**
C. Financial liabilities	**199.046**	**30.171**	**9.171**	**5.371**	**1.384**	**6.096**
C.1 Due to banks	8.418	17	-	63	612	215
C.2 Due to customers	190.628	30.154	9.171	5.308	772	5.881
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**7.209**	**5.616**	**2**	**-**	**-**	**1.032**
E. Financial derivatives	**152.795**	**(32.260)**	**4.557**	**2.230**	**(2.283)**	**(1.246)**
- Options	-	-	-	-	-	-
+ Long positions	25.814	1.635	7.520	319	520	44
+ Short positions	25.814	1.635	7.520	319	520	44
- Others	152.795	(32.260)	4.557	2.230	(2.283)	(1.246)
+ Long positions	209.910	14.185	6.617	11.045	7.736	6.293
+ Short positions	57.115	46.445	2.060	8.815	10.019	7.539
Total assets	**289.110**	**118.100**	**19.783**	**14.491**	**11.936**	**19.834**
Total liabilities	**289.184**	**83.867**	**18.753**	**14.505**	**11.923**	**14.711**
Imbalance (+/-)	**(74)**	**34.233**	**1.030**	**(14)**	**13**	**5.123**

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 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	737.592	30.300	348.635	36.700
a) Options	81.349	-	89.976	-
b) Swap	656.243	-	258.659	-
c) Forward	-	-	-	-
d) Futures	-	30.300	-	36.700
e) Others	-	-	-	-
2. Equity securities and equity indices	-	5.635	-	8.400
a) Options	-	2.835	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	2.800	-	8.400
e) Others	-	-	-	-
3. Currencies and gold	369.740	-	718.613	-
a) Options	133.542	-	198.886	-
b) Swap	80.669	-	119.559	-
c) Forward	155.529	-	400.168	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**1.107.332**	**35.935**	**1.067.248**	**45.100**
Average amounts	**1.640.071**	**34.518**	**1.896.384**	**102.156**

A.2 Banking book: notional end-of-period and average amounts

A.2.1 For hedging

Ulderlying assets/Type of derivatives	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	1.746.939	-	2.393.344	-
a) Options	-	-	-	-
b) Swap	1.746.939	-	2.393.344	-
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	**1.746.939**	**-**	**2.393.344**	**-**
Average amounts	**1.823.633**	**-**	**1.729.949**	**-**

A.2.2 Other derivatives

Ulderlying assets/Type of derivatives	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	3.315.378	-	3.391.119	-
a) Options	3.315.378	-	3.391.119	-
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	33.712	-	29.819	-
a) Options	25.452	-	29.819	-
b) Swap	6.315	-	-	-
c) Forward	1.945	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**3.349.090**	**-**	**3.420.938**	**-**
Average amounts	**3.025.104**	**-**	**1.900.237**	**-**

A.3 Financial derivatives: positive fair value - breakdown by products

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	14.224	20	21.914	-
a) Options	1.953	20	4.236	-
b) Interest rate swap	10.959	-	7.520	-
c) Cross currency swap	83	-	3	-
d) Equity swap	-	-	-	-
e) Forward	591	-	9.197	-
f) Futures	-	-	-	-
g) Others	638	-	958	-
B. Banking book - hedging	28.530	-	26.633	-
a) Options	-	-	-	-
b) Interest rate swap	28.530	-	26.633	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	5.713	-	10.669	-
a) Options	5.702	-	10.669	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	11	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**48.467**	**20**	**59.216**	**-**

A.4 Financial derivatives: negative fair value - breakdown by products

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	14.059	-	26.705	-
a) Options	1.911	-	4.177	-
b) Interest rate swap	10.669	-	15.951	-
c) Cross currency swap	134	-	4	-
d) Equity swap	-	-	-	-
e) Forward	566	-	4.533	-
f) Futures	-	-	-	-
g) Others	779	-	2.040	-
B. Banking book - hedging	165.738	-	128.917	-
a) Options	-	-	-	-
b) Interest rate swap	165.738	-	128.917	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	9.540	-	16.608	-
a) Options	9.379	-	16.608	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	161	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**189.337**	**-**	**172.230**	**-**

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	-	-	462.170	85.118	5.000	181.787	3.517
- positive fair value	-	-	2.755	305	-	7.975	150
- negative fair value	-	-	2.388	7.988	270	181	30
- future exposure	-	-	80	746	25	929	14
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	1
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	17.432	-	197.806	18.999	-	116.847	18.656
- positive fair value	-	-	934	90	-	1.719	296
- negative fair value	254	-	1.330	203	-	1.233	182
- future exposure	177	-	2.046	193	-	2.570	444
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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	-	973	2.086.349	60.997	-	1.052.714	1.861.284
- positive fair value	-	-	34.152	-	-	-	-
- negative fair value	-	-	152.521	13.263	-	200	9.093
- future exposure	-	2	14.867	606	-	8.136	15.030
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	8.259
- positive fair value	-	-	-	-	-	-	11
- negative fair value	-	-	-	-	-	-	161
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	19.089	-	-	2.047	4.316
- positive fair value	-	-	40	-	-	10	30
- negative fair value	-	-	40	-	-	-	-
- future exposure	-	-	325	-	-	106	220
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	**949.485**	**147.466**	**10.381**	**1.107.332**
A.1 Financial derivatives on debt securities and interest rates	581.602	145.609	10.381	737.592
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	367.883	1.857	-	369.740
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book	**470.057**	**1.209.899**	**3.416.073**	**5.096.029**
B.1 Financial derivatives on debt securities and interest rates	436.345	1.209.899	3.416.073	5.062.317
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	33.712	-	-	33.712
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2012	**1.419.542**	**1.357.365**	**3.426.454**	**6.203.361**
Total 31/12/2011	**1.832.577**	**1.512.132**	**3.536.817**	**6.881.526**

1.3 Banking group - Liquidity risk

QUALITATIVE INFORMATION

A. Liquidity risk: general aspects, management procedures and measurement methods

Liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by an 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 the Banca Sella Group are formalised in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. These strategies are an integral part of the emergency plan called the Contingency Liquidity Plan.

The governance model defined for managing and controlling the Banca Sella Group's liquidity risk is based on the following principles:

- conformity of liquidity risk management and monitoring processes and methods with prudential supervisory indications;
- decision-sharing and clarity on responsibilities of management, controlling and operating bodies;

The Group's liquidity monitoring follows the directives issued in Circular 263/2006 (Title V, chapter 2) and subsequent updates, supplementing the national regulations with the standards governed by the Basel Committee (Basel III: International framework for liquidity risk measurement, standards and monitoring") which will be applied starting on 1 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.

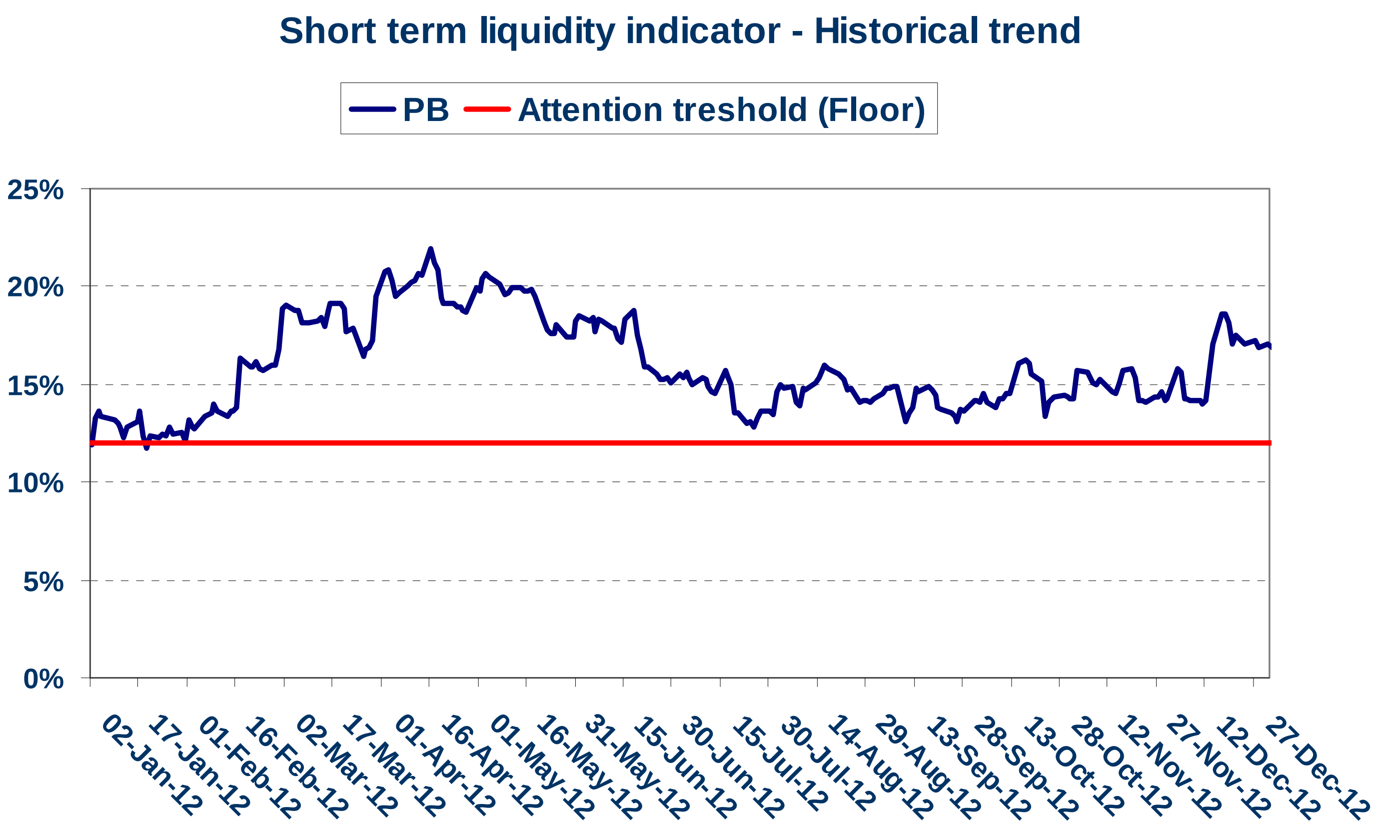
The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short- and medium/long-term systemic and specific liquidity.

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 established at 12%. The effective level of the indicator was always above this threshold during 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] Bank of Italy Circular No. 263/2006 and subsequent updates, Title III, Chap.1, Annex A

Banca Sella Group short-term liquidity indicator trend



In addition to the information provided by liquidity indicators, the Risk Management service of Banca Sella Holding and the Finance Department of the Banca Sella Group are responsible for carrying out stress analyses on the liquidity reserve of the Group itself.

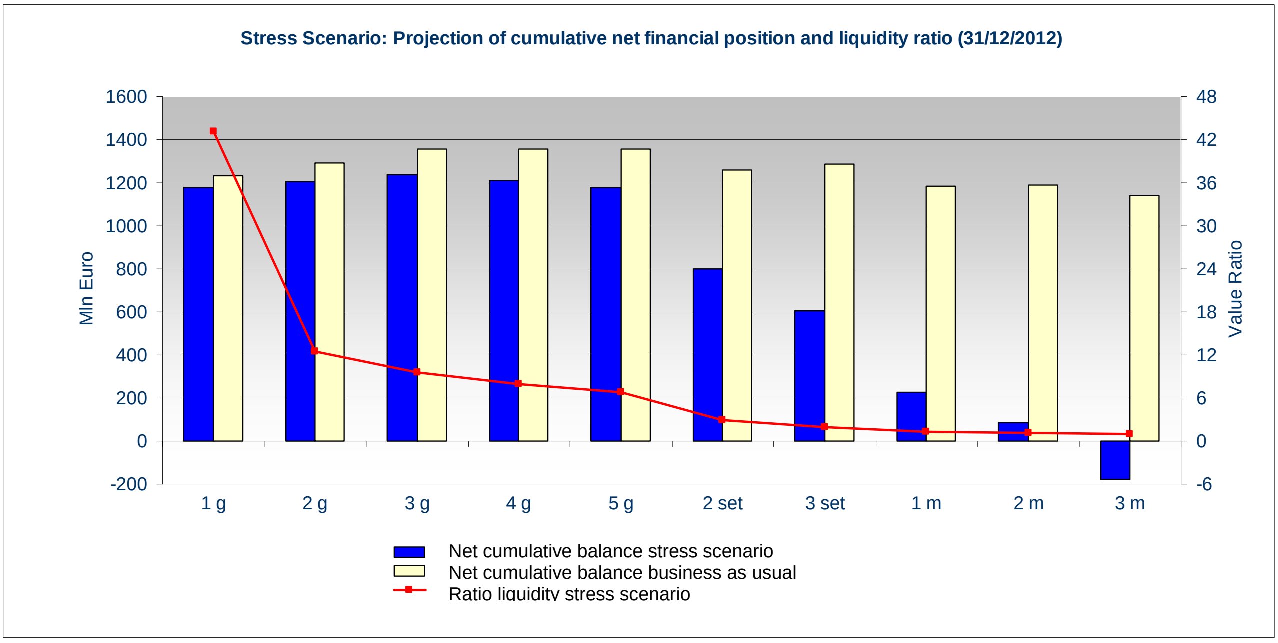
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated under the assumption that the business structure and the 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.

The stress test has always demonstrated cash and cash equivalents or easily cashed assets for the Group that are adequate to face any crises, of either systemic or specific origin.

[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 31 December 2012)



The scenario analyses envisaged by the Banca Sella Group are 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) and subsequent updates, 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.

QUALITATIVE INFORMATION

As regards the information to be provided at the foot of the table, required by the first update of Bank of Italy Circ. 262/2005, in relation to financial assets involved in securitisation operations in which the Bank has subscribed, on issue, all the liabilities issued by the vehicle company, see Part E – C. Securitisation Transactions, Qualitative information, of the present 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	**1.199.655**	**274.534**	**131.900**	**225.644**	**820.311**	**686.831**	**857.848**	**3.711.406**	**2.775.896**	**34.570**
A.1 Government securities	623	146	64	130	14.040	116.495	90.834	936.486	417.728	-
A.2 Other debt securities	4.049	38	39	6.231	45.367	27.929	72.285	104.501	6.765	-
A.3 UCITS units	6.974	-	-	-	-	-	-	-	-	5.046
A.4 Loans and advances	1.188.009	274.350	131.797	219.283	760.904	542.407	694.729	2.670.419	2.351.403	29.524
- Banks	76.663	115.350	-	1.387	36	53	78.958	5.413	201	25.963
- Customers	1.111.346	159.000	131.797	217.896	760.868	542.354	615.771	2.665.006	2.351.202	3.561
Cash liabilities	**7.031.529**	**128.150**	**61.610**	**122.458**	**643.819**	**466.676**	**245.239**	**1.390.887**	**329.539**	**774**
B.1 Deposits and current accounts	6.923.216	13.175	25.890	62.828	249.096	333.457	146.354	94.212	10.173	774
- Banks	67.554	800	-	-	-	-	-	3.505	9.936	-
- Customers	6.855.662	12.375	25.890	62.828	249.096	333.457	146.354	90.707	237	774
B.2 Debt securities	136	24.003	575	8.292	278.307	51.709	28.660	622.523	239.695	-
B.3 Other liabilities	108.177	90.972	35.145	51.338	116.416	81.510	70.225	674.152	79.671	-
Off balance sheet transactions	**264.746**	**75.673**	**22.362**	**24.079**	**31.470**	**(23.034)**	**(9.647)**	**(52.648)**	**(47.801)**	**(186)**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(350)	(124.488)	(3.830)	(6.097)	(23.738)	(73.754)	(13.335)	(52.717)	(35.705)	-
- Short positions	350	200.723	26.246	30.405	56.502	53.659	8.665	45.174	41.490	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(45.396)	(552)	-	-	-	(537)	(1.000)	(6.172)	(6.046)	-
- Short positions	211.430	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	(196.148)	(1.515)	(54)	(229)	(1.296)	(2.860)	(3.987)	(62.326)	(47.554)	(8.926)
- Short positions	291.283	1.505	-	-	-	-	-	23.367	-	8.740
C.5 Financial guarantees issued	3.577	-	-	-	2	458	10	26	14	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**25.695**	**3.376**	**3.328**	**4.408**	**15.628**	**339**	**43**	**6.135**	**1.437**	**-**
A.1 Government securities	-	-	-	-	13.378	-	-	5.760	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	25.695	3.376	3.328	4.408	2.250	339	43	375	1.437	-
- Banks	19.481	-	-	-	-	-	-	-	-	-
- Customers	6.214	3.376	3.328	4.408	2.250	339	43	375	1.437	-
Cash liabilities	**27.470**	**-**	**-**	**-**	**1.492**	**1.163**	**930**	**-**	**-**	**-**
B.1 Deposits and current accounts	26.803	-	-	-	1.492	1.163	930	-	-	-
- Banks	17	-	-	-	895	-	1	-	-	-
- Customers	26.786	-	-	-	597	1.163	929	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	667	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(265)**	**11.076**	**8.012**	**-**	**-**	**787**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(8.044)	(2.543)	-	(22)	(673)	(1.254)	-	-	-
- Short positions	-	19.120	10.555	-	22	1.460	1.254	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(4)	-	-	-	-	-	-	-	-	-
- Short positions	7	-	-	-	-	-	-	-	-	-
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	(268)	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**30.060**	**2.409**	**1.371**	**4.097**	**5.708**	**709**	**34**	**1**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	1.326	-	-	-	10	-	17	1	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	28.734	2.409	1.371	4.097	5.698	709	17	-	-	-
- Banks	22.317	1	-	-	-	-	4	-	-	-
- Customers	6.417	2.408	1.371	4.097	5.698	709	13	-	-	-
Cash liabilities	**124.244**	**1.393**	**294**	**9.844**	**22.672**	**25.741**	**14.028**	**-**	**-**	**-**
B.1 Deposits and current accounts	122.142	1.393	294	9.844	22.672	25.741	14.028	-	-	-
- Banks	77	-	-	8.343	-	-	-	-	-	-
- Customers	122.065	1.393	294	1.501	22.672	25.741	14.028	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2.102	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(846)**	**(48.305)**	**(30.300)**	**(24.268)**	**(37.038)**	**3.073**	**1.135**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(148)	(81.666)	(35.515)	(30.827)	(59.282)	(11.509)	(4.142)	(76)	(63)	-
- Short positions	148	33.361	5.215	6.559	22.244	14.582	5.277	76	63	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(604)	-	-	-	-	-	-	-	-	-
- Short positions	583	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(125)	-	-	-	-	-	-	-	-
- Short positions	-	125	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	(825)	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency of denomination: British Pound

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**2.772**	**-**	**166**	**-**	**1.092**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	2.772	-	166	-	1.092	-	-	-	-	-
- Banks	2.597	-	147	-	-	-	-	-	-	-
- Customers	175	-	19	-	1.092	-	-	-	-	-
Cash liabilities	**7.283**	**-**	**153**	**606**	**211**	**152**	**786**	**-**	**-**	**-**
B.1 Deposits and current accounts	7.259	-	153	606	211	152	786	-	-	-
- Banks	29	-	-	-	-	-	-	-	-	-
- Customers	7.230	-	153	606	211	152	786	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	24	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**5**	**(2.768)**	**-**	**(140)**	**(74)**	**(735)**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(4.905)	-	(913)	(2.577)	(3.003)	(1.976)	-	-	-
- Short positions	-	2.137	-	773	2.503	2.268	1.976	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(23)	-	-	-	-	-	-	-	-	-
- Short positions	28	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**853**	**978**	**340**	**1.018**	**288**	**83**	**3**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	853	978	340	1.018	288	83	3	-	-	-
- Banks	46	484	176	88	-	-	-	-	-	-
- Customers	807	494	164	930	288	83	3	-	-	-
Cash liabilities	**1.302**	**-**	**-**	**-**	**-**	**81**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	1.250	-	-	-	-	81	-	-	-	-
- Banks	612	-	-	-	-	-	-	-	-	-
- Customers	638	-	-	-	-	81	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	52	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**122**	**3.374**	**-**	**-**	**1.144**	**(42)**	**(176)**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(4.201)	-	-	(608)	(42)	(176)	-	-	-
- Short positions	-	7.575	-	-	1.752	-	-	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(39)	-	-	-	-	-	-	-	-	-
- Short positions	161	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(768)	-	-	-	-	-	-	-	-
- Short positions	-	768	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**1.070**	**787**	**-**	**158**	**942**	**-**	**-**	**2**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	2	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	1.070	787	-	158	942	-	-	-	-	-
- Banks	972	787	-	158	-	-	-	-	-	-
- Customers	98	-	-	-	942	-	-	-	-	-
Cash liabilities	**3.501**	**-**	**-**	**-**	**1.082**	**-**	**674**	**-**	**-**	**-**
B.1 Deposits and current accounts	3.467	-	-	-	1.082	-	674	-	-	-
- Banks	61	-	-	-	-	-	-	-	-	-
- Customers	3.406	-	-	-	1.082	-	674	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	34	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(29)**	**(6.192)**	**-**	**-**	**2.752**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(9.428)	-	-	(766)	-	(39)	(39)	-	-
- Short positions	-	3.236	-	-	3.518	-	39	39	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(56)	-	-	-	-	-	-	-	-	-
- Short positions	27	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(787)	-	-	-	-	-	-	-	-
- Short positions	-	787	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**7.502**	**10**	**175**	**54**	**219**	**1.235**	**6**	**21**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	6	21	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	7.502	10	175	54	219	1.235	-	-	-	-
- Banks	6.542	-	175	54	-	-	-	-	-	-
- Customers	960	10	-	-	219	1.235	-	-	-	-
Cash liabilities	**7.558**	**-**	**-**	**115**	**1**	**-**	**363**	**-**	**-**	**-**
B.1 Deposits and current accounts	5.379	-	-	115	1	-	363	-	-	-
- Banks	2.184	-	-	-	-	-	-	-	-	-
- Customers	3.195	-	-	115	1	-	363	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2.179	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(4)**	**1.653**	**(68)**	**-**	**(192)**	**-**	**-**	**1**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(5.726)	(68)	-	(228)	-	(7)	(2)	-	-
- Short positions	-	7.379	-	-	36	-	7	3	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(50)	-	-	-	-	-	-	-	-	-
- Short positions	46	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.4 Banking group - Operational risks

QUALITATIVE INFORMATION

A. Operational risk: general aspects, management procedures and measurement methods

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes. Operational risk includes legal risk, but does not include strategic and reputational risks.

The Parent Company, Banca Sella Holding, performs a function of management and coordination for the control of exposure to the risks assumed by the Banca Sella Group companies in carrying on their ordinary and extraordinary business, delegating the operational aspects to the Risk Management 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:

- collection of quantitative data related to operating loss (data collection) and the income statement (net banking income);
- mitigation and control organizational structures;
- operational risk exposure assessment;
- output and tools to assist in managing operational risk.

Through the data collection activity the necessary information is collected to assess the exposure to operational risk of the Group as a whole and of individual Companies. In addition, the data collection activity allows to promptly inform the Risk Management 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" process);
- 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].

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.

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[3] DIPO information also allow internal operating loss data to be compared with the industry-wide operating loss data.

[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 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).

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 2012 a reorganisation project was continued involving business processes with an “end-to-end" approach[5]. This project involves processes being regrouped into macro-processes and then into macro-classes. An operational 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 operational risk.

Further operational risk mitigation support is provided by Banca Sella's “Operational Control” division, aimed at mitigating risks through second level operational controls on the “administrative service” area of the bank 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; operativeness of representatives) with the purpose to identify and prevent any internal and/or external anomalies.

Risk monitoring translates also into specific reporting functions at all levels of the corporate organization, in accordance with the legislation which states that timely information must be provided on the subject of operational risks. 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 enable assessment of the performance of management of operational risk, the Risk Management and Audit service produces regular summary and detailed statements which sum up for each Group company and for the Group as a whole the degree of risk assumed in relation to:

- anomalous events and operating losses reported in the Control Cycle database (highlighting the more serious anomalies);
- the outcome of line audits;
- the trend in service levels;
- the trend of the “internal operational risk rating”.

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.

Regarding legal cases pending, note that the companies of the Banca Sella Group are involved in a number of legal proceedings of various types and legal proceedings originating from the ordinary performance of their activities. In as much as it is not possible to predict the final results with certainty, it is held that any unfavourable

[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.

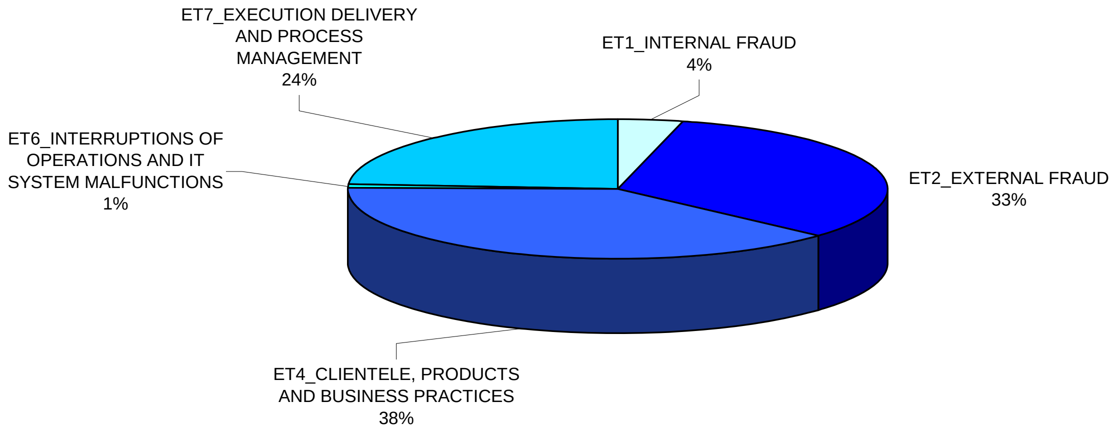
results of said proceedings would not have, either singularly or as a whole, important negative effects on the financial and economic situation of the Banca Sella Group.

For the purposes of calculation of the capital requirement to cover exposure to operational risk, the method adopted is the Basic Indicator Approach (BIA). In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net banking income available a regulatory ratio of 15%.

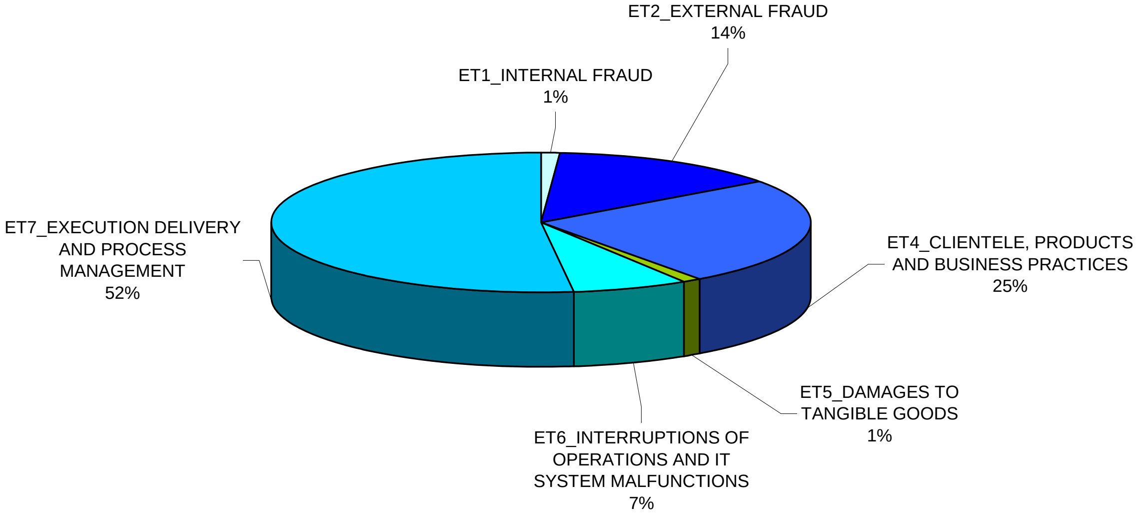
QUANTITATIVE INFORMATION

The graphs below, resulting from the processing of the information contained in the Group's Loss Data Collection, illustrate the operating loss data relevant to the period 01/01/2012-31/12/2012, 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 respectively in Ireland and Italy and specialised in terms of their products and customers. The first caters for 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

It 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-assurance reinsurance cover that is commensurate with the products marketed and adopts 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 the assumption can be seen by comparing the effective mortality of the portfolio with theoretical mortality for the same, which shows in 2012 effective mortality inferior to theoretical mortality.

Morbidity risk

It 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 LTC 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 avails itself of re-insurance cover that is commensurate with the products marketed and adopts 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 Circular No. 574/D of 2005).

Longevity Risk

This is the risk due to the trend of increasing life expectancy on life assurance 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 contracts, the Company is therefore exposed to longevity risk, due to the gradual trend of longer 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 with 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.

The Company is therefore exposed to the risk of obtaining, from the underlying investments, returns inferior to those guaranteed to the insured parties.

The risk connected with these policies is periodically monitored and assessed to ensure optimum allocation of financial resources, with a view to ALM (Asset-Liability Management)

In order to cover the risk of a possible disparity between the expected rates of return from the investments hedging the separately-managed technical reserves and the commitments assumed the mathematical reserves of the company have been increased by 3,079 million in compliance with ISVAP Regulation No. 21 of 28 March 2008.

The Liability Adequacy Test, carried out for IAS/IFRS purposes, 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, 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 counterparty risk is borne by the company. In addition during the year, three new index-linked policies were released and distributed by the Banca Sella Group banks for a total of 10 million.

Unlike for the index-linked products marketed in the past, the Company, in accordance with the provisions of ISVAP Regulation N° 32 of 11 June 2009, guarantees the capital at maturity and any coupons contractually provided for. The underlying securities are Italian government bonds.

In the context of CBA Vita's company portfolio, management and control of market risk is governed by a framework resolution on investments, approved by the Company's Board of Directors, which lays down the rules with which the company can expose itself to this type of risk.

The average duration of the Banca Sella Group company-owned portfolio at 31 December 2012 is equal to 1,58 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately -2,13 million euro (1,58% of the portfolio).

The Risk Management Service of Banca Sella Holding (the Parent Company of the Banca Sella Group) is responsible for the insurance company's business risk monitoring methods, and also has an advisory and recommendatory role in the definition of methodological guidelines for the creation of risk measurement and control models. It performs the market risk measurement activity through audits of the positions deriving from the Group's single entities, in order to ensure monitoring the total exposure and to promote its mitigation if it is considered excessive.

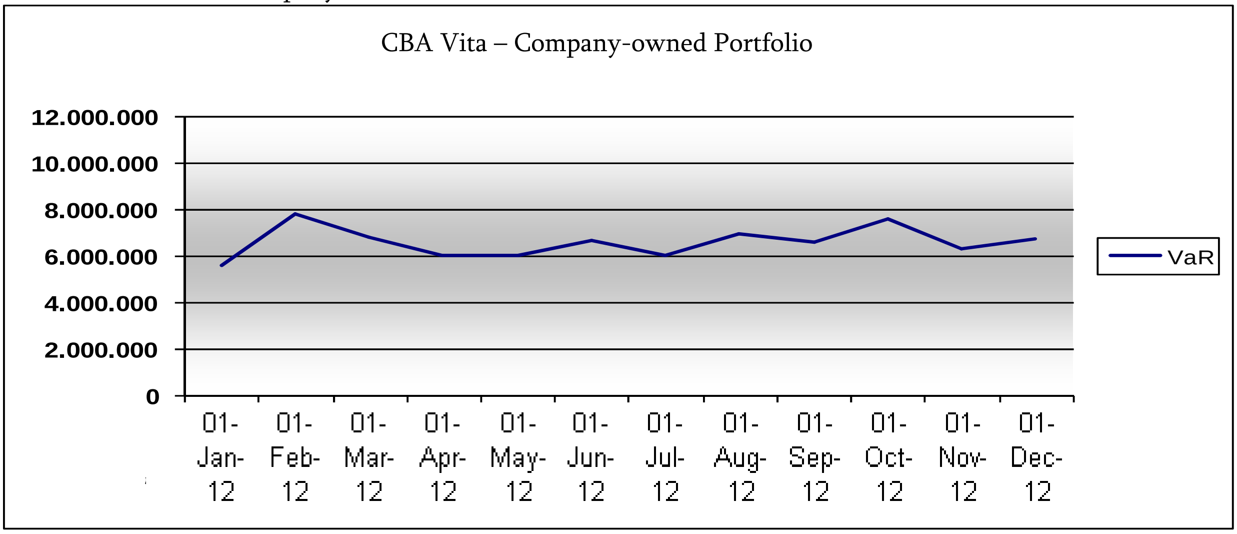
For operating purposes, the Banca Sella Group measures market risk using the Value-at-Risk (VaR) model, calculated according to the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time.

The so-called historical VaR is used with a confidence interval of 99% and a reference period of 3 months for the company-owned portfolios.

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 analysed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

The chart below shows the maximum estimate of potential loss on a time horizon of 3 months surveyed on CBA Vita's own floating portfolio. This potential loss at 31 December 2012 was 6,68 million (4,96% of the portfolio).

CBA Vita – Company-owned Portfolio



Market Risks VaR (time horizon 3 months - confidence interval 99%)

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 million for reinsurers with an A or higher rating;
- 25% of the total exposure or 3 million for reinsurers whose rating is lower than A.

The following table indicates the Group's exposure to reinsurers at 31 December 2012 and their related rating class:

Reinsurance	Rating Mody's	Rating S&P	Rating Fitch	Exposure at 31/12/2012 (euro)	Exposure at 31/12/2012 (% of total)	Maximum exposure (euro)
Swiss Reinsurance Company	A1	AA-	A+	374.447	8,56%	10.000.000
Score Global Life (rating parent company Scor SE)	A1	A+	A+	839.936	19,43%	10.000.000
Hannover A.G.		AA-	A+	729.936	16,95%	10.000.000
Cardiff (rating parent company BNP Paribas)	A2	A+	A+	2.091.593	55,06%	10.000.000
Total				**4.035.912**	**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 2012, 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	573.218	55.837	-	(483.677)	145.378
Share premiums	459.993	-	-	(327.735)	132.258
Reserves	487.515	4.902	-	(56.622)	435.795
Advancend on dividends	-	-	-	-	-
Equity instruments	-	-	-	-	-
(Treasury shares)	-	-	-	-	-
Valuation reserves:	(27)	666	-	4.450	5.089
- Financial assets available for sale	1.546	576	-	(1.516)	606
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investments hedges	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange rate differences	-	-	-	-	-
- Non current assets held for sale	-	-	-	-	-
- Actuarial profits (losses) on defined benefit pension plans	(1.621)	(151)	-	-	(1.772)
- Quote of valuation reserves for minority equity interests accounted with equity method	-	241	-	-	241
- Special revaluation laws	48	-	-	5.966	6.014
Profit (loss) for the year (+/-) of the group and of third parties	35.837	2.772	-	(15.905)	22.704
Shareholders' equity	**1.556.536**	**64.177**	**-**	**(879.489)**	**741.224**

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	1.413	389	576	-	-	-	(1.516)	-	473	389
2. Equity securities	453	-	-	-	-	-	-	-	453	-
3. UCITS units	74	5	-	-	-	-	-	-	74	5
4. Loans and advances	-	-	-	-	-	-	-	-	-	-
Total 31/12/2012	**1.940**	**394**	**576**	**-**	**-**	**-**	**(1.516)**	**-**	**1.000**	**394**
Total 31/12/2011	**211**	**30.162**	**36**	**15.724**	**-**	**-**	**-**	**511**	**247**	**46.397**

Key

Pos. = Positive reserve

Neg. = Negative reserve

B.3 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**(46.356)**	**211**	**(5)**	**-**
2. Increases	**51.823**	**747**	**87**	**-**
2.1 Increases in fair value	42.253	189	82	-
2.2 Reversal to income statement of negative reserves	9.567	558	5	-
- following impairment	-	513	-	-
- following realization	9.567	45	5	-
2.3 Other changes	3	-	-	-
- of which: business combinations	-	-	-	-
3. Decreases	**5.383**	**505**	**13**	**-**
3.1 Reductions in fair value	385	32	13	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	437	473	-	-
3.4 Other changes	4.561	-	-	-
- of which: business combinations	-	-	-	-
4. Closing balance	**84**	**453**	**69**	**-**

» 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.

The main contractual characteristics of the instruments included in the calculation of the supplementary capital and the third level are summarized in the following table:

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.	1,50%	variable	16-Sep-02	16-Mar-13	Euro	50.000	49.921
Banca Sella Holding S.p.A.	1,55%	variable	1-Sep-03	1-Sep-14	Euro	24.612	24.570
Banca Sella Holding S.p.A.	1,80%	variable	15-Jul-04	15-Jul-15	Euro	18.560	18.559
Banca Sella S.p.A.	1,29%	variable	3-Jun-09	3-Jun-19	Euro	850	850
Banca Sella S.p.A.	1,01%	variable	15-Jul-09	15-Jul-19	Euro	438	438
Banca Sella S.p.A.	0,89%	variable	10-Sep-09	10-Dec-19	Euro	10.000	8.615
Banca Sella S.p.A.	4,10%	fixed	15-Oct-09	15-Jan-20	Euro	5.000	4.231
Banca Sella S.p.A.	4,10%	fixed	26-Oct-09	26-Jan-20	Euro	5.000	4.089
Banca Sella S.p.A.	4,10%	fixed	29-Oct-09	29-Jan-20	Euro	10.000	8.455
Banca Sella S.p.A.	4,00%	fixed	16-Dec-09	16-Mar-20	Euro	5.000	4.336
Banca Sella S.p.A.	4,10%	fixed	23-Nov-09	23-Feb-20	Euro	5.000	4.521
Banca Sella S.p.A.	0,89%	variable	4-Sep-09	4-Dec-19	Euro	2.500	1.513
Banca Sella S.p.A.	4,08%	fixed	4-Sep-09	4-Dec-19	Euro	1.000	966
Banca Sella S.p.A.	4,10%	fixed	26-Oct-09	26-Jan-20	Euro	2.500	2.312
Banca Sella S.p.A.	4,10%	fixed	5-Oct-09	5-Jan-20	Euro	2.500	2.263
Banca Sella S.p.A.	0,90%	variable	31-Jul-09	31-Jul-19	Euro	701	701
Banca Sella S.p.A.	0,88%	variable	16-Sep-09	16-Dec-19	Euro	930	710
Total hybrid instruments (Upper Tier II)							**137.050**
Banca Sella Holding S.p.A.	1,81%	variable	15-Dec-04	15-Dec-14	Euro	20.000	18.000
Banca Sella Holding S.p.A.	1,78%	variable	28-Nov-06	28-Nov-16	Euro	40.000	35.000
Banca Sella Holding S.p.A.	1,68%	variable	21-Jun-07	21-Jun-17	Euro	10.000	750
Banca Sella Holding S.p.A.	1,45%	variable	27-Dec-07	27-Dec-17	Euro	30.000	14.850
Banca Sella Holding S.p.A.	0,97%	variable	6-Jun-08	6-Jun-14	Euro	5.560	3.820
Banca Sella S.p.A.	1,01%	variable	15-Jul-09	15-Jul-19	Euro	1.692	1.338
Banca Sella S.p.A.	4,65%	fixed	15-Mar-11	15-Mar-21	Euro	10.000	9.097
Banca Sella S.p.A.	1,29%	variable	3-Jun-09	3-Jun-19	Euro	3.450	1.900
Banca Sella S.p.A. (*)	0,72%	variable	4-Jan-06	4-Jan-13	Euro	20.000	0
Banca Sella S.p.A.	0,48%	variable	24-Jun-08	24-Jun-14	Euro	20.000	17.104
Banca Sella S.p.A.	0,53%	variable	30-Sep-08	30-Sep-16	Euro	24.000	14.657
Banca Sella S.p.A.	0,98%	variable	16-Mar-09	16-Mar-15	Euro	12.000	9.602
Banca Sella S.p.A.	3,45%	fixed	18-Feb-09	18-Feb-15	Euro	6.000	5.649
Banca Sella S.p.A.	4,30%	fixed	15-Jun-11	15-Jun-18	Euro	8.267	7.880
Banca Sella S.p.A.	2,50%	variable	20-Oct-10	20-Oct-17	Euro	5.000	4.200
Banca Sella S.p.A.	5,10%	fixed	11-Nov-11	11-Nov-17	Euro	9.801	9.266
Banca Sella S.p.A.	4,55%	fixed	21-May-09	21-May-19	Euro	1.000	950
Banca Sella S.p.A.	5,30%	fixed	16-Jul-08	16-Jul-15	Euro	6.000	5.260
Banca Sella S.p.A.	4,90%	fixed	22-Sep-08	22-Sep-14	Euro	4.000	3.641
Banca Sella S.p.A.	4,00%	fixed	15-Dec-08	15-Dec-14	Euro	1.000	900
Banca Sella S.p.A.	4,00%	fixed	12-Jan-09	12-Jan-15	Euro	1.500	1.301
Banca Sella S.p.A.	3,50%	fixed	24-Feb-09	24-Feb-15	Euro	1.500	1.292
Banca Sella S.p.A.	3,90%	fixed	6-Feb-09	6-Feb-15	Euro	1.500	1.269
Banca Sella S.p.A.	3,50%	fixed	21-May-09	21-May-16	Euro	4.000	3.603
Banca Sella S.p.A.	0,90%	variable	31-Jul-09	31-Jul-19	Euro	1.799	451
Banca Sella S.p.A.	2,95%	fixed	12-Oct-10	12-Oct-17	Euro	2.500	2.410
Banca Sella S.p.A.	3,15%	fixed	22-Nov-10	22-Nov-17	Euro	2.500	2.229
Banca Sella S.p.A.	3,70%	fixed	14-Jan-11	14-Jan-17	Euro	10.000	9.511
Banca Sella S.p.A.	5,75%	fixed	12-Dec-11	12-Dec-17	Euro	20.000	18.404
Banca Sella S.p.A.	5,60%	fixed	30-Dec-11	30-Dec-17	Euro	10.000	8.887
Banca Sella S.p.A.	5,40%	fixed	17-Jan-12	17-Jan-18	Euro	20.000	16.843
Banca Sella S.p.A.	5,00%	fixed	14-Feb-12	14-Feb-18	Euro	15.000	13.119
Banca Sella S.p.A.	4,45%	fixed	1-Mar-12	1-Sep-17	Euro	10.000	9.504
Banca Sella S.p.A.	4,15%	fixed	13-Mar-12	13-Sep-17	Euro	10.000	8.852
Banca Sella S.p.A.	1,01%	variable	15-Jul-09	15-Jul-19	Euro	210	180
Banca Sella S.p.A.	0,62%	variable	27-Jun-08	27-Jun-14	Euro	4.000	3.706
Banca Sella S.p.A.	0,80%	variable	27-Oct-08	27-Oct-14	Euro	3.000	2.732
Banca Sella S.p.A.	1,34%	variable	5-Mar-09	5-Mar-15	Euro	3.600	3.215
Banca Sella S.p.A.	5,20%	fixed	25-Oct-11	25-Oct-17	Euro	3.000	2.900
Banca Sella S.p.A.	5,50%	fixed	1-Feb-12	1-Feb-18	Euro	5.000	4.380
Banca Sella S.p.A.	4,55%	fixed	31-Aug-12	28-Feb-18	Euro	5.000	4.688
Banca Sella S.p.A.	3,45%	fixed	10-Dec-12	10-Dec-18	Euro	3.830	3.830
Banca Sella S.p.A.	3,50%	fixed	15-Nov-12	15-Nov-18	Euro	10.000	9.979
Total eligible subordinated (Lower Tier II)							**297.149**
Total							**434.199**

(*) Subscribed by other Group companies and hence not ascibable to Group regulatory capital.

Hybrid instruments (Upper Tier II)

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 II 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.

B. QUANTITATIVE INFORMATION

	Total 2012	Total 2011
A. Tier 1 capital before application of prudential filters	**662.362**	**644.942**
B. Tier 1 capital prudential filters:	(769)	(2.950)
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(769)	(2.950)
C. Tier 1 capital including ineligible items (A + B)	**661.593**	**641.992**
D. Tier 1 capital ineligible items	16.837	19.879
E. Total Tier 1 capital (C - D)	**644.756**	**622.113**
F. Tier 2 capital before the application of prudential filters	**441.293**	**420.582**
G. Tier 2 capital prudential filters	(932)	(119)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(932)	(119)
H. Tier 2 capital including ineligible items (F + G)	**440.361**	**420.463**
I. Tier 2 capital ineligible items	16.837	19.879
L. Total Tier 2 capital (H - I)	**423.524**	**400.584**
M. Total Tier 1 and 2 capital ineligible items	34.206	31.625
N. Regulatory capital (E + L - M)	**1.034.074**	**991.072**
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N + O)	**1.034.074**	**991.072**

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.

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 7,80% and a ratio between total regulatory capital and risk weighted assets of 12,50%, 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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
A. RISK ASSETS				
A.1 Credit and counterparty risk	**11.595.241**	**11.417.732**	**7.101.877**	**7.146.754**
1. Standardized approach	11.594.473	11.415.129	7.101.723	7.145.873
2. Internal rating based approach				
2.1 Basic				
2.2 Advanced				
3. Securitizations	768	2.603	154	881
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	x	x	**568.150**	**571.740**
B.2 Markets risks			**11.592**	**9.589**
1. Standardized approach	x	x	11.592	9.589
2. Internal models	x	x		
B.3 Operational risk			**81.940**	**81.380**
1. Basic approach	x	x	81.940	81.380
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	**661.682**	**662.709**
C. RISK ASSETS AND CAPITAL RATIOS	x	x		
C.1 Risk weighted assets	x	x	8.271.027	8.283.867
C.2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	x	x	7,80%	7,51%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	x	x	12,50%	11,96%

» SECTION 3 - INSURANCE REGULATORY CAPITAL AND CAPITAL RATIOS

The solvency margin, calculated in accordance with the law, amounted to 25,620 million euro for life insurance. For non-life insurance, the solvency margin amounted to 2,5 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. 3031 of 19/12/2012. These amounts are fully hedged by the Company's equity with an excess of 22,486 million euro for life insurance and Capitalisation and 1,394 million euro for non-life insurance.

SOLVENCY MARGIN

At 31 December 2012 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)	**31/12/2012**
Life insurance	
Solvency margin to be set up	25.620
Guarantee fund	8.540
Margin components	48.106
Non-life	
Solvency margin to be set up	2.500
Guarantee fund	2.500
Margin components	3.894

At the end of the financial year life-insurance solvency margin components amounted to 48,106 million euro against an amount to be set up of 25,620 million; non-life solvency margin components amounted to 3,894 million euro against an amount to be set up of 2,500 million.

ADJUSTED SOLVENCY

Verification of adjusted solvency at 31 December 2012, 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)	**31/12/2012**
Required amount for adjusted solvency margin	33.633
Total components	46.262
Excess	12.629

The adjusted solvency margin not benefits from the provisions introduced by Isvap Regulation no. 43 of 12 July 2012.

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).

With the 9th update, on 12 December 2011, the Bank of Italy introduced into Circular no. 263 "New regulations for the prudential supervision of banks", the new TITLE V - Chapter 5 (Section IV) "Risk activities and conflict of interest with regards to related parties" in application of CICR Resolution no. 277 of 29 July 2008 and Art. 53, paragraphs 4.4-ter and 4-quater of Italian Legislative Decree no. 385 of 1 September 1993.

The Bank introduces these provisions, explaining that "The regulation of related party transactions aims to monitor the risk that the nearness of some subjects to the bank's decision-making units may compromise the objectivity and impartiality of the decisions relating to the granting of loans and other transactions with regards to said subjects, with possible distortion of the resource allocation process, exposure of the bank to risks that have not been adequately measured or monitored and potential damages for investors and shareholders".

As parent company, Banca Sella Holding S.p.A. has prepared suitable group procedures to ensure compliance with the above provisions, the general rules of which are dictated by two internal regulatory documents: the "Group Regulation for the management of related party transactions" and the "Internal Controls Policies".

Both documents have been approved by the Board of Directors of the parent company and subsequently enacted by the Bank.

The table below indicates the fees received by managers with strategic responsibilities. The managers with strategic responsibilities also include directors and statutory auditors

» 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 2012 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)*	
Item	**Total 31/12/2012**
a) short-term employee benefits	4.248,3
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	207,2
e) share-based payments	-
Total	**4.455,5**

(*)including those who also hold the office of director

The following table shows payments received in 2012 by Directors and Statutory Auditors of the Company:

Fees paid to Directors and Statutory Auditors ***(amounts in euro thousands)***	
Item	**Total 31/12/2012**
Directors	1.602,9
Statutory Auditors	294,4
Total	**1.897,3**

» 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 2012 differentiated by the different types of related parties:

Related-party transactions at 31 December 2012
(amounts in euro thousands)

	Subsidiaries	Associated companies	Directors and Managers
Loans & Receivables	-	43,04	5.257,16
Payables	-	128,57	4.458,23
Guarantees given	-	-	994,94
Guarantees received by the Group	-	135,06	703,92
Interest receivable and similar income	3,10	95,16	38,84
Interest payable and similar expense	76,10	104,35	500,18
Fee income	81,35	81,22	13,19

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 customer relations, with particular reference to governing commercial offers, distribution activities and marketing initiatives, implemented through the acquisition of information about customer needs in order to stay ahead of their expectations and achieve the economic, growth and customer satisfaction objectives set. It therefore includes the following companies: Banca Sella (net of the component that specifically refers to Banking Services), 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, Selvimm Due, 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 2012	259,1	4,2	3,4	17,4	1,9	285,9
year 2011	272,1	1,7	1,9	12,0	-6,4	281,4
NET INCOME FROM SERVICES						
year 2012	188,3	14,5	42,1	24,9	-3,2	266,6
year 2011	193,8	15,5	37,0	21,4	4,6	272,3
NET BANKING AND INSURANCE INCOME						
year 2012	447,4	18,7	45,5	42,2	-1,3	552,5
year 2011	465,9	17,3	38,9	33,4	-1,8	553,7
OPERATING COST						
year 2012	-292,2	-12,5	-34,8	-11,2	-24,4	-375,2
year 2011	-301,8	-10,5	-29,8	-11,0	-26,6	-379,7
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS						
year 2012	-9,2	-0,4	-18,1	-0,4	-1,9	-30,0
year 2011	-8,0	-0,4	-20,2	-0,4	-2,0	-31,1
OPERATING PROFIT/ (LOSS)						
year 2012	155,2	6,2	10,7	31,0	-25,7	177,3
year 2011	164,2	6,7	9,1	22,4	-28,3	174,1
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES						
year 2012	-128,1	0,0	0,0	0,0	0,6	-127,5
year 2011	-115,9	0,0	0,0	0,0	0,0	-115,9
PROFIT/ (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES						
year 2012	21,5	5,2	8,4	31,0	-25,2	41,0
year 2011	37,4	-8,3	8,1	22,4	-24,2	35,5
PROFIT/ (LOSS) FOR THE PERIOD (including minority interest)						
year 2012	12,5	3,9	5,2	20,8	-19,8	22,7
year 2011	15,6	-9,8	5,3	15,1	-8,9	17,3
OTHER INFORMATION:						
TOTAL ASSETS (before cancellations)						
year 2012	12.782	1.405	143	2.209	1.037	
year 2011	13.420	1.479	177	2.367	1.361	
DUE FROM CUSTOMERS (before cancellations)						
year 2012	9.624	11	23	556	9	
year 2011	9.478	8	75	825	3	
DUE TO CUSTOMERS (before cancellations)						
year 2012	8.244	5	19	141	1	
year 2011	8.237	5	78	0	1	
OUTSTANDING SECURITIES (before cancellations)						
year 2012	1.302	15	0	679	0	
year 2011	1.796	15	0	1.070	0	
NO. EMPLOYEES						
year 2012	2.940	89	919	52	142	4.142
year 2011	2.976	99	887	55	148	4.165

(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 2012	284,956	0,934	285,89
year 2011	279,1	2,3	281,4
NET INCOME FROM SERVICES			
year 2012	265,3	1,3	266,5
year 2011	263,6	8,7	272,2
NET BANKING AND INSURANCE INCOME			
year 2012	550,3	2,2	552,4
year 2011	542,7	11,0	553,6
OPERATING COST			
year 2012	-373,4	-1,7	-375,2
year 2011	-371,9	-7,7	-379,7
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS			
year 2012	-29,7	-0,3	-30,0
year 2011	-30,2	-0,9	-31,1
OPERATING PROFIT/ (LOSS)			
year 2012	176,8	0,5	177,3
year 2011	170,8	3,3	174,1
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES			
year 2012	-128,1	0,6	-127,5
year 2011	-115,9	0,0	-115,9
PROFIT/ (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES			
year 2012	40,3	0,7	41,0
year 2011	32,8	2,7	35,5
PROFIT/ (LOSS) FOR THE PERIOD			
year 2012	24,1	-1,4	22,7
year 2011	8,1	9,2	17,3
OTHER INFORMATION:			
TOTAL ASSETS (before cancellations)			
year 2012	16.726,5	849,8	
year 2011	17.978	826	
DUE FROM CUSTOMERS (before cancellations)			
year 2012	10.214	9	
year 2011	10.363	26	
DUE TO CUSTOMERS (before cancellations)			
year 2012	8.409	1	
year 2011	8.154	167	
OUTSTANDING SECURITIES (before cancellations)			
year 2012	1.996	0	
year 2011	2.881	0	
NO. EMPLOYEES			
year 2012	3.654	488	4.142
year 2011	3718	447	4165

(1) Interest income are reported net of interest payable in the item Net interest income (IFRS 8 paragraph 23)

Independent Auditors' Report

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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, 2012, 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 12 April, 2012.

3. In our opinion, the consolidated financial statements of Banca Sella Holding S.p.A. as of and for the year ended December 31, 2012 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, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 12, 2013

This report has been translated into the English language solely for the convenience of international readers.