BANCA SELLA GROUP

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

2013

Drawn up by the Parent Company
BANCA SELLA HOLDING S.p.A.

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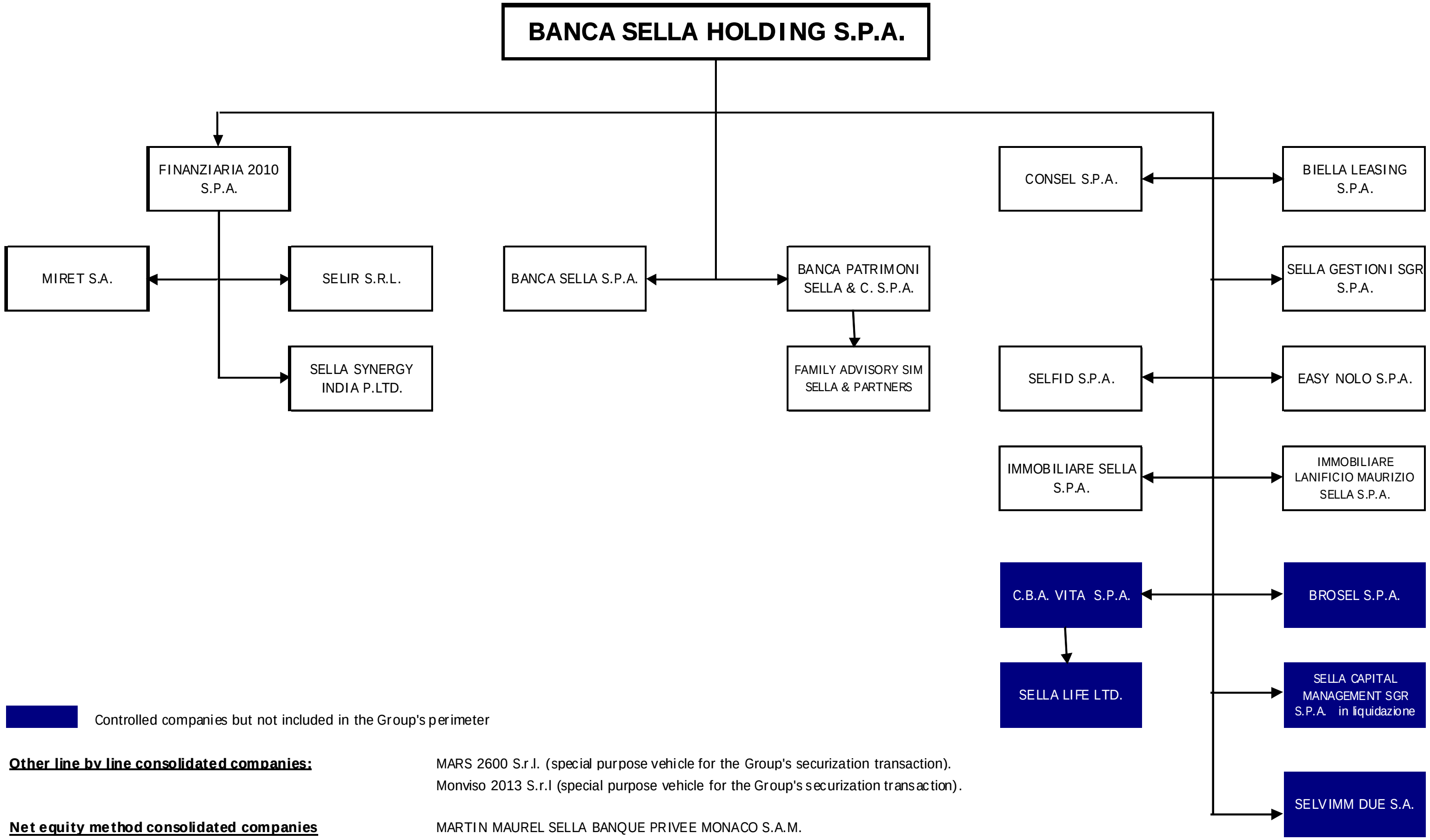
Map of the Banca Sella Group

at the December 31, 2013



Other line by line consolidated companies:

MARS 2600 S.r.l. (special purpose vehicle for the Group's securization transaction).
Monviso 2013 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 2015 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
“	

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

Generale Manager	Pietro Sella
Co - Generale Manager	Attilio Viola

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

REPORT ON CONSOLIDATED OPERATIONS AT 31 DECEMBER 2013

BANCA SELLA GROUP – MAIN FIGURES AND INDICATORS

Rating

The ratings assigned by the agency Moody's Investors Service and indicated in the table below refer to the latest Credit Opinion published in February 2014:

Rating	
Long Term Global local currency deposit rating	**Ba1**
Short term	**Not - prime**
Bank Financial Strength Rating	**D**
Outlook	**Negative**

In June 2013, the sale by Banca Sella of the Veneto and Trentino Alto Adige distribution business unit to Cassa di Risparmio di Bolzano Sudtiroler-Sparkasse took place (for more details, please refer to the chapter “Changes in the Framework of the Group”). This sale influenced the degree to which the equity and economic aggregates indicated below can be compared.

Please refer to the chapter “Results for the year, income and equity data” for a more in-depth analysis of the changes.

Data relative to the comparison period in the summary figure statements and in that of the alternative performance indicators, differ from those published in the financial statements as at 31 December 2012 in that, in those financial statements, to improve the comparability of the data, economic and equity components relative to Sella Bank AG had been individually reassigned to the relevant items, while in the financial statements at 31 December 2013, with the sale complete, they were moved to the appropriate item 150. Non-current assets and asset groups held for sale and 310. Profits/(losses) on asset disposal groups held for sale after tax.

BANCA SELLA GROUP SUMMARY DATA *(euro millions)*

Item	31/12/2013	31/12/2012	Variation	
			absolute	%
BALANCE SHEET				
Total assets	13.360,5	13.135,7	224,8	1,7%
Cash loans (excluding reverse repurchase agreements)	8.208,4	8.560,4	(352,0)	-4,1%
Reverse repurchase agreements	107,1	61,7	45,4	73,6%
Guarantees given	267,6	324,0	(56,4)	-17,4%
Financial assets	3.694,1	3.046,9	647,2	21,2%
Equity investments	13,4	13,0	0,4	3,1%
Non-current assets and asset groups held for sale	-	114,6	(114,6)	-
Tangible and intangible fixed assets	274,7	280,3	(5,6)	-2,0%
Direct deposit(1) (excluding repurchase agreements)	9.305,6	9.350,1	(44,5)	-0,5%
Repurchase agreements	54,1	122,2	(68,1)	-55,7%
Indirect deposit (2)	14.494,5	14.059,8	434,7	3,1%
Total deposit	23.854,2	23.532,1	322,1	1,4%
Tier 1	675,7	644,8	30,9	4,8%
Regulatory capital	1.057,8	1.034,1	23,7	2,3%
INCOME STATEMENT(3)				
Net interest income (4)	291,2	285,9	5,3	1,9%
Net income from services	246,8	259,6	(12,8)	-5,0%
Net banking income	8,1	9,9	(1,8)	-18,5%
Net banking and insurance income	546,1	555,4	(9,3)	-1,7%
Operating costs	357,6	374,3	(16,7)	-4,5%
Operating profit	188,6	181,1	7,5	4,1%
Net value adjustments for impairment losses	138,2	127,5	10,7	8,4%
Income tax	25,9	16,7	9,2	54,6%
Profit for the year (net) pertaining to the Parent Company	34,9	21,0	13,9	66,4%

(1) 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”

(2) 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.

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

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

ALTERNATIVE PERFORMANCE INDICATORS BANCA SELLA GROUP		
Item	**31/12/2013**	**31/12/2012**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) (8)	5,1%	3,2%
R.O.A.A. (return on average assets) (9)	0,29%	0,17%
Net interest income / Net banking and insurance income	53,3%	51,5%
Net income from service (10) / Net banking and insurance income (10)	45,2%	46,7%
Net income from insurance activity(10) / Net banking and insurance income(10)	1,5%	1,8%
Cost to income (11)	63,5%	64,8%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income (10) / Average number of employees	133,5	133,7
Gross operating profit (10) / Average number of employees	46,1	43,6
Cash loans / Number of employees at year end	2.030,8	2.066,7
Direct deposit / Number of employees at year end	2.302,2	2.257,4
Total deposit / Number of employees at year end	5.901,6	5.681,3
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	88,2%	91,6%
Cash loans / Total assets	61,4%	65,2%
Direct deposit / Total assets	69,6%	71,2%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	7,8%	7,1%
Net value adjustments to loans / Cash loans	1,7%	1,5%
Coverage ratio non performing exposure	59,0%	60,8%
Coverage ratio NPLs	43,7%	43,5%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	8,42%	7,80%
Total Capital Ratio	13,18%	12,50%

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

STAFF AND BRANCHES *(year end)*							
	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Employees of banking group	4.001	4.100	4.121	4.229	4.383	4.412	4.327
Employeees of insurance companies	41	42	44	44	46	44	43
Gruppo Banca Sella total employees(7)	4.042	4.142	4.165	4.273	4.429	4.456	4.370
Branches in Italy and abroad	304	332	334	335	334	332	332
Financial promoters	295	292	281	295	291	299	351

(7) *Employees of the banking group plus employees of the insurance companies*

MACROECONOMIC SITUATION

World context

In 2013, the world economy continued to grow at a contained pace, in line with the growth rates seen in 2012. The advanced countries, after a weak period at the beginning of the year, showed a more or less generalised trend towards recovery: the euro area came out of recession, thanks in part to the slowing of fiscal discipline, the accommodating monetary policy of the European Central Bank and the gradual progress of the integration process, which contributed to containing tensions associated with the sovereign debt crisis and favoured consolidation of the recovery in the trust of economic operators. In the United States, the continuation of the recovery of the residential real estate market and the fair strength shown by private consumption partially compensated for the effects of the change in the tone of the budget policy, which became more rigid. In Japan, the implementation of a new path for economic policy imposed by the Abe government allowed the country to accelerate its growth trend. The situation in the emerging countries, which began in 2012 to show signs of weakness, continued to demonstrate fragility, in part accentuated by the prospect of the stabilisation of US monetary policy. Despite confirming themselves as an important driver in the world economy, the emerging countries saw GDP growth rates that were lower than those in the two-year period 2010-2011.

Analysing the main world economies in more detail, the following aspects can be noted:

- The **US economy** concluded 2013 with an average year-on-year gross domestic product rate of change of 1.9%, slowing in regard to the +2.8% year on year seen in 2012. The tightening of the budget policy (increases in tax rates for high income taxpayers and the removal of the reduced rate on pension contributions for workers starting from 1 January 2013, as envisaged in the American Taxpayer Relief Act, which took effect due to the automatic cuts in public spending starting from 1 March), in addition to translating into a negative contribution to growth from federal public spending, also contributed to the less dynamic personal spending observed in the first months of the year. Supported by the recovery in the financial wealth of households, both in the real estate segment and in the financial segment, as well as the gradual improvement in the employment market and the maintenance of the very accommodating monetary policy, private consumption overcame the period of weakness, progressively accelerating during the second half of 2013. Investments in machinery, showing weak performance for most of the year, accelerated in the last quarter of 2013, in the face of cooling signals seen at the end of the year for investments in infrastructure and housing. These latter, after having made a positive contribution to GDP growth for twelve consecutive quarters, ended the fourth quarter of 2013 with a 9.8% annualised quarter-on-quarter drop, reflecting the weakness seen in the openings of new work sites in previous quarters. The intensification of the debate within the Federal Reserve in regard to the appropriateness of moderating bond purchases ("tapering") in fact contributed to the increase in interest rates on mortgages and the slowing of indicators relative to activity and sales in the residential sector during the summer months. Subsequently, the adoption of a more cautious approach by the Fed with respect to the start of tapering favoured a partial recovery in interest rates for mortgages and, at the same time, the restoration of more favourable conditions for the housing market. The Federal Reserve waited until the last monetary policy meeting of 2013, that of 17-18 December, to announce a reduction of 10 billion dollars, starting in January 2014, in its asset purchase plan in course, justifying its decision with the progress shown in the employment market since the start of quantitative easing 3. At the same time, the Fed reinforced its forward guidance on the policy rate, specifying that maintenance of the policy rate at the current level of 0-0.25% will still be appropriate once the unemployment rate has fallen below 6.5%, above all if expected inflation continues to be below the objective of 2%. With regard to budget policy, the start of fiscal year 2014 was marked by the closing of the Federal Government, or rather the suspension of the function of government spending functions not held to be essential, in the absence of an agreement between the House and the Senate on the law on financing federal agencies. The restoration of these activities was made possible by the agreement reached by

Congress in extremis on 16 October, which involved the removal of the public debt ceiling through to 7 February 2014 and the financing of the federal budget at the current levels in effect before the closure, through to 15 January 2014.

- The recession that had begun in the **euro area** in the last quarter of 2011 ended during the course of 2013, after six quarters. Sustained by the recovery of exports and the first indications of stabilisation of domestic demand, GDP returned to showing varying positive rates starting in the second quarter. Despite the fact that the indications of improvement extended during the course of the year to the peripheral countries and the domestic demand items showed signs of recovery, the recovery was of moderate intensity: the annual change rate for 2013 GDP was negative for the second consecutive year, to a slightly more contained degree with respect to 2012 (-0.4% from -0.7% the previous year). In addition to the attenuation of the rigour of fiscal austerity policies, the growth of the monetary unit benefited from the stabilisation of private consumption and investments – the free-fall phase of which stopped – and the start of the restocking process. The contribution of net exports was positive but smaller than in the previous year, due to the joint effect of a stronger import trend and less dynamic exports. The fragility seen in consumption and investment trends during 2013 can be justified by the persistence of the difficult conditions in the employment market – even if during the second half of the year unemployment rates stabilised – and the continuation of restrictive conditions for the granting of loans. In reference to Italy, in the third quarter of 2013, the free-fall phase in economic activity, which had begun in the summer of 2011, came to an end. The improvement in the climate of trust for companies and consumers, which began during the first few months of 2013 and continued, even if up and down, through to the end of the year, and the trend towards recovery in industrial production observed in the final months of 2013 are in line with a return to moderate growth for economic activity. The critical factors relative to the employment market and the conditions for access to credit previously cited for the euro area, nonetheless, weigh on private consumption dynamics and investment also in Italy, and on the support that these GDP components can give to economic recovery in the future. The absence of demand pressures and the slowing of the more volatile components of the consumer price index contributed to the notable deceleration in inflation observed during the course of 2013. The average annual inflation rate was equal to 1.3% both for the aggregate of euro area countries and for Italy, down from 2.5% and 3.3% in 2012, respectively. The prospect of a prolonged period of low inflation induced the European Central Bank to intervene, at their monetary policy meeting on 7 November, with an unexpected interest rate cut of 25 basis points on the main refinancing operations (from 0.50% to 0.25%) and the marginal refinancing operations (from 1% to 0.75%). The rate on deposits was kept at 0%. At the same time, the ECB extended the period for fixed-rate refinancing operations and with full demand acceptance at least through to the first half of 2015. During the course of 2013, the ECB had already intervened in regard to the policy rate at its May monetary policy meeting, with a cut of 25 basis points, while at its 4 July meeting it had introduced a new communication tool, "forward guidance," affirming its intention to maintain interest rates at current or lower levels for an extended period of time. Guidance on policy rates, as formulated in July, was then confirmed in subsequent monetary policy meetings. In regard to the sovereign debt crisis, the worsening of tensions fed by the critical problems of the Cypriot banking system led, in March, to the creation of an agreement at the EU level to restructure the debt of the two largest banks in the country and the disbursement of 10 billion Euro to support a fiscal adjustment program. On the other hand, the financial aid plans in favour of Ireland and the Spanish banking system were concluded. In the case of Ireland, the advancement of the process of consolidating public accounts and the return of the country to capital markets allowed it to exit from the troika program without needing to make use of other forms of financial support. Spain, having reached the objectives defined for the banking system aid plan, had in turn decided to not make use of the residual funds totalling 100 billion Euro that had been made available to reform its domestic banks. The march towards the creation of the banking union project continued. In November the ECB, in cooperation with the national Supervisory Authorities, began an in-depth examination of the financial statements and risk profiles of the intermediaries that as of November 2014 will be directly supervised by the Institute in Frankfurt.

At its December meeting, the European Council came to an agreement in regard to the establishment of a mechanism to resolve banking crises, hoping for its adoption within the end of the current European legislative session. The understanding calls for the creation of a single resolution fund which will reach its full financial capacity (55 billion Euro) after a transitional period of ten years and will initially consist of national compartments. During the transitional period, the financial resources necessary for the resolution of any banking crises will be made available by the governments or the European Stability Mechanism (ESM) fund.

- In Asia, **Japan** showed encouraging signs during 2013. The country's GDP once again accelerated during the first two quarters (+4.5% and +3.6% annualised quarter on quarter in the First and second quarter, respectively), followed by a significant slowing in between July and September (+1.1%), which the most up to date monthly indicators appear to indicate was temporary. Starting in April, it began to show a gradual recovery trend from the inflationary dynamic, with consumer price change rates becoming positive and stronger as time went on (+1.6% year on year for the general index and +1.3% net for fresh food in December), showing, beyond the impact of the increase in energy prices and questions of a methodological nature, a gearing effect on both import prices, which rose strongly, on the prolonged weakness of the Yen, and final prices, together with a slow rebalancing of demand and supply conditions. The improvement observed in the situation moved forward together with the expectations beforehand and then the start of the new path for economic policy of the Government led by Prime Minister Shinzo Abe, with a three point structure of an aggressively expansive monetary policy, a flexible fiscal policy and structural reforms. Coming out of the elections in December 2012, the new administration announced in January expansive fiscal measure totalling 20.2 trillion Yen (4.2% of GDP), including direct public spending of 10.3 trillion (2.1% of GDP) and, in December, with the intent of limiting the slowing effect deriving from the increase in VAT, scheduled for the coming April (from 5% to 8%), a stimulus package of 18.6 trillion Yen (of which public spending of 5.5 trillion). The Japanese Central Bank, under the guidance of the newly elected Governor Kuroda, at its meeting of 3-4 April inaugurate a new phase of "quantitative and qualitative" monetary slowing, with new and more substantial unconventional measures (mainly the purchase of public debt securities) aimed at favouring the domestic economy's exist from its prolonged deflationary status, in which it has stayed from around 15 years and at leading it, by 2015, towards a 2% target for consumer price changes. In **China**, having registered the slowdown in the first half, 2013 ended with a 7.7% change in gross domestic product, similar to that of the previous year. Nonetheless, in the last months of 2013 the main growth indicators showed a gradual loss of vigour, which was also confirmed by the first indications relative to 2014. After a temporary acceleration in the autumn, at rates of over 3%, inflation in the country returned to acceptable levels in November and December, for a 2013 average of 2.6%, lower than the 2.7% in 2012 and the government's target of 3.5% for the year. In **India**, the deceleration of the first six months of 2013 were followed by timid signs of improvement in growth during the second half, which nonetheless do not alter the fundamental structure of an economy that is having difficulty in entering a sustainable expansion trend, in the face of weakness in particular in the domestic demand components, in a complex inflationary context. Between May and September, various emerging countries, including India, were involved in a notable outflow of foreign capital, at the same time that fears began to spread in regard to the start of a return from the exceptional expansive monetary measures in the US. The outflows affected the more vulnerable economies more intensely, that is those with large current deficits and a relative need for external financing. In this context, more than one Central Bank of an emerging country (India, Indonesia, Brazil, and Turkey), busy also with managing domestic inflation tensions, exacerbated by the weakness of the domestic currency, intervened on the cost of money (and sometimes the currency market), continuing then with the tightening of the monetary policy in the new year, with "tapering" begun.

THE FINANCIAL MARKETS

After an initial phase of stability and a subsequent downward trend observed between March and April, long term rates of return in the US showed upward movement, which was almost uninterrupted from May through to the beginning of September. The ten-year government interest rate went from 1.6% a the beginning of May, which was the minimum for the year, to levels near 3%, which had not been seen since the summer of 2011. Behind the increase seen for US interest rates were the expectations of a reduction in monetary stimulus on the part of the Federal Reserve, fed by discussions within the board of the Central Institute in regard to a possible moderation of the purchase of bonds carried out in the context of the "quantitative easing 3" plan. The final part of 2013 was characterised by a re-entry phase for US returns, following the publication of uncertain macroeconomic figures for the US economy and the Fed's decision to maintain unchanged the purchases of bonds announced at the 17-18 September meeting, and a subsequent recovery that again brought the ten-year rate to almost 3%. The average ten-year rate in the USA was 2.33% in 2013, as compared with the average of 1.78% recorded in 2012. German long-term interest rates were affected by an upward trend similar to that of the US returns during the course of the spring and summer months, with the exception of the downward phase which arose in correspondence with the political tensions in Portugal which led to a flight to quality movement which benefited German government bonds, and by a subsequent fall. The recovery seen at the end of the year was more contained for German yields, in part reflecting the ECB's adoption of a monetary policy that was more expansive than expected. The average ten-year rate in Germany was 1.63% in 2013, as compared with the average of 1.57% recorded in 2012. Yields for government bonds in the peripheral countries of the euro area, supported by the signals of stabilising economic activity and progress in the implementation of the banking union project, continued the downward trend that began in the second half of 2012. The annual average ten-year rate in Italy was 4.3% in 2013, down from 5.47% in 2012.

In 2013, the stock markets saw an increase of approximately 20.3% (MSCI World). Stock markets benefited from the improvement of the situation of the advanced economies and the accommodating orientation that continued to characterise the monetary policy on the part of the main world Central Banks. These factors more than compensated for the fears associated with the prospects of the normalisation of the US monetary policy and the uncertainties fed by situations of structural problems and cyclical weakness in certain emerging economies.

THE BANKING SYSTEM

In this context, lending activities in the Italian banking system began a generalised shrinking dynamic from the start of the year, which progressively intensified as the months went on and was more severe in the business component. The trend for loans continued to suffer from low demand for investments on one hand, and of still restrictive supply conditions on the other. The recession continued to have effects on the quality of loans. The increase in credit risk weighed heavily on profitability, with consequent reflections on the supply policies of the banks, slowing the provision of credit and increasing the cost. Banking system funding remained healthy for most of the year, supported by the deposits component which nonetheless showed signs of slowing towards the end of the year.

Italian bank loans to the private residential sector in December 2013 stood at € 1,668 billion, recording an annual decline of 3.2%. The trend shows a net inversion with respect to the growth of 0.6% seen in 2012. In 2013, loans to businesses fell by 5.9% to 814 billion, those to households fell by 1.3% to 602 billion. These trends were in part compensated for by modest growth in the residual categories of loans to other Financial Institutions (+1.5% to 252 billion) which in December 2013 accounted for approximately 15% of loans to private customers. In the household segment, the 1.3% drop in loans seen during the year remained in line with the contraction (-1.4%) recorded the previous year. In regard to loans to non-financial companies, the contraction in volumes (-5.9%) involved all maturities and was more severe for loans with maturity dates of less than 1 year which reached, at the end of December, an annual reduction of 7.7%, falling to 305 billion. The decline of loans with maturity of more than five years accelerated, going from -2.7% at the end of 2012 to -4.7%, while loans with maturity between 1-5 years saw slowed their fall, going from -8.5% at the end of 2012 to -5%.

In 2013, credit quality continued to decline. The volume of gross non-performing positions at year end stood at € 156 billion, up 24.7% on last year with a ratio of gross non-performing positions and loans of 8.07% (from 6.28% at end 2012) and a ratio of net non-performing positions and loans of 4.3% (from 3.4% at end 2012).

At the end of the year, deposits in Euro with Italian banks represented by residents' deposits and bonds, reached 2,200 billion Euro, a 2.7% decline on an annual basis. Both the progressive reshaping of growth in the deposits and repurchase agreements component, which went from +8.8% at the end of 2012 to an increase of 2% in December 2013, and the reduction in the bonds component, which ended 2013 with a 9% drop to 866 billion Euro, contributed to this trend. Bonds suffered from the basic negative effect connected to the lack of sizeable state-backed bank issues which were carried out the previous year and held by the banks themselves, as they were used as collateral in the refinancing operations with the Central Banks.

In regard to the figures in the income statement, the main listed bank groups ended the first nine months with modest income and trending downwards with respect to the corresponding period in the previous year. Net banking income fell by 7.9% as a consequence of the reduction in net interest income and the result of finance, which was only partially shored up by the improvement in net fees and the tentative made by banks to compensate for the decline in net interest income through carry trade operations on government securities. The shrinking of operating costs (-6.8%) lessened the impact of the reduction in income from operating profit. The cost of bad credit continued along the path of growth that began in the second half of 2011. Net adjustments on loans absorbed almost ¾ of operating profit, compared to 58% in the first 9 months of 2012.

Despite contained income, Italian banks continued with the process of equity reinforcement, mainly due to the effects of the reduction in risk-weighted assets. At the end of September, the average Core Tier 1 ratio for the 5 largest bank groups reached 11.6%.

The financial wealth of the private household segment

The wealth of Italian households in the private segment continues to grow, but only part of this growth is reaching banks. Moreover, the financial industry benefits from the increase in the value of stocks, thanks to the favourable market trends and the performance seen.

At the end of 2013, financial wealth held by private Italian households, that is households with financial assets of at least 500,000 Euro, came to an approximate total of 936 billion Euro, an increase of 3.9% with respect to the previous year, of which 3.1% due to the increase in securities prices (Source: Prometeia – estimate of Private Banking Market Potential 2013).

Volumes traded in specialised structures within the private banking service at 30 September 2013 totalled 451 billion Euro (Source: Associazione Italiana Private Banking) and profitability, while lower than in other European countries, was rising.

In the context of the international economic panorama, the private banking industry can contribute to supporting the investments of companies and local public services, offering its customers more profitable investments than the yields offered by public debt securities.

The market share of private banking structures in Italy is still at less than 50% of the potential market and grows year by year. Therefore, the conditions exist for further growth in the future, which could be favoured by the spreading, among savers, of a consulting culture and, among intermediaries, of a more global approach to customer asset management.

STRATEGIC ISSUES

During 2013, implementation of the 2013-2015 Strategic Plan began; it was based on five strategic guidelines, which are summarised below.

- **Capital Strengthening;**
- **Improvement of risk management;**
- **Focus on human capital, mentality and organisation;**
- **Structural cost reduction, increasing productivity;**
- **Investments to increase net banking income and change the business mix.**

In order to achieve the objectives underlying these strategic guidelines, during 2013 specific strategic initiatives were implemented, which, for the most part, were an evolution of initiatives already begun in the previous strategic plan, extended and completed when necessary.

A strategic initiative contributed to the strengthening of capital: the

- **Capital Management Plan**, which foresees the continuation of the capital strengthening already begun. The main projects carried out in 2013 which fall under this initiative were the sale of the Banca Sella branches to Sparkasse, the sale of Sella Bank AG, and the Banca Sella Holding capital increase (reserved for shareholders, employees/pensioners, and fixed collaborators of the Group), as well as the usual high level of self-financing.

The following initiatives contributed and will continue to contribute to risk management:

- **Credit Quality:** this initiative, which began mid-2011, is part of efforts to continue to improve credit quality. The initiative is intended to accompany timeliness and rigour, the spread of a proactive culture and the adoption of appropriate preventive action.
  In 2013, various projects were begun which will continue throughout 2014. For example: preventive action that makes it possible to prevent the creation of financial difficulties that could prejudice customers' ability to pay their debts; the adoption of check-lists to improve the quality of visits to customers and to achieve better standardisation of the information acquired; the systematic use of sector and geographic analysis, with at least quarterly updates as of 2013;
- **Credit process review:** through this initiative, begun in 2013, which in addition to better risk management also works towards the goal of recovering productivity and reducing costs, the Group aims to carry out an in-depth and substantial review of the credit processes in all of their phases (disbursement, ordinary management, anomalous performance management and disputes). The review of these processes should allow the Group, making a break with the past, to make a concrete "organisational leap," which should be accompanied by a "widespread credit culture," so as to reduce the cost of credit risk, achieve better profitability for loans, reduce functional costs and improve productivity;
- **IRB (Internal Rating Based): adoption of advanced credit management models:** the focus of this initiative is to adopt advanced risk measurement models for better overall credit management. In 2013, the operational stage was begun and will continue in 2014 and 2015.

The following initiative contributed to Human Capital:

- **Human Resources:** in 2013, this initiative saw the continuation of the action begun in 2012, working to motivate, incentivise, develop, grow and care for human capital. Among the activities carried out in 2013, we note:
  - the review of the incentive system for the Banca Sella distribution network, with a view to continuously improving its alignment with the Group's values and objectives;
  - the assessment and review of management and development processes;
  - the renewal of the instruments and processes connected with holiday time management, supporting a reduction in the provisions foreseen for the three-year budget;
  - the start of the solidarity initiative through suspension of working activity, which was the subject of the Memorandum of Understanding signed with the union organisations on 24 April 2013.

The following initiatives have contributed to achieving rationalisation and efficiency:

- **Organisation**: changes to Group organisation aims, in line with compliance with the cost-cutting objectives, to significantly improve productivity, in particular by means of a major revision and increased efficiency of processes. Among the activities carried out in 2013, we note:
  - the adoption of the Group's new regulatory system, with a strong correlation between internal regulations and the structure of processes,
  - the start of work to adapt to that foreseen in the 15th update of the New Rules on Prudential Supervision for Banks (Circular 263/2006).
- **Efficiency and quality through regulation**: the initiative, launched in 2011, is focused on reviewing and rationalising the production and management of the “regulatory corpus”. Following the introduction of the new regulatory model in 2012, during 2013 around 80% of the macro-process policies were prepared and approved.
- **2012-2014 Management Control:** the initiative, which began in 2012, aims to achieve excellent quality levels in Planning and Control services. During 2013, the following important objectives were achieved:
  - elimination of the Dynamic Planning procedure, which was replaced with the Corporate Performance Management Board tool, which is currently used with greater efficacy for summarising, forecasting and budget processes at both the consolidated level and at the level of the individual companies of the Group, achieving automation objectives and increasing the quality of the reports produced, freeing up efforts that can be dedicated to trend analysis. in 2014 the Board is also to be used to manage the income statement and the preparation of reports from the Banca Sella network of branches;
  - additional notable reconciliation of the process to align accounting and management data;
  - the start of training activities and organisational action aimed at personnel growth, to increase skills and professionalism of the management control analysts throughout the Group;
  - further improvement of operating process, with particular reference to strategic planning (budget and infra-annual forecasting processes).

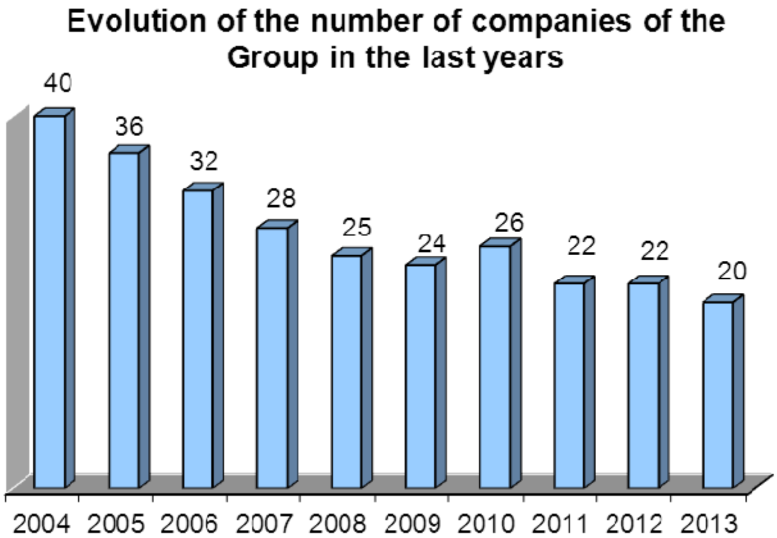
The following contributed to business development:

- **New commercial model:** through this initiative, started back in 2011, a major change in the Commercial Bank network model (Banca Sella) is in course, which is intended to implement an entirely new way of working with customers, in order to ensure improved professionalism, increase customer satisfaction, and increase the quality of the consulting offered for commercial development. Important objectives that were met in 2013 in regard to the New Commercial Model initiative were:
  - start of the portfolio project: the first part of the project was completed, in which a new type of responsibility for customers was introduced, with members of the commercial department becoming responsible for an entire group (portfolio) of customers;
  - workstation: the release of the new front end of the branch IT system was completed;
  - family budget: an online tool that helps customers in financial planning. During 2013, the first part of the project was completed that includes the option of classifying customers' current account movements, and the release of a mobile funds app, with related consulting services
- **The bank in the digital revolution**: in order to make the most of business opportunities connected with the Digital Economy, a dedicated initiative has been launched, which fully embraces all scopes, which, in different ways, are connected with innovation and the internet. Important objectives that were met in 2013 in regard to the initiative were:
  - the creation of a customer care services aimed at customers using social networks;
  - a new Gestpay offer for e-commerce;
  - a new "up mobile" release: an innovative payment system for mobile devices that allows payment via a smart phone using QR codes;

- the Sella Lab project to support ideas and projects developed by start-ups, and Group research and development projects;
- an online trading platform for tablets;
- an internal community with the goal of sharing documents and information;
- an informative home-banking service on Facebook, the first in Italy.

CHANGES IN THE FRAMEWORK OF THE GROUP AND EQUITY INVESTMENTS

During the year, the Group momentarily stopped the rationalisation operations in regard to its corporate structure, which had begun in 2004. This policy, implemented to allow for a better delineation of the product and services on offer, over the last few years has led to a progressive reduction in the number of companies, which fell to 20 (of which one in liquidation) at 28 February 2013.



Corporate transactions

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

LIQUIDATION OF SELGEST S.A.

On 28 February 2013, the liquidation of Selgest was completed. At the same time, it was cancelled from the official list of management companies.

SALE OF SELLA BANK AG

On 28 February 2013, the operation to sell the entire equity interest held in Sella Bank AG, a Swiss bank held by the Banca Sella Group and by Banque Martin Maurel, was concluded and signed on 29 November 2012 with Banca Privata Edmond de Rothschild Lugano SA., the most important listed Swiss bank.

SALE TO CASSA DI RISPARMIO DI BOLZANO

On 10 June 2013, the sale to Cassa di Risparmio di Bolzano Sudtiroler Sparkasse of the business unit consisting of 26 Banca Sella branches in the provinces of Trento, Belluno, and Bolzano and the private banking office in Trento took effect legally.

The operation served to rationalise the network of Banca Sella geographically and territorially and to strengthen the capital of the Bank and Group, guaranteeing continuity of the service supplied to customers. The transfer has a specific origin and purpose and does not, therefore, change the more general, consolidated development strategy of the commercial banking network, which remains that of extending and strengthening the commercial capacity identified as the main lever for customer satisfaction and Group development, with the aim of increasing market shares.

The tables below report the main equity data of the business unit sale to make it easier to compare the equity figures from financial year 2013 with those of the previous year.

	Assets (euro)	**10-Jun-13**
10	Cash and available liquidity	2.325.385
20	Financial assets held for trading	4.731
40	Financial assets available for sale	-
50	Financial assets held to maturity	-
60	Due from banks	110.724.242
70	Due from customers	232.446.148
80	Hedging derivatives	-
100	Equity investments	-
110	Tangible assets	92.749
120	Intangible assets	-
130	Tax assets	-
150	Other assets	11.445.601
	whose imbalance portfolio items	11.282.098
	Total assets	**357.038.855**
	Liabilities (euro)	**10-Jun-13**
10	Due to banks	-
20	Due to customers	355.094.646
30	Outstanding securities	-
40	Financial liabilities held for trading	380.038
80	Tax liabilities	-
100	Other liabilities	492.323
110	Employee severance indemnities	1.071.848
120	Provisions for risks and charges:	-
130	Valuation reserves	-
160	Reserves	-
170	Share premiums	-
180	Share capital	-
200	Profit for the year	-
	Total liabilities	**357.038.855**
	Guarantees issued and commitments (euro)	**10-Jun-13**
	Guarantees given	17.292.423
	Indirect deposit (euro)	**10-Jun-13**
	Indirect deposit	401.925.175
	Repurchase agreement	3.783.750

Changes in the scope of consolidation

The structure of the Banca Sella Group at 31 December 2013, 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 2013 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.	92,970%	92,439%	Transfer
Banca Patrimoni Sella & C. S.p.A.	71,730%	74,356%	sales and purchases
Biella Leasing S.p.A	99,193%	99,830%	Purchase
Consel S.p.A.	66,967%	67,412%	Purchase
Sella Gestioni SGR S.p.A.	94,701%	95,072%	Purchase
Brosel S.p.A	93,750%	96,000%	Purchase
Sella Capital Management S.p.A. in liquidazione	98,897%	99,508%	Purchase
Selfid S.p.A.	88,000%	92,500%	Purchase

In addition, during 2013 Selgest S.A. was liquidated and the company Sella Bank AG was sold.

COMPANIES CONSOLIDATED AT NET EQUITY

No changes in regard to companies consolidated at net equity occurred.

DISTRIBUTION CHANNELS AND COMMERCIAL MODEL

Bank branches

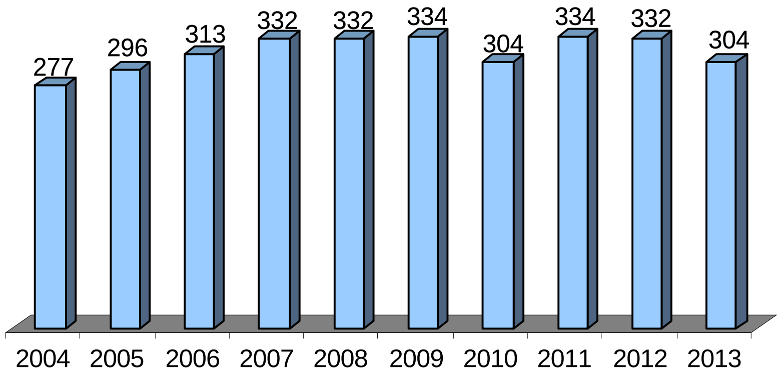
At the end of 2013, the number of Group branches had decreased by 28 units with respect to 31 December 2012, bringing the total to 304. The drop is due to the two sales operations which involved the Group during 2012 and which were completed during the first months of 2013:

- sale of branches to Cassa di Risparmio di Bolzano Sudtiroler Sparkasse (26);
- sale of Sella Bank AG (2).

The diagram below shows the evolution in the number of Group branches in the last 10 financial years. Note that during said period of time, the number of branches, after a gradual increase, underwent a break for consolidation.

The network area of Banca Sella (which accounts for 96.4% of all Group branches) has promoted a reorganisation of the structures in its territory, creating new hierarchies in the South West, Central-South East, the Centre, and the Central-North East. These activities started up in again at the start of 2014, with the establishment of the two Territories – Turin City/North Turin and Torinese, and South Piedmont and Liguria – in the wake of progressive rationalisation and evolution of the territorial presence and customer relations. Also in this context, ad hoc strategies for branches having difficulties with development and profitability have been adopted, as well as ad hoc policies for branches operating in areas with limited distribution. During the second half of the year, the adoption of a new geographical organisation began, which involved plans for the "unification" of several branches, located nearby, with the objective of creating a single structure and organisation, divided into several operating points, in order to increase the level of consulting and competence available to customers.

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



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

Group bank branches				
Company	**Branches at 31/12/2013**	**Proportion % of total 2013**	**Branches at 31/12/2012**	**Proportion % of total 2012**
Banks in Italy				
Banca Patrimoni Sella & C. S.p.A.	10	3,3%	10	3,0%
Banca Sella S.p.A.	293	96,4%	319	96,1%
Banca Sella Holding S.p.A.	1	0,3%	1	0,3%
Total branches in Italy	**304**	**100,0%**	**330**	**99,4%**
Foreign banks				
Sella Bank A.G. - Svizzera	0	0,0%	2	0,6%
Total branches abroad	**0**	**0,0%**	**2**	**0,6%**
Total Group branches	**304**	**100,0%**	**332**	**100,0%**
Geographical distribution of branches				
North West (Piedmont, Aosta Valley, Lombardy, Liguria)	168	55,3%	168	50,6%
North East (Veneto,Trentino, Emilia Romagna, Friuli)	31	10,2%	57	17,6%
Centre (Toscany, Lazio, Molise, Abruzzo, Marche)	35	11,5%	35	10,5%
South & Island (Campania, Apulia, Sicily, Sardinia)	70	23,0%	70	21,1%
Abroad (Switzerland)	0	0,0%	2	0,6%
Total branches	**304**	**100,0%**	**332**	**100,0%**

Banca Sella holds the concentration of almost all the branches, as the Group's only network bank. In fact the proportion of the total stands at 96.4%; the remaining 3.6% 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, and the Parent Company Banca Sella Holding present with the head office.

Financial advisers

The commercial network of Banca Patrimoni Sella & C. includes 295 financial advisers, 3 more than the 292 in the previous year. They operate mainly in 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 21 financial advice offices distributed all over the country.

Payment Systems Agents

As of 31 December 2013, the commercial network of the Banca Sella Group also included 44 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 Gestpay platform hire) 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 17 branches run by the Consel company, 13 affiliated “Consel Points” and more than 2,800 partner sales points active in 2013 all over Italy.
- in the financial leasing sector through 9 branches of the company Biella Leasing, as well as the Biella headquarters;
- in the managed savings and investment consulting sector with Sella Gestioni Sgr and Family Advisory Sim; in that of insurance services with CBA Vita and Sella Life and in insurance brokering with Brosel.

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 2013 amounted to approximately 11,830 million Euro, with an increase of 1,230 million Euro with respect to 31 December 2012.

Total net deposits for the Group's Private Banking grew by 890 million Euro over the course of 2013, consolidating the trend towards volumetric growth already seen over the last few years.

The in-depth knowledge of private customers by the Group's private bankers/financial advisers, together with the impeccable professionalism of the same private bankers/financial advisers, favours a progressive and indispensable process of moving away from individual financial instruments towards consulting and total asset assistance for customers. In addition, it is the service model adopted for the Group's private banking, revolving around the customer and not vice versa. Therefore, the objective is to listen to the customer's needs, which may not necessarily lead back to solely investment management, even if it remains the prevailing component.

2013 was characterised by a general positive trend on the stock markets and relative stability in the bond markets. On the other hand, the emerging markets were not particularly positive, in terms of stocks, currency and bonds. In Italy in December 2013, the differential between the ten-year Italian and German rates was 220 basis points – the lowest level since July 2011.

In this context, 57% of the asset mix of the customers of Banca Patrimoni Sella & C. at the end of 2013 was represented by Individual Portfolio Management and Mutual Investment Funds; for Banca Sella Private Banking it was 39%. Therefore, again in 2013 overall growth was confirmed for the Group's Private Banking in the above-mentioned asset management components. Similar aggregates for the Italian private banking market were 23% (source: AIPB – Associazione Italiana di Private Banking).

As regards the trend in revenues, net banking and insurance income for the Group's Private Banking sector recorded an 8% improvement over the previous year.

In 2013, the trend of net deposits, the good performance of Individual Portfolio Management which saw returns greater than the envisaged benchmarks, and effective management of customer relationships made it possible to face the difficult moments that arose from the adverse trends in the emerging markets with professionalism and alternative offerings.

Commercial Network

In regard to Banca Sella, 2013 was characterised by the evolution of the commercial bank model and the business mix.

In particular, a Commercial Markets Area was established, at the same time as the portfolio project took place in the Branches, divided into Households & Privates Markets, Affluent, Private, Small Business, and Businesses. The goal was to structure the contents of proposals and services dedicated to target customers through specialisation of the offerings, language and skills in the context of a characterisation by "segment," which released the value of consulting, of personalisation of products and services, and of flexibility in contact and communication instruments.

The Commercial Markets created specific communities aimed at the reference professional categories, prepared commercial plans, promoted the enlargement of the array of products and services on offer, created and developed specialised training programs, and developed the potential of a needs-based customer approach.

During the same year, the online adoption of the Workstation brought in a front-end inspired by typical consulting logic, through a functional system for customer engagement based on a framework of banking, liquidity, savings, loans, protection and investment requirements, all of which makes it possible to develop an approach that is defined through personalisation and not through products or pricing, as well as through flexibility in the channels used to communicate with customers, to valorise savings, make use of loans, optimise household and company budgets, plan social security and insurance, and finalise investments.

To sum it up: personalisation with an eye to setting up resources, aimed at individual, household or business projects, according to the principle of dedicating a reference professional to each customer, in accordance with the time, space and communication/relationship model preferred by that customer.

Also in the Commercial Markets area, the Online Bank Service was established, with the goal of reinforcing the positioning of the offers and services on the online channel and to promote, to the benefit of all customers, innovation and development of multi-channel offerings and digitalisation of services, to support an integrated Bank/Customer relationship.

The structure of commercial activity based on (target) customer needs promoted an increase in specialised roles within the network for consulting with a high degree of technical content, highly innovative and developed business services (from digital, to corporate financing, to Made in Italy, etc.), a generalised increase in skills, and greater synergy between the professional communities and the companies in the Group.

The Commercial Markets Area, particularly focused on developing the service model outlined in the New Commercial Model, now reports directly to the newly established Network Area.

The collaboration between Banca Sella and Banca Patrimoni Sella & C was further reinforced, both in the context of the services provided to Banca Sella relative to delegation of individual portfolio management, and in advisories dedicated to the private customers of Banca Sella, as well as between the two Commercial Networks.

In 2014, some activities will be carried out that were established and scheduled in 2013: the opening of Banca Sella branches in synergy with the development activities promoted by the private bankers with variable pay of Banca Patrimoni Sella & C.

The focus on issues of financial and insurance planning, in the context of consulting services dedicated to private customers and companies, led to an acceleration in cooperation: commercial, design, product, service, BSE with the Group's “factories”.

In particular, the collaboration with Sella Gestioni, CBA Vita and Sella Life allowed for a renewed interest in issues regarding complementary and integrative insurance, product innovation in the Linked Units, and support for the principles of asset allocation and the risk/return trade-off in the investments component.

Note that the above occurs, in a context that has been consolidated for some time, in the Commercial Networks of Banca Sella and Banca Patrimoni Sella & C, within the confines of an open architecture in which possibilities (of models, products, and captive offer services) are shared, with a quest for excellence available on the market outside of the Group's scope of consolidation, which creates a framework that continues to be unique (several networks, variable and fixed remuneration, Factory and Branch, etc.) and strongly characterised by a search for quality and customer satisfaction, according to the statements that, for some time, have defined the Group's corporate identify and provided an undoubted competitive advantage.

The activities implemented by the Commercial Networks with Brosel are of interest, done in line with the ever increasingly “full circle” approach to business customers, and in the widespread approach to increasing the level of service provided to customers, including through content that is not solely connected to direct loans, but also risk protection, to extend to business loans. This issue is increasing the awareness and knowledge of the Group's Commercial Networks in regard to indirect loans, and that accompanies them towards innovation, together with the other developments set by the Group as a whole.

Finally, the joint activities with Biella Leasing should be noted, in particular with the Banca Sella Commercial Network, both to share the possibilities of service and business with intra-group customers, and in the wake of that general mixing of skills and experiences that is the basis of the Customer service and development model that characterises the Banca Sella Group.

Electronic channels

Contact Centre

Also in 2013, the growth of calls to the Contact Enter continued, increasing by 6% with respect to 2012.

In addition to alternatives to the telephone such as chat, email, and video communication, the possibility of receiving assistance through the main social networks was added for customers.

The percentage of orders carried out by operators of the Telephone Banking service remained stable at 72%, while there was a 14% reduction in orders carried out directly on the automatic answering service.

The SAS (Development Support) service has strengthened its commercial development activities, increasing products emitted in support of the network by 45% and dedicating its work to engaging with customers with the goal of setting appointments in branches.

Marketing

During 2013, the Marketing service carried out initiatives related to various lines. The first involves the Digital Economy and involved the implementation of fairs, events, advertising campaigns and meetings with both private customers and companies.

Another involves the importance of relationships:

- from the point of view of the companies, relations have been created with industrial associations to create a privileged channel for cooperation and establish us as a Bank that understands the business projects of its customers. In particular, we recall the cooperation with Milano Unica and Assofranchising.
- From the point of view of private customers, events dedicated to them were carried out.

Private Digital Economy

The most important initiative during the year was the acquisition of private customers through advertising campaigns.

The campaign going by the name of "*Con Banca Sella navighi due volte*" [With Banca Sella you surf twice] was designed to acquire private customers both online and offline, as well as for branding activities, that is to reinforce awareness of the Banca Sella brand among both current and potential customers. The flagship products were the online current account "WebSella.it" and the "*Conto Tuo Famiglia*" [Your Family Account]. In addition to strengthening the aforementioned channels, the campaign also included a radio sport and a prize operation for new and existing customers.

To again confirm itself as one of the 4 most important national banks for online trading, Banca Sella participated at the ITF Rimini, ITF Winter and TOL Expo fairs. In addition, it organised, in cooperation with Borsa Italiana [the Italian Stock Market], four large events dedicated to specific sector themes. Over 40 training days aimed at customers were carried out, divided into thematic courses, aimed at creating culture and awareness of trading, as well as operational techniques.

Company Digital Economy

To confirm Banca Sella's position as a leader in the payment system sector, the marketing service, in cooperation with the product areas, chose to participate in some important national trade shows and continued its collaboration with Netcomm and Milan Polytechnic. In addition, numerous events aimed at increasing literacy with regard to digital economy issues were executed.

In regard to the acquisition of Business Customers, a new e-commerce line was created which has three separate levels: STARTER, PROFESSIONAL AND UNLIMITED. To communicate the line, a website and an online campaign using search engines, video placement and banner ads were created.

Relationships and personal rapport are two of Banca Sella's distinctive features, which characterise its way of banking. This is why marketing organised special meetings dedicated to private customers and potential customers.

Two important collaborations with Milano Unica and Assofranchising were approved. The decision to sponsor Milano Unica was made to create a reminder and consolidate the Bank's relationship with the textile industry in Biella and to create openings with other national textile areas as a partner for successful projects. The second allowed Banca Sella to create inroads with the important sector of Italian franchises, especially for complementary pensions and managed savings.

Customer satisfaction

With the aim of measuring customer satisfaction, each year the marketing service carries out a customer satisfaction survey in order to gather customer suggestions and comments and verify where intervention is needed to ensure continuous improvement.

Branch Image

From the results of the customer satisfaction survey, the need to restyle the branches became clear, as their image does not allow for identification with the concept of an innovative bank. Therefore, the marketing service took part in the start of a multi-year project to remodel the image of the branches. In 2013, 42 branches were restyled and 3 were transferred to more appropriate locations.

Direct channels

The direct channels service with the responsibility of creating/extending the array of services that allow customers to carry out "do it yourself" transactions, decreasing both time and space constraints, and extending the methods of interacting with customers, began numerous projects and strategic initiatives during the year.

Relative to Mobile banking, new functions were introduced, including the possibility of viewing the account statement and paying the public television fee, as well as projects aimed at further simplifying the user experience, by also improving the technical performance of the application. In addition, two new sections dedicated to signing up for funds were released, including through "recommendations" as well as the possibility to view one's existing insurance positions.

Also for mobile banking, the household budget was enriched with a function that automatically categorises movements.

In regard to the projects relative to "customer intelligence," during 2013 the "churn" models became part of the commercial activities cycle in our network and the first model that evaluates the propensity to purchase certain products was created.

The extension of the functions available within Internet Banking continued. This made it possible to increase the number of customers by over 5%. Among the most important projects we note the creation of an RC-Auto policy renewal function and the possibility to visualise recommendations provided from the reference sales person.

In regard to the development of the Group's portals, in concert with the initiatives and marketing investments in advertising, sections of the sella.it portal were reviewed, in particular those dedicated to the offerings regarding the websella.it account, and the review of the corporate sections was completed, in particular the content regarding the Gestpay offerings.

Towards the end of 2013, a new educational section was created which, through the publication of a series of video tutorials, has the goal of making it easier to show the Bank's offerings to customers, including potential ones.

Social Media Banking

In 2013 the new Social Media Banking service was established with the objective of evolving and making current the products and services offered to customers through the use of new methods of communication (social media). The service also had the goal of identifying new businesses born from the combination of services, digital products and the potential of social media.

The creation of a dedicated unit was necessary following the growing importance of social media also at the level of the banking system. This can be directly seen also in the Group's figures – during the course of 2013 the fan/follower base doubled and interactions with these pages saw a notable increase. During the year, projects were carried out that made it possible to increase the level of brand visibility, through overall repositioning, as well as changing the structure of communication, advertising and customer assistance methods. In addition, the social customer care service on Facebook was launched.

Projects in course will make it possible to identify and create banking products and services to be displayed directly on social media, for example Home Banking Sella.it on Facebook.

Sella Lab

This is an initiative to support Start-ups which has the objective of bringing (useful/effective) innovation to the Banca Sella Group and, more generally, creating and supporting local economic development. Sellalab carries out research, development and innovation activities to support the business areas of the Banca Sella Group to help them to rapidly take advantage of emerging innovations and opportunities for development, as well as idea accelerators, supporting start-ups and small and medium businesses, helping them to seize the advantages of the digital economy.

Sellalab aims to create a network of knowledge and ideas, in order to contribute to the development of the Group and its human capital.

In working towards these objectives, the service aims at constructing a strong network of relationships, consisting of incubators, accelerators, venture capitalists, start-ups, entrepreneurs, universities and research centres. The value proposition that mainly involves mentoring, networking and banking services, is reinforced in the local area with co-working space. The numeric objectives mainly regard the number of people who use the co-working space and the activation of digital economy banking products and services with the assistance of the managers.

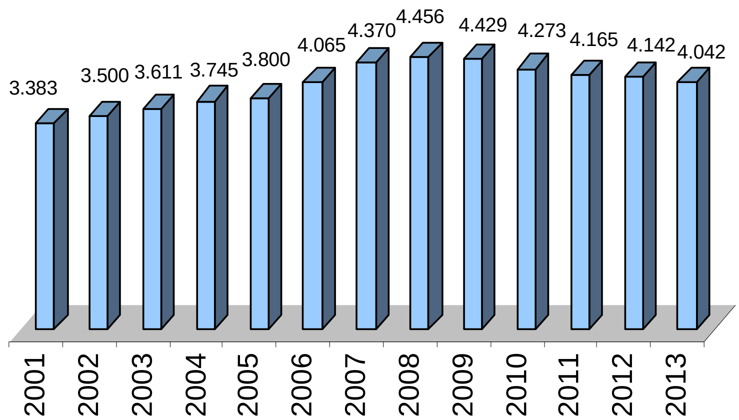
HUMAN RESOURCES

Human resources management and development

At 31 December 2013 the Banca Sella Group's staff totalled 4,042 employees, a decrease of 100 with respect to the figure at the end of 2012. 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 4,001, a decrease of 99 from 2012.

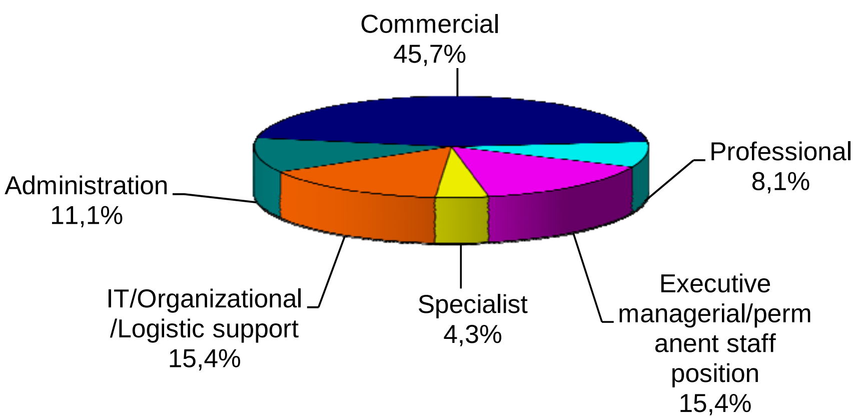
As reported previously, the decrease in personnel was influenced by the sales operations regarding Sella Bank AG and the 26 branches transferred to Cassa di Risparmio di Bolzano/Sudtiroler Sparkasse, which took place during the first half of 2013.

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



At the end of 2013, the average age of the Group's employees was approximately 39.07, with women representing 50.2% of the total workforce. The average age decreased slightly with respect to the previous year, when the average age was 39.21, while previously women represented 49.9% of the total.

The chart below provides a detailed breakdown of staff by professional 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 are partly due to the transactions described in the section

"Strategic issues" (which can be referred to for additional information), in particular in reference to the two sales.

GROUP STAFF STRUCTURE						
Company	Employees at 31/12/2013	Proportion % of total 2013	Employees at 31/12/2012	Proportion % of total 2012	Changes	
					absolute	%
Parent Company						
Banca Sella Holding S.p.A.	240	5,9%	235	5,7%	5	2,1%
Banking Group Banca Sella						
Banca Patrimoni Sella & C. S.p.A.	181	4,5%	179	4,3%	2	1,1%
Banca Sella S.p.A.	2.713	67,1%	2.829	68,3%	-116	-4,1%
Chennai Branch - Banca Sella	199	4,9%	167	4,0%	32	19,2%
Biella Leasing S.p.A.	62	1,5%	62	1,5%	0	0,0%
Consel S.p.A.	260	6,4%	263	6,3%	-3	-1,1%
Easy Nolo S.p.A.	2	0,0%	2	0,0%	-	0,0%
Family Advisory SIM S.p.A.	4	0,1%	3	0,1%	1	33,3%
Selir S.r.l.	293	7,2%	275	6,6%	18	6,5%
Sella Bank A.G.	-	0,0%	36	0,9%	-36	-100,0%
Miret S.A	2	0,0%	4	0,1%	-2	-50,0%
Sella Gestioni SGR S.p.A.	45	1,1%	45	1,1%	0	0,0%
Total Banking Group Banca Sella	**4.001**	**99,0%**	**4.100**	**99,0%**	**-99**	**-2,4%**
Average total Banking Group Banca Sella	**4.051**		**4.111**		**-61**	**-1,5%**
Brosel S.p.A.	15	0,4%	15	0,4%	-	0,0%
CBA Vita S.p.A.	20	0,5%	21	0,5%	(1)	-4,8%
Sella Life Ltd	6	0,1%	6	0,1%	-	0,0%
Total group statements Banca Sella Group	**4.042**	**100,0%**	**4.142**	**100,0%**	**-100**	**-2,4%**
Average total group statements Banca Sella Group	**4.092**		**4.154**		**-62**	**-1,5%**

Analysing these data, we can see that the company with the highest proportion of the total number of staff is Banca Sella, the Group's main commercial bank (with 67.1% of the total).

The Group's foreign companies (Selir in Romania, Miret in Luxembourg, Sella Life in Ireland and Sella Synergy India in India) together account for 7.3% of the total. If the figures for Chennai Branch, Banca Sella's stable Indian organisation, are added, the percentage of the total rises to 12.2%.

Training

Again in 2013, 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.

In relation to knowledge, during the annual evaluation process each manager evaluated and validated the skills mapping provided through their employees' self-evaluation. This important occasion for comparison represents a fundamental moment for the professional improvement of each employee in that it makes it possible to align reciprocal expectations and construct an annual shared professional improvement plan. Some of the training projects implement during the year were designed on the basis of gaps which were identified following skills mapping.

In relation to the content of training activities, besides the traditional areas (regulations, operations, behaviour, technical and commercial) the main projects in 2013 involved:

- for the commercial network, the service model and the role of the commercial markets: training courses were organised, as were updating and motivating events, opportunities for alignment and comparison differentiated by role and aimed at the creation and reinforcement of identification with the role and a feeling of belonging;
- alignment of all employees with the strategy for the coming three-year period: the management of each company was involved in meetings with their employees to illustrate, share and study the strategic guidelines, for the internal and external scenarios that led to them, and performance expectations;
- the continuation of the regulatory training begun in 2012, in particular regarding the anti-money laundering issue, which involved 2,520 employees for a total of 11,216 training hours.

Overall, in the Group as a whole about 117 thousand hours of training were provided, of which about 22,931 in the form of e-learning. The total amount of training was greater than that in the previous year (+9%), while the division between corporate and external courses represents the policy begun in previous years to encourage greater use of teachers internal to the Group to support the spread of corporate culture and values, and the use of external instructors for specialised issues or to create openings for comparison and mixing with the outside world. Specifically, training hours provided by internal instructors totalled 90% of all hours provided.

Training activities involved approximately 92% of employees (an increase of approximately 11% with respect to the previous year) for a cost of approximately 582 thousand Euro (35% less than the previous year, a figure in line with the strategy of providing training through internal instructors).

At the end of the year, 1,526 members of staff were qualified as insurance brokers, (+6% as compared with last year, in line with the reorganisation of the commercial network), of whom 7% were employees trained and certified during the year, while the remaining 93% consisted of staff trained for the annual renewal of certification awarded in previous years.

As regards e-learning instruments, in 2013 the number of hours taught in virtual rooms was essentially the same as in the previous year (approximately 34,700 hours, equal to 30% 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 organised for them, see the annual 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”, “Financial and Credit Intermediation and Insurance Policies” “Simple Transparency”;
- the work groups within the tax sector: “Bank Investigations,” “Minor Taxes,” “Financial Profit,” “Corporate Income,” “Fatca”. 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 working groups within the Payment Systems sector: “Commercial Revenues,” “Cheques”, “Payments”;
- the working groups within the Company sector: “Company,” “Bank Regulations”;
- the working group “Internal communication”;
- the Technical Communication Committee;
- the work groups “Claims Office”, “Consumer Bank”;
- the work group “Liquidity Risk: Limits and Stress Test” “Banking Union,” “Internal Audit Systems,” “Pillar 2,” 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 group “Electronic Document” and the observatories “IT Architecture Observatory”, in the context of the IT and TLC Systems subject area, “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 and research and development activities

During the course of the year, Information Technology's activities focused on updating existing applications and 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 successful completion of the project to sell some Banca Sella branches to Sparkasse;
- in the context of Green IT, activities to migrate from physical servers operating in Windows and Linux environments to the Private Cloud structure continued; these activities, combined with other actions in the same context led to 23.9% savings in energy used by the Data Centres with respect to the previous year, as well as simplification and optimisation of Disaster Recovery and Business Continuity procedures, and a significant reduction in provisioning times for the new servers;
- an additional number of advanced ATMs, which led to an increase in the total number of transactions carried out using this channel;
- In the area of mobile solutions, we note the extension of functions that can be used through the Mobile Banking platform, which were significantly enriched during the year. In particular, we note the Funds Online function which was integrated into the same, as well as the Mobile Payment solution, which improved notably in terms of the cases which can be handled;
- The expansion of the commercial desk solution intended for the branch sales network, for which

the logics and processes for customer management were reviewed, including the aspects connected to the views, which were organised in accordance with the logic used to manage the portfolios assigned to each member of commercial staff;

- In the Online Trading area, we note the Beta release of the professional trading platform SellaExtreme5, and the release of the dedicated interface for tablet-based trading and, more generally, using mobile devices that fall between traditional desktops and smart phones in terms of size;
- In regard to institutional trading services, we note the creation of a trading platform for institutional customers, using Fix technology, called SellaFixGateway;
- constant monitoring of response times for the applications used by customers, both through the internal network and the internet, combined with the technological renewal carried out on the central components and the projects to continuously improve applications, in particular those relative to the online components of Trading and Home/Mobile Banking, which significantly reduced average response times, above all during peak application usage times;
- constant quest for innovative solutions and the implementation of the same in the infrastructure, together with action leading to an increase in internal productivity in the context of software development groups, made it possible to achieve an overall decrease in operational costs;
- 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 optimising the production of hard copies, has resulted in an overall 5% reduction of volumes printed with respect to last year and the consequent reduction of environmental impacts;
- continuous evolution of the multi-bank computer system aimed at maintaining compliance with new regulatory requirements;
- the extension of the number of software services using the Corporate IT System in order to pursue separate lines of application development marrying the user and customer experience with business needs;
- the revision of the IT processes linked to the provision of services relative to ITIL, with the introduction of an infrastructural solution for governing them for the Service Operation component;
- the introduction, in the production area, of a Business Process Management (BPM) tool which, starting in the new year, will be used to carry out a structural review of processes, which will also include measurement of effective process "crossing" times. The project to submit processes to the BPM tool and review them will proceed gradually through the 2014-2016 period;
- updating of the Data Centre by renovating the central server technology, with the purpose of keeping them suitable in terms of technology and 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;
- the continuation of the process to adopt an organisational model for the Application Development sector, aimed at clarifying the separation between operational activities and the project component, with a consequent improvement in project delivery times and an increase in the efficiency and quality under the scope of the management of application procedures;
- a focus on growing the new Business Analyst roles, at companies external to the Group, in order to obtain greater efficiency in creating design solutions and training investment for the necessary engineering techniques based on best practices;
- the industrialisation of the productivity monitoring process regarding Application Development, through the use of Function Point measurement;
- the adoption of a new leasing model for Group printers, present at both the branches and the central offices, aimed at obtaining a notable reduction in printing costs and a decisive improvement in service levels, thanks also to the complete renovation of the entire fleet. The new functions inserted include "follow-me" for printouts at Group offices and the ability to print from mobile devices;
- In regard to the plan to improve internal productivity in IT development, we note the main activities which contributed to the positive results during the year for the associated key

performance indicators: the progressive introduction of a new tool to gather and manage user requirements, the introduction of a software solution to automate part of the non-regression check-lists, the establishment of an internal community of business architects, the extension of the Group's application map in regard to the coverage of the domain, activities focused on consolidating the Group's Enterprise Architecture standard in favour of reusing solutions and simple and clean architecture for systems and solutions;

- The establishment of a team dedicated to integrating certain functions into social networks, in the context of the structure that develops mobile IT solutions. The first goal will be integrated release of some of the initial functions on Facebook.

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.

During 2013, Banca Sella Holding completed a share capital increase operation, achieved by offering reserved shares to “Employees,” “Pensioners,” “Stable Collaborators,” and “Ordinary Shareholders,” as defined under article 7 of the Articles of Association. The amount of capital destined to the above indicated categories and the rules in the Articles of Association that govern the relative investments did not lead to a substantial change in the ownership structure and consequently corporate governance.

The above operation balanced the interests in equity investment on one hand, and that of the stability of the bank, on the other, with an eye to healthy and prudent management.

Share capital (article 5 of the Articles of Association), fully underwritten and paid up, is 107,013,670.00 Euro, represented by 214,027,340 shares with a nominal value of 0.50 Euro (zero point fifty cents) each, divided into two categories of shares pursuant to article 2348 of the Civil Code, consisting of:

- 209,976,000 ordinary shares;
- 4,051,340 special shares;

The ordinary shares and the special shares grant the same rights, both equity and administrative, as established by the law and the Articles of Association, with the exception of the different rights which, pursuant to article 2348 of the Civil Code, characterise the special shares.

Each shares gives the right to a vote, with the exception of the limitations foreseen in article 12 of the Articles of Association.

On the basis of article 8.1 of the Articles of Association, shareholders of ordinary shares have the right of pre-emption in the event of disposal of the full or bare ownership of ordinary shares, of rights of option or assignment or fractional bonds or usufruct on the same. Ordinary 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 owners of ordinary shares, if they have not been offered in advance as an option to the latter with accretion among them.

Special shares:

- can only be held by “*Employees*”, “*Pensioners*”, “*Stable Collaborators*” or “*Ordinary Shareholders*”, as defined by article 7 of the Articles of Association;
- they are subject to the Possession limits envisaged in article 7 of the Articles of Association, it not being allowed – if not to the company in regard to treasury shares, within the limits envisaged under the law, as well as for Ordinary Shareholders – to purchase and hold special shares in amount greater than 0.25% of the total number of Shares into which the share capital is divided;
- they are subject to the circulation limits pursuant to article 8.2 of the Articles of Association, that is Special Shares can be transferred only to “*Employees*”, “*Pensioners*”, “*Stable*

Collaborators" or "*Ordinary Shareholders*", after ascertainment of said status by the Board of Directors;
- they are subject to buyout and enjoy the sales right regulated by article 8.3 of the Articles of Association in the case that the quality of "*Employee*", "*Pensioner*", "*Stable Collaborator*" or "*Ordinary Shareholder* " is lost;
- the are subject to the voting limit pursuant to article 12 of the Articles of Association, the voting right of the Special Shares is limited to a maximum number of votes for each holder equal to 0.01% of the total number of shares into which the Share Capital is divided;
- they are subject to the representation limits pursuant to article 13 of the Articles of Association, that is the owners of Special Shares cannot represent themselves for the purposes of participating and voting in the Ordinary and Extraordinary Shareholders' Meetings.

No securities have been issued conferring special rights of control or special powers.

At the date of approval of the Financial Statements there are no further 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 article 2443 of the Civil Code, nor can it issue equity instruments.

The shareholders' meeting has not resolved authorisations to purchase treasury shares under the terms of article 2357 and subsequent of the 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 makes it possible to guarantee 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, involving the adoption of single procedural platforms within the Group, the reinforcement of control functions, the adoption of uniform rules and agreements to define the seriousness and types of anomalies (all this facilitates orientation towards action priorities, better governance of information flows, and an improvement in the effectiveness of follow-up activities) and the implementation of the Internal Capital Adequacy Assessment Process (ICAAP).

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

a) Control of the rules and processes

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

With a view to pursuing the continuous improvement of the Group's capacity to intercept symptoms of process vulnerability in advance and have an immediate perception of the areas most greatly exposed to risks, in 2013 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 2013 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".

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 internal 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.

The anomalous event gives rise to:

- immediate evaluation of the corresponding degree of seriousness Each anomaly is classified on the basis of a scale of risk from 1 to 5;

[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);

- the immediate solution (“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 (“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 combating 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.

d) Controls and inspection of the 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 2013.

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 Management 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, Small/Medium Business, and Small Business 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 “Organisation, Management and Control Models” as well as ensuring 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 professional skills grew of the structures appointed, through suitable internal and external training.

The main activities performed by Banca Sella Holding's Risk Management service, which answers directly to the Managing Director, 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 creation of an internal LGD (loss given default) model to determine loss in the case of default on the basis of historic data
    - methodological refinement of value adjustments on performing loans;
    - the creation of risk sheets for credit disbursement/renewal investigations under the responsibility of the Board of Directors;
    - 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 area periphery and of country risk;
- continual reinforcement of controls regarding market abuse;

- preparation and updating of risk control and management policies;
- monitoring of the limits established to control various risks and notification of any exceeding of the same in accordance with a specific escalation procedure;
- estimates of the quantitative impact of the new capital rules laid down by the revised prudential regulations for banks (Basel 3);
- gap analysis for new regulations, in particular for the new regulations governing the internal audit system.

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 2013 dashboard has been adapted to suit the changes in the organisation as they have come into effect during the period. The Service Level Dashboard report with the related comments is prepared during the meeting of the Board of Directors of the Parent Company, is published every month on the corporate Intranet and is available to all users for consultation.

At 31 December 2013 the Group Dashboard showed a total annual average service level of 99.843%.

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

The anti-money laundering function is independent and part of General Management staff. The Group's Banks have centralised the anti-money laundering function with the Parent Company, appoint a reference person to the same, while the Group companies have their own internal anti-money laundering functions.

On 3 April 2013, the Bank of Italy issued provisions to implement the anti-money laundering decree regarding appropriate verifications of customers and registration of the information in a single digital archive. Therefore, during 2013 a series of internal projects were begun aimed at executing all the necessary steps to guarantee compliance with these regulatory provisions.

Second-level control activities carried out during 2013 involved:

- 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 statistical data (SARA notifications) to the UIF regarding the records contained in the shared IT archiving system;
- monitoring the processing of unexpected positions highlighted by the special GIANOS procedure within the deadlines envisaged in internal regulations.

Again in 2013, the Banca Sella Group carried out an independent valuation of the Group's capital adequacy, both in current and prospective terms, in relation to the risks assumed and assumable and the company strategies, formalised in the drafting of the ICAAP report, sent to the Bank of Italy.

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

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

Finally, the Banca Sella Group drew up and published on its website, in the "Investor Relations" section, the "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 obligatory rules (laws and regulations) and internal rules (Articles of Association, codes of conduct, self-regulation codes).

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

The Compliance process is necessary in order to:

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

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

1) knowledge of the regulations;
2) 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 the 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 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 third-level control 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 2013 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 third-level control functions 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 third-level control functions of the other Group companies are part of this aspect. They are an important

[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.

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 the compliance with internal regulations, supervisory regulations and laws (from both a formal and a substantial point of view), the effects on capital and income and the risks associated with the business;
- carrying out process analysis, with the purposes of evaluating risk areas, in relation to the efficiency and efficacy of controls, the functionality and adequacy of the organisational processes, their efficiency and appropriateness to the type of operations of the structure/company. In this context, the Internal Auditing department at the Parent Company is responsible for reviewing "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 18.9 (full time equivalent) units in 2013, the audits carried out by the Internal Audit department on site and remotely can be summarised as follows:

INTERNAL AUDIT ACTIVITY			
Audits relating to:	**2013**	**2012**	**2011**
- Areas/Services/Processes of the Parent Company Banca Sella Holding	21	23	27
- Areas/Services/Processes of Banca Sella	36	30	31
- Other Group companies and/or their Central Services/Processes	11	22	25
Total	**68**	**75**	**83**

OVERSIGHT AND CONTROL COMMITTEE LEGISLATIVE DECREE 231/01

We recall that within the Banca Sella Group the individual companies have provided themselves with organisation, management and control models, as envisaged by Legislative Decree 231/01 according to their independent decisions, evaluations and settings, the Parent Company not having chosen a single Group Model to be adopted by the subsidiaries, allowing them, on the contrary, freedom in deciding on and organising the same, in the context of a general policy which it found appropriate and necessary to proceed.

During 2013, the Organisation, management and control models, in the context of the normal maintenance and updating activities implemented by the Company, were the subject of updating both in regard to changes in the organisational structure of the Bank's activities on anti-money laundering issues and in regard to the new regulations on the subject of crimes newly introduced pursuant to Legislative Decree 109/2012 (which added article 25-*duodecies* to Legislative Decree 231/01) regarding penalties and measure for employers who employ citizens of third party countries without stay permits, and in regard to the changes introduced by Law 190/12 on the subject of provisions for the prevention and repression of corruption and illegality in the public administration, which amended articles 25 and 25-*ter* of Legislative Decree 231/01.

The model, updated following the relative resolution by the Board of Directors, was subsequently communicated to all employees by an email message containing indications about the main amendments and additions.

During 2013, the Supervision and Audit Committee continued its regular work, both updating "Organisation, Management and Control Models", and monitoring the implementation of the complex system of internal regulations and norms governing the performance of the various corporate activities.

In relation to the supervisory tasks assigned to it, the Committee – making use of the cooperation of the Internal Audit and Compliance Services – carried out checks aimed at ascertaining the regularity of the activities executed, as well as respect for the rules established under the internal regulations on the issues of:

- issuing and usage of Payment Cards;
- adequacy, security and management methods for the platform used to gather and centrally archive logs, based on the HP ArcSight product (the objective of the controls carried was to verify the methods of registration and management of the access logs for the Oracle databases, and the solutions and instruments adopted to that end);
- appropriate verification at the time a continuous relationship is established;
- purchase orders by Banca Sella regarding the application and use of external IT personnel;
- checks on licenses for the software installed on personal computers;
- OTC derivatives in the own portfolios of the Companies of the Banca Sella Group: framework of the accounting data, organisation of the trading and management process, system of controls established to supervise the operations.

During the year, two notifications were sent to the Bank of Italy pursuant to article 52 of Legislative Decree 231/07, paragraph 2, letter D), following an infraction of the obligations regarding proper registration in the UIF for certain types of transactions.

From the verifications carried out, some anomalies with level of seriousness 3 (proper data insertion in the UIF) and others with a lower level of seriousness, for which the Committee requested specific follow-up reports and quick resolution of the situations identified, with the subsequent planning of a definitive solution, aimed at reducing the size of the risk. In some cases, this gave rise to suggesting additions to be made to internal regulations or to line control manuals.

In particular, with reference to proper data insertion in the UIF, we note the establishment of a work group that carried out detailed analysis aimed at:

- analysing the causes that led to the anomalies;

- verifying, in reference to the control cycle procedure, the efficacy of the immediate solution, the existence and efficacy of controls established for supervisory purposes, and the methods and implementation times for the definitive solution;

- making the appropriate changes or additions to the principles, rules, processes and policies for the purpose of eliminating the weaknesses discovered and preventing any additional anomalies.

The Work Group also took action to strengthen the organisational and control measures, both through the creation of a dedicated team to create a structure for the operations and relationships with completion expected during 2014, and by increasing the numbers within the organisational structure and that responsible for UIF controls.

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

RESULTS FOR THE YEAR – INCOME DATA

Reclassified income statement *(euro million)*

Item	31/12/2013	31/12/2012	% change over 2012
10 Interest and similar income [1]	445,0	450,4	-1,2%
20 Interest and similar expenses [1]	(154,9)	(166,0)	-6,7%
70 Dividends and similar income	1,2	1,5	-17,6%
NET INTEREST INCOME AND DIVIDENDS	**291,2**	**285,9**	**1,9%**
40 Fee income [1]	315,7	304,2	3,8%
50 Fee expenses [1]	(98,4)	(95,0)	3,7%
80 Net gains/(losses) on trading activities [1]	23,6	42,8	-44,8%
90 Net gains/(losses) on hedging activities	0,6	4,7	-88,2%
Net income from service	5,4	2,9	83,8%
100 Gains/(losses) on sale or repurchase of:	(2,7)	(2,2)	
- loans and receivables	9,6	5,0	19,7%
- financial assets available for sale	(1,5)	0,2	92,8%
- financial liabilities	**246,8**	**259,6**	**-5,0%**
150 Net premiums	184,1	201,1	-8,5%
Other costs/income pertaining to insurance activities [1]	20,3	27,6	-26,5%
110 Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	4,6	12,7	-63,6%
160 Balance of other income/expenses from insurance operations	(200,9)	(231,5)	-13,2%
Net income from insurance activities	**8,1**	**9,9**	**-18,5%**
NET BANKING AND INSURANCE INCOME	**546,1**	**555,4**	**-1,7%**
180 Administrative expenses:			
a) Personnel expenses	(219,8)	(222,7)	-1,3%
IRAP on personnel and seconded personnel expenses [2]	(7,9)	(8,1)	-2,9%
Total personnel expenses and IRAP	**(227,7)**	**(230,9)**	-1,4%
b) Other administrative expenses	(163,8)	(156,6)	4,6%
Recovery of stamp duty and other taxes [3]	41,8	32,1	30,3%
Total other administrative expenses and recovery stamp duty	**(122,0)**	**(124,6)**	**-2,1%**
200 Value adjustments on tangible assets	(15,9)	(16,0)	-0,8%
210 Value adjustments on intangible assets	(13,8)	(14,0)	-2,1%
220 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	21,8	11,0	97,3%
Operating costs	**(357,6)**	**(374,3)**	**-4,5%**
OPERATING PROFIT/(LOSS)	**188,6**	**181,1**	**4,1%**
190 Net provisions for risks and charges	(4,2)	(8,0)	-47,8%
130 Net value adjustments for impairment on:			
- loans and receivables	(138,2)	(127,5)	8,4%
- financial assets available for sale	(0,3)	(0,6)	-55,5%
- other financial transactions	(2,4)	(1,8)	32,3%
240 Gains/(losses) on equity investments	0,4	0,3	38,8%
Income from sale of business	19,0	-	-
260 Impairment of goodwill	-	(2,5)	-
270 Gain/(loss) on disposal of investments	(0,1)	(0,0)	194,4%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**62,9**	**41,0**	**53,6%**
290 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded	(25,9)	(16,7)	54,6%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**37,0**	**24,2**	**52,9%**
310 Profit/(losses) on asset disposal groups held for sale after tax	1,3	(1,5)	-
PROFIT/(LOSS) FOR THE YEAR	**38,3**	**22,7**	**68,9%**
330 Profit/(loss) for the period pertaining to Parent Company	**34,9**	**21,0**	**66,4%**
340 Profit/(loss) for the period pertaining to minority interests	**3,4**	**1,7**	**98,4%**

[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"*

Data relative to the comparison period differs from those published in the financial statements as at 31 December 2012 in that, in those financial statements, to improve the comparability of the data, economic components relative to Sella Bank AG had been individually re-recognised in the relevant items, while in the financial statements at 31 December 2013, with the sale complete, they were moved to the appropriate item 310. Profits/(losses) on asset disposal groups held for sale after tax.

Income Statement Reclassification Criteria

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

Reclassifications involved:

- item 70. “Dividends and similar income” which full under interest income totals;
- IRAP on the costs for personnel which is separated from the item “Income taxes for the period; on continuing operations and classified in personnel expenses”;
- the item “Recovery of stamp duties and other taxes” which is separated from the item “Other operating income and expenses”.
- item 100. “Profit/(loss) from the sale or repurchase of” previously reclassified after operating profit/loss was returned to net income from services. For more uniform comparison, 2012 was also reclassified;
- the item “Income from the sale of business units”, which is separated from the item “Other operating income and expenses”.

PROFITABILITY

At the system level, 2013 was characterised by an up and down trend in rates. The initial phase was one of stability with a downward trend, followed by an upward movement around the middle of the year, rising to a return to profit at the end of the year. From a European point of view, the decline at the end of the year thanks to a more expansive ECB monetary policy than had been expected.

The stock markets saw an increase of approximately 20.3% (MSCI World). Stock markets benefited from the improvement of the situation of the advanced economies and the accommodating orientation that continued to characterise the monetary policy on the part of the main world Central Banks. These factors more than compensated for the fears associated with the prospects of the normalisation of the US monetary policy and the uncertainties fed by situations of structural problems and cyclical weakness in certain emerging economies.

Credit activity in the Italian banking system began from the start of the year a generalised shrinking trend, which progressively increased as the months went by and was more marked in the business component. The trend for loans continued to suffer from low demand for investments on one hand, and of still restrictive supply conditions on the other. The recession continued to have effects on the quality of loans. The increase in credit risk weighed heavily on profitability, with consequent reflections on the supply policies of the banks, slowing the provision of credit and increasing the cost. Banking system funding remained healthy for most of the year, supported by the deposits component which nonetheless showed signs of slowing towards the end of the year.

In this difficult situation, the Banca Sella Group ended the 2013 financial year with an income of 38.3 million Euro, of which 34.9 pertaining to the Parent company. When compared with the previous year, in which profits pertaining to the Parent Company totalled 21 million Euro, an increase of +66.4% (+10.1% net of the impact of the sale of the distribution business unit).

The main factors which determined the performance in financial year 2013 (set out in the analysis of the Reclassified Income Statement) were:

- growth (+1.9%) in net interest income (+2.6% when compared net of the impact of the sale of the distribution business unit): the trend for rates and markets together with stability in the spread on the part of the Group allowed this item to stay on the positive side;

- a decline in net income from services (-5%): the performance of the fee component, in line with respect to the previous year, did not compensate for the drop in the item net gains on trading activities, which was not able to replicate the particularly positive performance seen in 2012;
- the substantial decline in the operating costs (-4.5%), with an eye to containment and savings, also due to the corporate operations carried out during the course of the year (in any case, net of this component a good decrease of -3.8% remains);
- a worsening (+8.4%) in value adjustments for impairment losses, mainly due, as mentioned above, to the continuation of the difficult external economic scenario;
- extraordinary income (around 19 million Euro, 11.8 million Euro net of income taxes) deriving from the sale of the distribution business unit of 26 branches to Cassa di Risparmio di Bolzano;
- profits of around 1.3 million Euro from the sale of the company Sella Bank AG.

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 saw positive results of 18.1 million Euro, thanks to the continuance of containment of costs and thanks to the contribution of the dividends from the Group companies, due to the good performance of the same. These two effects compensated for the lower net banking income, mainly due to the own trading account component, which had particularly excellent performance in 2012.

The contribution of the consolidated income from Banca Sella, the Group's commercial bank which mainly operates in retail activities, came to 21.5 million Euro. The result continued to suffer the consequences of the difficult external context which characterised the year in regard to the high incidence of losses on loans, which the Bank compensated for thanks to the stability of net banking income, despite the unfavourable external context and the continuous efforts to optimise costs and reduce risks of an operating nature.

Banca Patrimoni Sella & C., an bank in the private banking sector, contributed results of 5.1 million Euro, in line with 2012 if we consider the structural profit of the company, which continues to invest in growing volumes and consequently the margins associated with business and achieving good performance with customer assets.

Biella Leasing, a company in the leasing sector, confirmed its income creating capacity, with profits of 3.3 million Euro, substantially in line with that of the previous year. However, this company also suffered from the continuation of the crisis, both in terms of the impact of losses on loans and in terms of a lack of demand from businesses, with impacts on volumes disbursed and the income statement. It compensated for these problems by working to keep the spread stable and to optimise interest payable.

Consel, a company specialising in consumer credit, improved with respect to the previous year, registering profits of 1.6 million Euro, due to good growth in volumes, led by a policy of a product mix in line with market demand and a corresponding growth in net banking income both from interest income and revenues from services, in particular insurance. Like all the companies operating in business loans, it saw an additional increase in the impact of losses on loans in 2013, but it benefited in regard to taxes from the positive effects deriving from the Stability Law.

The profits of Sella Gestioni, a company in the asset management, individual management and supplementary pensions sectors, came to 1.5 million Euro, with respect to the profits of 1.9 million Euro seen in 2012. Profit in 2013 was positively influenced by the dividend received from CBA Vita S.p.A. of 0.7 million Euro, not present in 2012, and commissions from over-performance achieved on managed products totalling 1.1 million Euro, thanks to the excellent performance achieved, even though lower than that registered in 2012. The policy to reduce costs which was begun several years ago continued, working above all to reduce the number of employees and hence the cost of fixed personnel.

In the insurance sector, C.B.A. Vita, a company specialised in the segment of life insurance policies, ended 2013 with net profits of 3.3 million Euro, with respect to the positive result of 10.7 million registered at the end of 2012. (applying the accounting principles for the Group's consolidated financial statements, the profit for 2013 was 1.8 million Euro against 2.5 in 2012). The reduction in the profits mainly derives from the lower positive results from financial management with respect to the previous year, the difficulty of placing in policies in terms of volumes with respect to the previous year, with consequences on revenues, and the negative effect of the additional IRES applied in 2013.

The following table shows the Return on Equity (ROE) of the main Group companies, except for investment holdings, real-estate companies, and company 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	31/12/2013	31/12/2012
Banca Sella Holding S.p.A.	3,1%	3,2%
Banca Patrimoni Sella & C. S.p.A.	10,0%	12,5%
Banca Sella S.p.A.	3,8%	1,3%
Biella Leasing S.p.A.	5,1%	4,9%
Brosel S.p.A.	8,0%	12,0%
C.B.A. Vita S.p.A.	4,5%	6,0%
Consel S.p.A.	1,6%	-1,3%
Easy Nolo S.p.A.	42,8%	19,9%
Family Advisory SIM S.p.A. Sella & Partners	1,0%	-4,2%
Miret S.A.	-18,0%	-10,7%
Selfid S.p.A.	-17,8%	-48,4%
Selgest S.A.	-	-49,4%
Selir S.r.l.	28,5%	26,4%
Sella Bank AG	-	2,1%
Sella Gestioni SGR S.p.A.	7,0%	8,4%
Sella Life Ltd.	5,7%	-1,5%
Sella Synergy India P.Ltd.	4,8%	3,9%

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

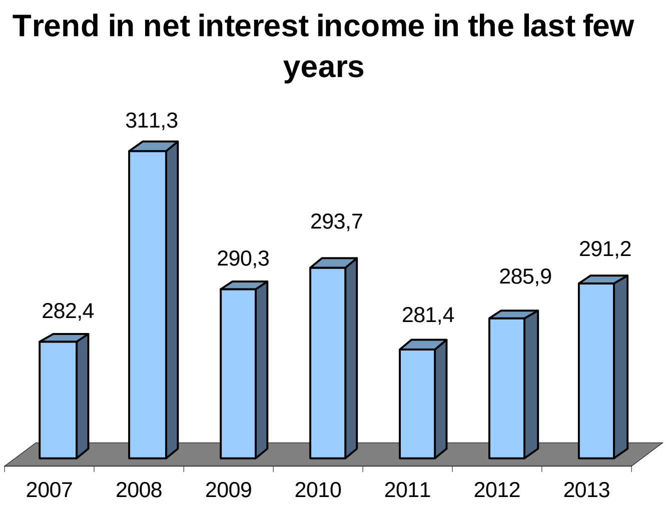
The comments below refer to the Reclassified Income Statement presented at the start of this section.

Net interest income and dividends

At 31 December 2013, net interest income totalled 291.2 million Euro: the comparison on an annual basis shows a 1.9% increase over the previous year (+2.6% if compared net of the impact of the sale of the distribution business unit).

This dynamic was determined by a positive contribution with respect to 2012, obtained from both the component connected to financial management of the securities portfolios held by the Group's companies and the component generated by commercial activity with customers, banks, and companies in the group. The first impact is the consequence of an increase in investments in financial assets which occurred during the course of 2013 and the fact that these benefited, on average, from higher profits connected to the financial situation, with rates on Italian government securities particularly high during the first part of the year. In regard to the second impact, this was caused by good stability for the spread for all Group companies, in the presence of essentially stable direct deposit volumes if viewed net of the impacts of the sale of the distribution business unit and of Sella Bank AG, and loan volumes which decreased slightly with respect to 2012 (-1.7% if seen net of the impacts of the sale of the distribution business unit and of Sella Bank AG, -4.4% if seen in the current scope of consolidation). In particular, during 2012 the spread saw the continuation of the benefits borne of the decrease in the cost of funding, which more than compensated for the small decline in interest charged.

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 290 million Euro, showing an increase from 2012, following decreased cost of funding due to the containment of interest charges and a reduction of interest expense on securities in issue.

Interest on financial assets, as previously highlighted, increased by 11% to 72.6 million Euro, with an increase of 7.2 million Euro with respect to the previous year.

The improvements in the cost of funding and income from financial assets more than compensated for the decline in the profitability of loans, mainly due to the decrease in volumes.

The item Dividends and other income, amounting to 1.2 million Euro, presents a decrease of 0.3 million Euro on 31 December 2012.

Net interest on insurance activity saw a decrease that was lower by 9.5 million Euro, a 33.8% drop with respect to the previous year and that was recognised within “net income from insurance activities”.

Net interest income and dividends *(euro millions)*

Item	31/12/2013	31/12/2012	Change	
			absolute	%
Net interest with customers	276,5	294,5	(18,0)	-6,1%
- interest income	359,0	374,3	(15,2)	-4,1%
- interest expenses	(82,6)	(79,8)	(2,8)	3,5%
Interest income on financial assets	72,6	65,4	7,2	11,0%
Interest expenses on securities	(26,9)	(39,7)	12,8	-32,2%
Net interbank interest	(4,5)	(6,2)	1,7	-28,0%
- interest income	2,6	2,6	(0,0)	-0,9%
- interest expenses	(7,1)	(8,8)	1,8	-19,9%
Hedging differences	(27,8)	(29,7)	1,9	-6,5%
Other net interest	0,1	0,2	(0,1)	-63,1%
Total net interest	**290,0**	**284,4**	**5,6**	**2,0%**
Dividends and other income	1,2	1,5	(0,3)	-17,6%
Net interest income and dividends of banking group	**291,2**	**285,9**	**5,4**	**1,9%**
Net interest on insurance activity	18,6	28,1	(9,5)	-33,8%
Total net interest income	**309,8**	**313,9**	**(4,1)**	**-1,3%**

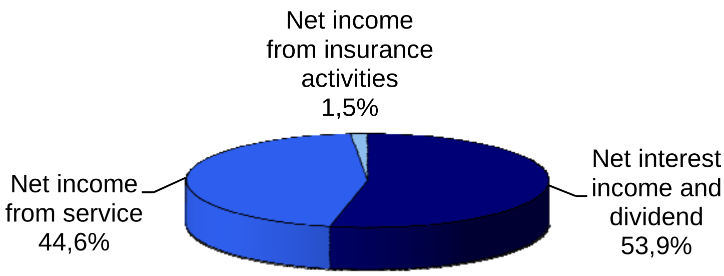
At the end of 2013 net interest income was 53.3% of net banking and insurance income, compared to 51.5% the previous year.

Net banking income

Consolidated net banking income amounted, in 2013, to 546.1 million Euro, a decrease of 1.7% compared with the result achieved during the previous year (-1% if compared net of the impact of the sale of the distribution business unit).

The positive trend in net interest income and the performance of the item "net gains/(losses) on trading activities", which despite remaining positive, was not able to match the excellent results of 2012. The fee income segment improved (+3.8%), while the insurance segment fell by 18.5%.

Breakdown of net banking and insurance income



NET INCOME FROM SERVICES

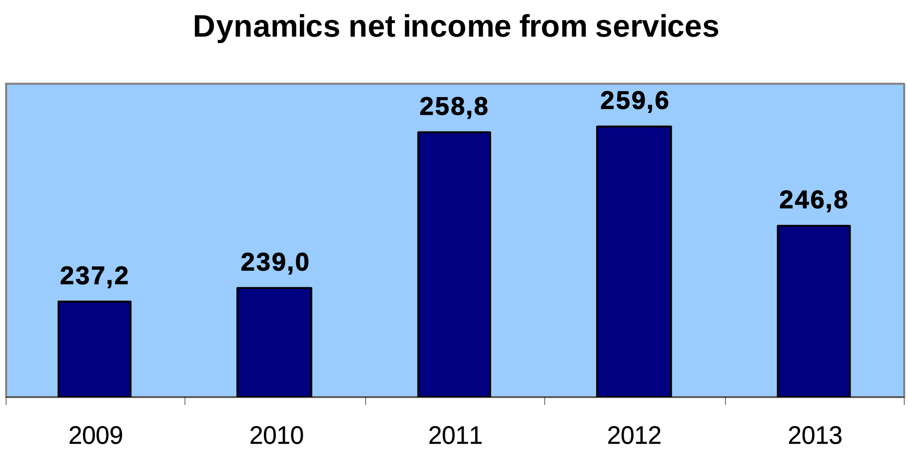
Total aggregate net income from services amounted to 246.8 million Euro, a decrease from the previous year, in which it was 259.6 million Euro (-5%). This result is due to:

- the lesser contribution provided from the component related to trading and hedging activities, which in 2013 did not match the excellent results achieved by the Finance area and in management of own securities in 2012. During the year in question, these came to 23.6 million Euro, a decrease of 19.2 million Euro with respect to 2012;
- the worsening of net income from insurance activities where net premiums were down, as were all the other items that make up this item;
- the positive trend in fees which, as can be seen in the table below, resulted in a net balance of 217.3 million Euro, 3.8% more than the 209.2 million Euro of 2012, due to the component from profit connected to indirect deposits and the component connected to payment systems.

In the indirect deposits segment, fees related to asset management, funds/OEICs, correspondent bank outperformed 2012, as did fees for custody of securities, the growth of which compensated for the slight decrease in the trading segments (net of the impact of intra-group bonds) and OLT.

This dynamic was determined by excellent growth at the Group level in the stock of indirect deposits, caused by both incoming flows of new customer deposits and the positive impact of stock prices connected to the good performance for stocks during the year. At the same time, the average profitability of indirect deposits increased with respect to 2012 (even net of the over-performance component for managed products), confirming the excellent capacity of the Group's companies to remunerate products/services for customers.

In regard to payment systems, growth was seen in the cards, POS and traditional payment systems segment, while the e-commerce segment dipped. Despite the unfavourable situation in regard to consumption, transactional volumes on both the issuing (cards) and acquiring (POS) sides increased, showing underlying growth of both transactions and card spending (with a decrease in the average amount per transaction in line with the decline in consumption) and an increase also in POS spending, although to a lesser degree. In terms of segment profitability, this is always subject to a high degree of competition and regulatory input which compresses margins.



Net fees *(euro millions)*						
Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Banking and commercial business	55,9	25,5%	52,8	25,1%	3,1	5,9%
- guarantees	1,9	0,9%	0,2	0,1%	1,7	850,0%
- collection and payment services	54,0	24,7%	52,6	25,0%	1,4	2,7%
Asset management, broking and advisory services	83,8	38,3%	78,5	37,3%	5,3	6,8%
- indirect deposit by customers (asset management, custody and administration of securities, advice, broking and placement of securities)	68,6	31,3%	64,8	30,8%	3,8	5,9%
- currency trading	1,3	0,6%	1,3	0,6%	-	0,0%
- custodian bank	-	0,0%	-	0,0%	-	-
- other fees on asset management, broking and advisory services	13,9	6,3%	12,4	5,9%	1,5	12,1%
Other net fees	77,6	35,4%	78,1	37,1%	(0,5)	-0,6%
Total net fees pertaining to banking group	**217,3**	**99,2%**	**209,3**	**99,4%**	**8,0**	**3,8%**
Net fees on insurance activities	1,7	0,8%	1,1	0,5%	0,6	54,5%
TOTAL NET FEES	**219,0**	**100,0%**	**210,4**	**100,0%**	**8,6**	**4,1%**

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

This item amounted to 9.6 million Euro, following sales of part of the portfolio of financial assets available for sale with realisation of the related positive valuation reserve.

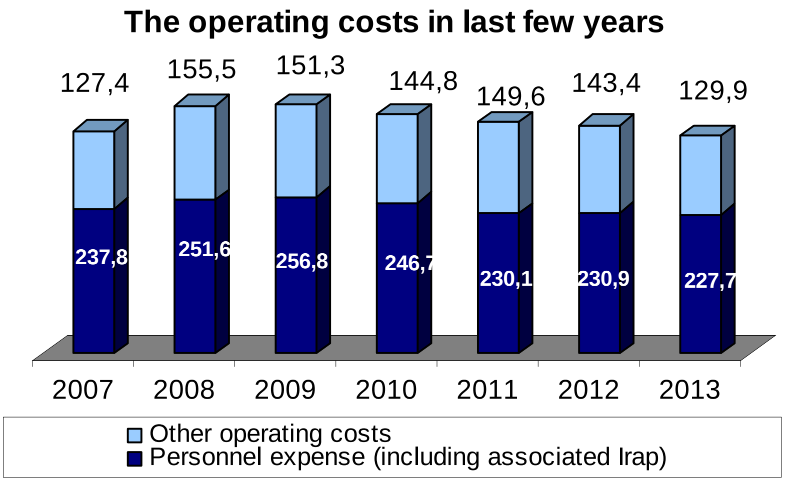
NET INCOME FROM INSURANCE ACTIVITIES

The total aggregate stood at 8.1 million Euro, a decrease of 18.5% with respect to the 9.9 million Euro of the previous year.

Operating costs

The total amount of operating costs was 357.6 million Euro, showing a decrease with respect to the previous year (-4.5% with respect to 31 December 2012, -3.8% if compared net of the impact of the sale of the distribution business unit).

The decrease in costs can be attributed to fixed personnel expenses, administrative expenses and amortisation, which are detailed below.



Administrative expenses (net of the recovery of stamp duty and other taxes and including IRAP on net staff and attached staff costs) amounted to 349.7 million Euro, compared with the 355.5 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 relative to the same), totalling 227.7 million Euro represents a 1.3% decrease with respect to 2012. The decrease can mainly be traced to the 100 unit decrease in Group staff (net of the sale of the branches and Sella Bank AG, Group personnel increased in a limited manner, given the decrease of employees in Italy and the increase in the employees at the Indian branch and in the company Selir). In addition, the positive contribution obtained from the use of vacation days and banked hours which was much larger than the previous year should be noted and the impact, not seen in 2012, of the voluntary use of the solidarity fund. These benefits compensated for the increases connected to contractual salary rises and the effects of promotions and seniority rises in the context of the fixed component of the fixed cost of personnel and the increase in the variable component (premiums and VAP), connected to the overall better economic results seen in 2013, with respect to 2012.

Personnel expenses *(euro millions)*

Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Employees	212,5	93,3%	215,3	93,3%	(2,8)	-1,3%
Directors	5,0	2,2%	4,7	2,1%	0,3	6,0%
Statuory auditors	0,7	0,3%	0,8	0,3%	(0,1)	-6,9%
Other	1,6	0,7%	1,9	0,8%	(0,3)	-15,6%
TOTAL PERSONNEL EXPENSES	**219,8**	**96,5%**	**222,7**	**96,5%**	**(2,9)**	**-1,3%**
IRAP on net personnel and seconded personnel expenses	7,9	3,5%	8,1	3,5%	(0,2)	-2,9%
PERSONNEL EXPENSES INCLUDING ASSOCIATED IRAP	**227,7**	**100,0%**	**230,9**	**100,0%**	**(3,2)**	**-1,4%**

Other administrative expenses, net of the recovery of indirect tax, fell by 2.1% (-1.4% if compared net of the sale of the distribution business unit) with respect to 2012, settling at 122 million Euro compared to 124.6 million Euro. The decrease in structural costs reflects the Group's constant focus on reducing administrative costs in the face of an improved internal organisation. Specifically, in the presence of an increase in costs connected to payments for credit disputes, in the face of a greater number of loans in default and of advertising costs for the purposes of commercial development, expenses related to hiring, consulting, supervisory expenses, those for information and sundry inquiries, telephones and postal expenses all fell.

Other operating costs include value adjustments on tangible and intangible assets, which also fell with respect to the previous year by 0.8% (29.7 million Euro in 2013, compared to 30 million Euro in 2012), in virtue of the effect of the new investments carried out in 2013 which was slightly lower due to the natural maturity of the already existing investments and from sundry operating income which, after deducting the recovery of indirect tax, came to 21.8 million Euro, a 97.3% improvement with respect to the previous year. The decisive improvement of this item can be attributed to the regulation regarding stamp duty for trades and fees for credit access, an increase which was also compensated for by the associated item "Stamp duty and taxes on stock exchange contracts" included under administrative expenses, which increased by approximately 11.7 million Euro.

Provisions, value adjustments net of write-backs, gains on the sale/repurchase of financial assets/liabilities

NET PROVISIONS FOR RISKS AND CHARGES

New provisions for risks and charges amounted to 4.2 million Euro, compared with the figure of 8 million Euro of the previous year. With respect to 2012, the contribution of provisions for operational risks improved notably, which can be traced to the continuation of reductions in fraud and cloning on business payment systems thanks to projects carried out over the last few years on devices and processes.

NET ADJUSTMENTS FOR IMPAIRMENT

Net value adjustments on loans at the end of the year amounted to 138.2 million Euro, compared with the 127.5 million Euro of 2012, showing a 8.4% 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.

As a consequence of the above, the ratio of net value adjustments and cash commitments went from 1.5% for 2012 to 1.7%.

The item "Net value adjustments for impairment of financial assets available for sale" amounted to 0.3 million Euro following the write-down of the non-controlling equity interest held in Intesa Sanpaolo, compared with the 0.6 million Euro of 2012.

VALUE ADJUSTMENTS ON GOODWILL

In 2013, this item had no value adjustments. In 2012, it included 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 25.9 million Euro, compared to 16.7 million in the previous year, an increase of 54.3%, resulting from a 53.5% increase in gross profit from continuing operations.

The tax rate, net of the IRAP component in staff costs, thus fell from 40.9% of the previous year to 41.1% in financial year 2013.

Income taxes were influenced by the impacts deriving from the corporate operations to sell the branches and Sella Bank AG, and the impact deriving from the 2014 Stability Law and the additional IRES foreseen in Decree Law 133 of 30/11/13, respectively for +7.5 million Euro and -4.4 million Euro, leading to a net benefit of around 3.1%.

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

In 2013, an effective sales profit of 1.3 million Euro was seen, with respect to the loss of 1.5 million Euro for the company Sella Bank AG. The company's assets and liabilities were recognised in 2012 among those held for sale. The sale transaction was completed on 28 February 2013.

Consolidated comprehensive income

	Items *(euro thousand)*	**31/12/2013**	**31/12/2012**
10.	**Net income (loss)**	**38.338**	**22.704**
	Other comprehensive income (net of tax) not reattributions to income statements		
20.	Tangible assets	(99)	77
30.	Intangible assets	-	-
40.	Defined benefit plans	674	(4.321)
50.	Non-current assets held for sale	-	-
60.	Share of valuation reserves connected with investments meaured with net equity method	-	-
	Other comprehensive income (net of tax) reattributions to income statements		
70.	Hedges of foreign investments	-	-
80.	Foreign exchange differences	(1.435)	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	8.424	46.756
110.	Non-current assets held for sale	-	-
120.	Share of valuation reserves connected with investments meaured with net equity method	(26)	438
130.	**Total other comprehensive income (net of tax)**	**7.538**	**42.950**
140.	**Total comprehensive income (item 10+130)**	**45.876**	**65.654**
150.	Total consolidated comprehensive profit pertaining to minority interest	4.284	4.567
160.	**Total consolidated comprehensive profit pertaining to the Parent Company**	**41.592**	**61.087**

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 100). 2012 featured a particularly profitable trend, above all attributable to the component of Italian public debt securities, held by the Group Banks and by the insurance company C.B.A. Vita. When analysing the aggregate, it is important to remember the trend of the financial markets in 2012, particularly towards the latter part of the year, when the major tension on the financial markets began to ease off somewhat. This resulted in a re-appreciation of the assets held in the portfolio in relation to debt securities, particularly due to the mentioned macroeconomic trends that also concerned Italy, with a consequent recovery on the spread between the Bund and the BTPs. Again in 2013 this item was positive, although to a lesser degree than the previous year.

The essential stability of rates had a positive effect on the actuarial component of severance indemnity (item 40).

RESULTS FOR THE YEAR – BALANCE SHEET DATA

Reclassified balance sheet *(euro millions)*			
Assets	**31/12/2013**	**31/12/2012**	**% change over 2012**
Financial assets [1]	3.694,1	3.046,9	21,2%
Due from banks	338,4	340,2	-0,5%
Cash loans[2]	8.208,4	8.560,4	-4,1%
Reverse repurchase agreement	107,1	61,7	73,8%
Equity investments	13,4	13,0	2,5%
Reinsurers' share of technical reserves	3,6	3,6	1,6%
Tangible and intangible fixed assets [3]	274,7	280,3	-2,0%
Tax assets	281,1	211,3	33,0%
Non current assets and asset groups held for sale	-	114,6	-
Other assets [4]	439,7	503,8	-12,7%
TOTAL ASSETS	**13.360,5**	**13.135,7**	**1,7%**
Liabilities and shareholders' equity			
Due to banks	1.226,5	800,3	53,3%
Direct deposit [5]	9.359,7	9.472,3	-1,2%
Financial liabilities [6]	768,5	675,7	13,7%
Tax liabilities	94,3	75,8	24,5%
Other liabilities [7]	416,5	456,2	-8,7%
Provisions for specific purposes [8]	78,4	85,3	-8,1%
Technical reserves	621,5	690,6	-10,0%
Liabilities associeted to asset groups held for sale[9]	-	138,2	-
Shareholders' equity [10]	795,0	741,2	7,3%
- pertaining to the Group	700,5	647,0	8,3%
- pertaining to minority interests	94,5	94,2	0,4%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13.360,5**	**13.135,7**	**1,7%**

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

(2) Given by the following balance sheet asset items: 70 "Due from customers".

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

(4) Given by the sum of the following balance sheet asset items: 10 "Cash and cash equivalents", 80 "Hedging derivatives", "90 Change in value of financial assets subject to macrohedging" e 160 "Other assets".

(5) Given by the sum of the following balance sheet liabilities items: 20 "Due to customers" ,30 "Outstanding securities"

(6) 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".

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

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

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

(10) 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".

Data relative to the comparison period differs from those published in the financial statements as at 31 December 2012 in that, in those financial statements, to improve the comparability of the data, equity components relative to Sella Bank AG had been individually re-recognised in the relevant items, while in the financial statements at 31 December 2013, with the sale complete, they were moved to the appropriate item 150. Non-current assets and asset groups held for sale.

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

Remember that in June 2013, the sale by Banca Sella of the Veneto and Trentino Alto Adige distribution business unit to Cassa di Risparmio di Bolzano Sudtiroler-Sparkasse took place. (for more details, please refer to the chapter "Changes in the Framework of the Group") This sale influenced the degree to which the equity aggregates indicated below can be compared.

In 2013 total assets increased by 1.7%, reaching 13,360.5 million Euro, compared with 13,135.7 million Euro recorded at the end of 2012.

Banking business with customers, net of reverse repurchase agreements, saw a drop in cash loans, down by 4.1% (8,208.4 million Euro, compared with 8,560.4 million in the previous year).

Direct deposits amounted to 9,359.7 million Euro compared with 9,472.3 million Euro in the previous year, a drop of 1.2%. The drop is also due to the increase in funding costs in a particularly competitive context.

For the Banca Sella Group the ratio between cash loans and direct deposits (net of the repurchase agreement component of 54.1 million Euro) rose from 91.6% in financial year 2012 to 88.2% in 2013; on this point the liquidity management and control process enabled an adequate level of the same to be maintained during 2012.

Shareholder's equity, inclusive of valuation reserves, finally, amounted to 795 million Euro (94.5 of which pertaining to minority interests), a strengthening of 7.3% over the previous year, in which it was 741.2 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 23,854.2 million Euro, a 1.4% increase compared with the previous year. If the total funding component transferred with the business unit to Cassa di Risparmio di Bolzano, Sudtiroler-Sparkasse is considered, equal to approximately 757 million Euro, deposits would see significant growth (+4.6%).

Total deposits *(euro millions)*

Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Direct deposit (excluding repurchase agreements)[(1)]	9.305,6	39,0%	9.350,1	39,7%	(44,5)	-0,5%
Repurchase agreements	54,1	0,2%	122,2	0,5%	(68,1)	-55,7%
Indirect deposit	14.494,5	60,8%	14.059,8	59,7%	434,7	3,1%
Total deposits	**23.854,2**	**100,0%**	**23.532,1**	**100,0%**	**322,1**	**1,4%**

[(1)] For the comparative period, compared to what is stated in the balance sheet as at 31 December 2012, both aggregates have been removed from the collection relating to liabilities associated with assets held for sale

Direct deposits

At the end of 2013 direct deposits from customers, excluding repurchase agreements, amounted to 9,305.6 million Euro, a decrease of 0.5% compared to the previous year. If the direct deposits component sold is considered, an increase of 3.3% would be seen.

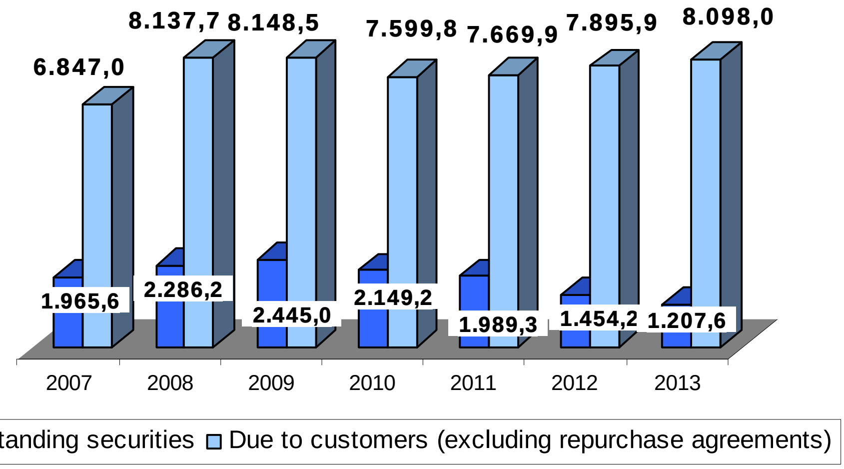
The breakdown of direct deposits shows growth in amounts due to customers which amounted to 8,098 million Euro, recording an increase of 202.1 million Euro (+2.6%) compared with 2012, when they were 7,895.9 million Euro. The most significant change within the aggregate was that relating to other loans, which compared with the previous year decreased by 23.2%; while the other aggregates making up the item all improved.

As regards the other components of direct deposits, securities in issue, of 1,207.6 million Euro, declined by 17% compared with the 1,454.2 million Euro of 2012 because placings with customers were lower than issues maturing with institutional investors.

Repurchase agreements, standing at 54.1 million Euro, recorded a net decline equal to 68.1 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 in 2012.

Trend of direct deposit in last few years



Direct deposit *(euro millions)*						
Item	**31/12/2013**	**Proportion (%) of total**	**31/12/2012**	**Proportion (%) of total**	**Change absolute**	**Change %**
Due to customers (excluding repos)	8.098,0	86,5%	7.895,9	82,2%	202,1	2,6%
- Current accounts and demand deposits	6.931,1	74,1%	6.780,8	70,6%	150,3	2,2%
- Term deposits	1.026,0	11,0%	977,2	10,2%	48,8	5,0%
- Other loans and advances	16,9	0,2%	22,0	0,2%	(5,1)	-23,2%
- Other items	124,0	1,3%	115,9	1,2%	8,1	7,0%
Outstanding securities	1.207,6	12,9%	1.454,2	15,1%	(246,6)	-17,0%
TOTAL DIRECT DEPOSIT	**9.305,6**	**99,4%**	**9.350,1**	**98,7%**	**(44,5)**	**-0,5%**
Repurchase agreements	54,1	0,6%	122,2	1,3%	(68,1)	-55,7%
REPURCHASE AGREEMENTS)	**9.359,7**	**100,0%**	**9.472,3**	**100,0%**	**(112,6)**	**-1,2%**
Liabilities associeted to asset groups held for sale: due to customers	-	0,0%	133,2	1,4%	(133,2)	-

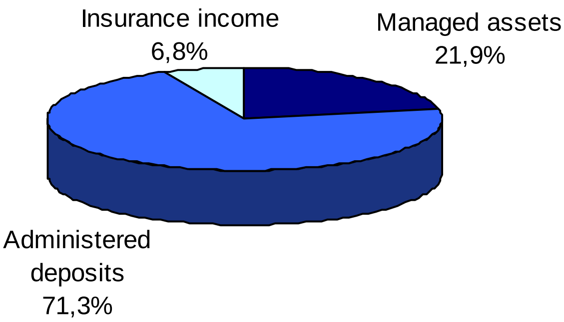
Indirect deposits

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 2013, was therefore 14,494.5 million Euro, an increase of 3.1% on an annual basis.

If the indirect deposits component sold is considered, an increase of 5.9% would be seen.

As can be seen from the graph below, the main component of indirect deposits consists of the deposits administered, which represents 71.3% of the total. Assets managed represent 21.9% of indirect deposits, whilst insurance income accounts for 6.8%. Compared with the previous year there was a decrease in the proportion of administered deposits and an increase in the insurance and managed savings components.

Breakdown of indirect deposit



The table below shows how in 2013, the main components of indirect deposits recorded different dynamics. Portfolios managed, equal to 3,178.2 million Euro, grew with respect to 2012 (+18.9%). The component relating to insurance income also improved to 984.3 million Euro, 4.5% above last year. Administered deposits instead recorded a slight decrease of 1.1% compared with the previous year, rising from 10,444.4 million Euro in 2012 to 10,332.0 million Euro in 2013.

Indirect deposits *(euro millions)*

Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Managed portfolios	3.178,2	21,9%	2.673,4	19,0%	504,8	18,9%
Administered deposits	10.332,0	71,3%	10.444,4	74,3%	(112,4)	-1,1%
Insurance income	984,3	6,8%	942,0	6,7%	42,3	4,5%
Total indirect deposits (*)	**14.494,5**	**100,0%**	**14.059,8**	**100,0%**	**434,7**	**3,1%**

(1) For the comparative period, compared to what is stated in the balance sheet as at 31 December 2012, both aggregates have been removed from the collection relating to liabilities associated with assets held for sale

LOANS

At the end of FY 2013, cash loans to ordinary customers, exclusive of repurchase agreements, came to 8,208.4 million (8,560.4 as at 31 December 2012) with a negative change of 4.1% on last year.

The reduction in cash and endorsement loans can be attributed by 2.7% to the extraordinary operation which sold 26 Banca Sella branches located in the provinces of Trento, Bolzano and Belluno to Sparkasse, which took place in June 2013.

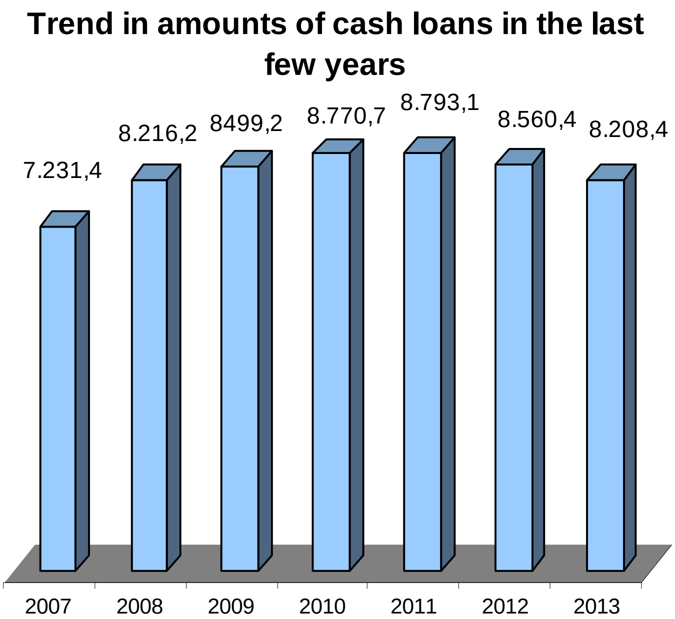
In an economic situation that was even more difficult than that of 2012, the Group continued its support for households, small business and small/medium enterprises that demonstrated appropriate economic prospects and business continuity, disbursing short-term loans aimed at supporting companies in carrying out current activities, and medium/long-term loans to support households and companies in new investments and/or to restructure short-term debt.

Loans to businesses continued in collaboration with Biella Leasing, the leasing company of the Banca Sella Group and with Consel, the Group's consumer credit company, for the disbursement of consumer credit loans; this method is in addition to the possible disbursement with Consel of the product “salary-backed loans”.

Adhesion to the ABI-Consumer Associations respite continued for the suspension of mortgage instalments and to the New Measures for Credit to Small and Medium Enterprises agreement was implemented, intended to suspend instalments and extension the duration of loans, as well as for the financing of investments and the advance of receivables due from the public administration.

Also during the course of 2013, the concrete collaboration with Regional Bodies, Category Associations and Loan Consortia continued and the funds made available by the EIB and the national Deposits and Loans Institute were made use of.

In view of the difficult economic context, a major boost was given to the training and involvement of staff operating in the credit sector and activities concerning the control of credit supplied were also very important.



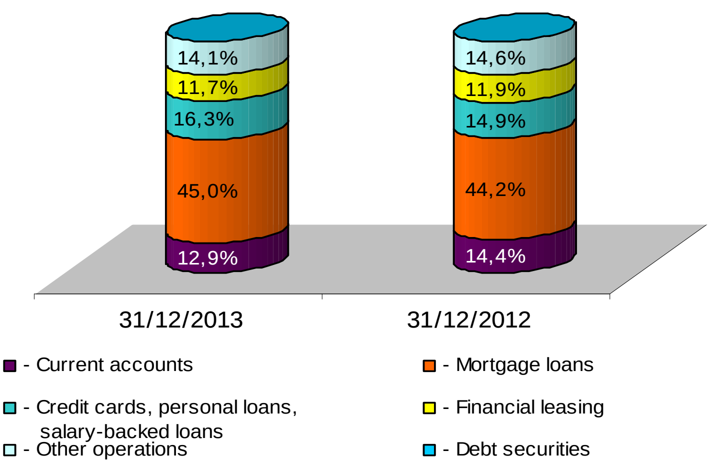
Analysing the composition of loans to customers (see the table below) we can note that the amount of mortgage loans slightly fell with respect to the previous year, in particular due to the slowdown in demand from customers.

The other components were down except the credit card, personal loans, salary-backed loans, and 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 71.9% of loans. Also significant were the contributions of Biella Leasing and Consel, which account respectively for 11.5% and 11.9% of the aggregate.

Cash loans *(euro millions)*						
Item	**31/12/2013**	**Proportion (%) of total**	**31/12/2012**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Total due from customers	**8.208,4**	**98,7%**	**8.560,4**	**99,3%**	**(352,0)**	**-4,1%**
Performing cash loans	7.562,0	90,9%	7.950,1	92,2%	(388,1)	-4,9%
- Current accounts	972,8	11,7%	1.143,3	13,3%	(170,4)	-14,9%
- Mortgage loans	3.406,1	41,0%	3.514,3	40,8%	(108,1)	-3,1%
- Credit cards, personal loans, salary-backed loans	1.231,7	14,8%	1.186,0	13,8%	45,7	3,9%
- Financial leasing	886,9	10,7%	945,6	11,0%	(58,7)	-6,2%
- Other operations	1.064,2	12,8%	1.160,0	13,5%	(95,8)	-8,3%
- Debt securities	0,2	0,0%	1,0	0,0%	(0,8)	-78,4%
Impaired assets	646,4	7,8%	610,4	7,1%	36,1	5,9%
TOTAL CASH LOANS (EXCLUDING REVERSE REPURCHASE AGREEMENT)	**8.208,4**	**98,7%**	**8.560,4**	**99,3%**	**(352,0)**	**-4,1%**
Reverse repurchase agreement	107,1	1,3%	61,7	0,7%	45,5	73,8%
TOTAL CASH LOANS (INCLUDING REVERSE REPURCHASE AGREEMENT)	**8.315,5**	**100,0%**	**8.622,1**	**100,0%**	**(306,5)**	**-3,6%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	245,3	2,9%	191,0	2,2%	54,3	28,4%
Banca Sella S.p.A.	5.963,3	71,7%	6.412,8	74,4%	(449,5)	-7,0%
Banca Sella Holding S.p.A.	139,5	1,7%	95,8	1,1%	43,7	45,6%
Biella Leasing S.p.A.	962,7	11,6%	1.001,0	11,6%	(38,4)	-3,8%
Consel S.p.A.	999,7	12,0%	911,0	10,6%	88,7	9,7%
Other Group companies	5,1	0,1%	10,4	0,1%	(5,3)	-51,1%
Total for Group companies	**8.315,5**	**100,0%**	**8.622,1**	**100,0%**	**(306,6)**	**-3,6%**
Groups of assets held for sale: due from customers	**-**	**0,0%**	**21,5**	**0,2%**	**(21,5)**	**-**

Cash loans - breakdown



Credit quality

In 2013, a review of internal regulations of credit policies was carried out, adjusting them to the requirements dictated by the external situation and that specified in the Group's guidelines. In this context, special credit policies for new types of companies were developed, such as innovative start-ups as defined by the legislation in effect.

Geographic and sector analysis activities were reinforced, also thanks to the acquisition of information from external providers, with the periodic formulation of the associated guidelines.

Special attention was placed on the importance of understanding the customer, as an indispensable element for the proper and complete evaluation of creditworthiness and for the provision of "consulting" in a financial environment aimed at "helping" the customer to choose virtuous behaviour. Similarly, a boost was given to the use of covenants in business loans as a tool to drive said behaviours.

With an eye to being proactive, during the year over 9,000 positions with the business portfolio were identified as having special indicators of stress, which were subjected to additional in-depth evaluation of their creditworthiness.

From an organisational point of view, during 2013 the establishment of a Single Credit Centre was analysed and begun, to replace the previous Credit Centres located in various geographic areas.

In addition, other projects completed included a new management procedure for Unsecured Loans was created, the automatic selection of additional operational blocks, and the creation of an IT tool to evaluate direct and indirect risk for invoice prepayment.

In 2013, the analytical valuation parameters of impaired loans classed as watch list revoked and non-performing were reviewed.

This review led to an update of some of the valuation elements used for disputed loans.

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.

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

Non-performing loans at 31 December 2013 totalled 307.6 million Euro, an increase with respect to the 259 million Euro recorded in 2012. Watch list loans at the end of the period totalled 227.6 million Euro, a 5.1% decrease compared with 2012. Adding to non-performing and watch list loans restructured loans and past due loans, at 31 December 2013 there was a total of 646.4 million Euro in impaired receivables.

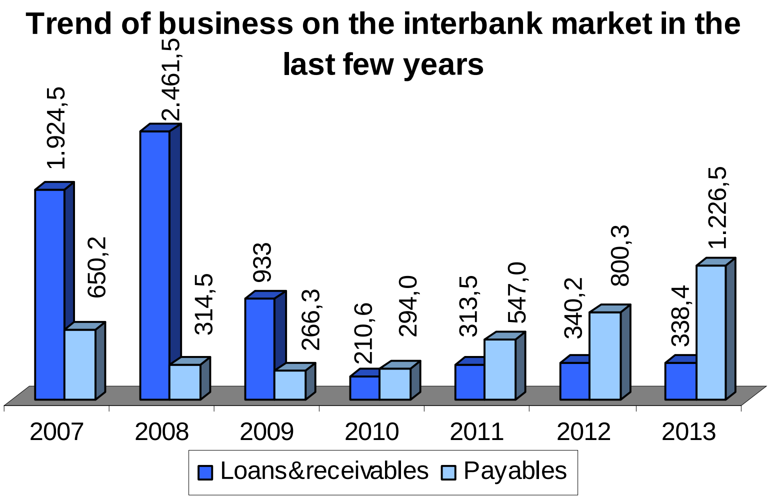
At December 2013 the coverage ratio with reference to non-performing loans was 59%, while, at the end of the previous year, it was 60.8%. The change recorded during the year of 1.8 percentage points can mainly be attributed to the transfer of loans completed in November 2013 by Banca Sella, which, as in previous years, involved a batch of positions on which analytical adjustments had already been made, on average of 98%. The cancellation of theses receivables, almost entirely adjusted, resulted in a reduction of the coverage ratio of the non-performing positions. The coverage ratio on anomalous loans, understood as total write-downs booked on impaired cash loans over gross loans disbursed stood at 43.7%; at 31 December 2012 it was 43.5%.

As shown by the table at the foot, impaired loans represent 7.77% of net loans to customers, which have therefore worsened since last year, when the ratio was 7.08%.

Credit quality *(euro millions)*						
Item	31/12/2013	Proportion (%) of total	40543	Proportion (%) of total	Change	
					absolute	%
Due from customers	**8.315,5**	**100,00%**	**8.622,1**	**100,00%**	**(306,6)**	**-3,6%**
Performing loans	7.669,1	92,23%	8.011,5	92,92%	(342,4)	-4,3%
Impaired loans	646,4	7,77%	610,4	7,08%	36,0	5,9%
of which net non-performing	*307,6*	*3,70%*	*259,0*	*3,00%*	48,6	18,8%
of which net restructured	*26,9*	*0,32%*	*27,9*	*0,32%*	(1,0)	-3,6
of which net past due	*84,7*	*1,02%*	*83,7*	*0,97%*	1,0	1,2
of which net watchlist	*227,6*	*2,74%*	*239,8*	*2,78%*	(12,2)	-5,1

BUSINESS ON THE INTERBANK MARKET

At the end of 2013, the Group's business on the interbank market showed total payables (net of amounts due from banks) of 888.2 million Euro, an increase on the total payables of 460.2 million Euro recorded in 2012. We can note that the trend in these items turned around during the last seven years while remaining at extremely low levels compared with total assets.

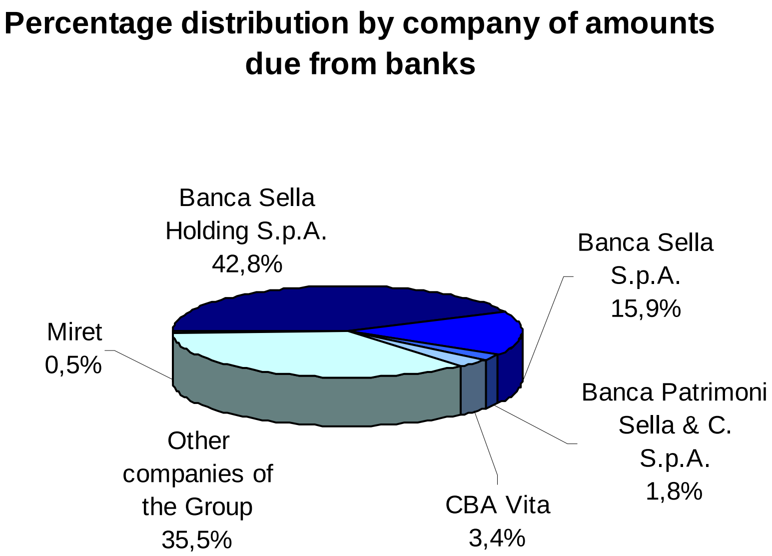


The graph above highlights how this result can be above all attributed to the increase in the item amounts due to banks.

Net interbank position *(euro millions)*				
Item	31/12/2013	31/12/2012	Change	
			absolute	%
Due from banks	338,4	340,2	(1,8)	-0,5%
Due to banks	1.226,5	800,3	426,2	53,3%
Net interbank position	**(888,2)**	**(460,1)**	**(428,0)**	**93,0%**

AMOUNTS DUE FROM BANKS

At 31 December 2013 amounts due from banks totalled 338.4 million Euro, a decrease of 0.5% compared with 2012.



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 (42.8% of the total) pertain to the Parent Company Banca Sella Holding.

Due from banks *(euro millions)*						
Item	**31/12/2013**	**Proportion (%) of total**	**31/12/2012**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due from central banks	**52,4**	**15,5%**	**141,0**	**41,4%**	**(88,6)**	**-62,8%**
Statutory reserve	52,4	15,5%	26,0	7,6%	26,4	101,5%
Other amounts due from central banks	-	0,0%	115,0	33,8%	(115,0)	-
Due from banks	**285,8**	**84,5%**	**199,2**	**58,6%**	**86,6**	**43,5%**
Current accounts and demand deposits	155,5	46,0%	79,6	23,4%	75,9	95,4%
Term deposits	8,8	2,6%	9,8	2,9%	(1,0)	-10,2%
Repurchase agreements	11,3	3,3%	10,5	3,1%	0,8	7,6%
Financial leasing	0,4	0,1%	0,6	0,2%	(0,2)	-33,3%
Other loans and advances	90,8	26,8%	79,5	23,4%	11,3	14,2%
Debt securities	19,0	5,6%	19,2	5,6%	(0,2)	-1,0%
Total	**338,4**	**100,0%**	**340,2**	**100,0%**	**(1,8)**	**-0,5%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	6,2	1,8%	3,7	1,1%	2,5	67,6%
Banca Sella S.p.A.	53,8	15,9%	35,1	10,3%	18,7	53,3%
Banca Sella Holding S.p.A.	144,9	42,8%	236,1	69,4%	(91,2)	-38,6%
CBA Vita	11,5	3,4%	10,0	2,9%	1,5	15,0%
Miret	1,7	0,5%	2,5	0,7%	(0,8)	-32,0%
Other companies of the Group	120,3	35,5%	52,7	15,5%	67,6	128,4%
Total	**338,4**	**100,0%**	**340,2**	**100,0%**	**(1,8)**	**-0,5%**

PAYABLES TO BANKS

At 31 December 2013, amounts due to banks totalled 1,226.5 million Euro, up by 53.3% compared with the previous year, in which they amounted to 800.3 million Euro.

Analysing in detail the Group companies which contributed to the composition of the item, it is also evident that most of the amounts due from banks (78.5% of the total) pertain to the Parent Company Banca Sella Holding.

Due to banks *(euro millions)*						
Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Due to central banks	**877,6**	**71,5%**	**554,5**	**69,3%**	**323,1**	**58,3%**
Due to banks	**349,0**	**28,5%**	**245,9**	**30,7%**	**103,1**	**41,9%**
Current accounts abd demand deposit	165,7	13,5%	70,5	8,8%	95,2	134,9%
Term deposits	12,3	1,0%	22,6	2,8%	(10,3)	-45,6%
Loans and advances	167,5	13,7%	151,3	18,9%	16,2	10,7%
Others	3,5	0,3%	1,4	0,2%	2,1	145,1%
Total	**1.226,5**	**100,0%**	**800,3**	**100,0%**	**426,2**	**53,3%**
Details for group companies						
Banca Patrimoni Sella & C. S.p.A.	11,5	0,9%	-	0,0%	11,5	-
Banca Sella S.p.A.	11,6	0,9%	12,5	1,6%	(1,0)	-7,7%
Banca Sella Holding S.p.A.	963,0	78,5%	578,0	72,2%	385,1	66,6%
Biella Leasing S.p.A.	189,8	15,5%	159,9	20,0%	29,9	18,7%
Other companies of the Group	50,6	4,1%	49,9	6,2%	0,7	1,4%
Total	**1.226,5**	**100,0%**	**800,3**	**100,0%**	**426,2**	**53,3%**

FINANCIAL ASSETS

The total financial assets of the Group at 31 December 2013, which came out at 3,694.1 million Euro, were up by 21.2% compared with the previous year, in which they were 3,046.9 million Euro.

Considering the figure net of financial liabilities, the aggregate increased with respect to financial year 2012 by 23.4%.

Financial assets/liabilities of the Group *(euro millions)*						
Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Finalcial assets						
Financial assets held for trading	493,8	13,4%	338,5	11,1%	155,3	45,9%
Financial assets at fair value through profit or loss	664,1	18,0%	690,7	22,7%	(26,6)	-3,9%
Financial assets available for sale	1.323,0	35,8%	1.108,6	36,4%	214,3	19,3%
Financial assets held to maturity	1.213,3	32,8%	909,0	29,8%	304,2	33,5%
Total financial assets	**3.694,1**	**100,0%**	**3.046,9**	**100,0%**	**647,2**	**21,2%**
Financial liabilities						
Financial liabilities held for trading	163,4	21,3%	97,5	14,4%	65,9	67,6%
Financial liabilities at fair value through profit or loss	605,2	78,7%	578,2	85,6%	26,9	4,7%
Total financial liabilities	**768,5**	**100,0%**	**675,7**	**100,0%**	**92,8**	**13,7%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES OF THE GROUP	**2.925,6**		**2.371,2**		**554,4**	**23,4%**

As can be seen from the table above, within the aggregate relating to financial assets and liabilities there was an increase 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 2013 of financial assets held for trading (net of financial liabilities) was up by 37.1% compared with the previous year, amounting to 330.4 million Euro, against 241 million Euro recorded in 2012.

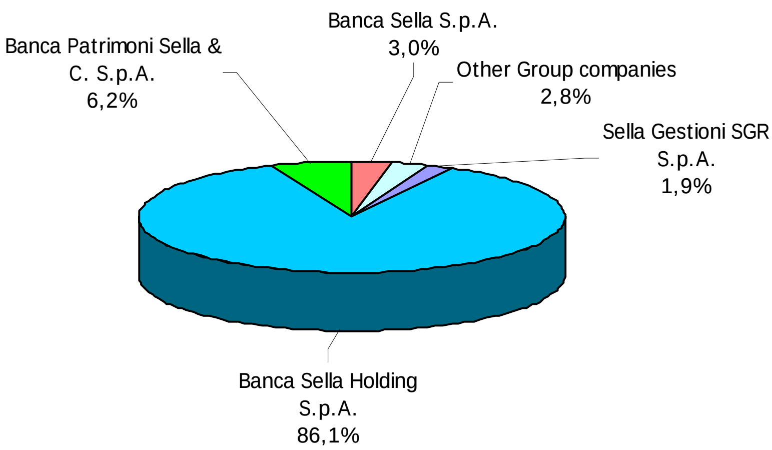
Financial assets/liabilities held for trading *(euro millions)*						
Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Cash assets/liabilities	**332,9**	**100,7%**	**244,2**	**101,3%**	**88,7**	**36,3%**
Debt securities	455,5	137,9%	306,4	127,1%	149,1	48,7%
Equity securities	0,4	0,1%	0,4	0,2%	0,0	5,8%
UCITS units	14,6	4,4%	11,5	4,8%	3,1	26,7%
Others	(137,6)	-41,7%	(74,1)	-30,7%	-63,5	85,7%
Derivative instruments	**(2,4)**	**-0,7%**	**(3,1)**	**-1,3%**	**0,7**	**-23,2%**
- of wich financial derivatives	(2,4)	-0,7%	(3,1)	-1,3%	0,7	-23,2%
- of wich credit derivatives	-	0,0%	-	0,0%	0,0	-
TOTAL NET FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	**330,4**	**100,0%**	**241,0**	**100,0%**	**89,4**	**37,1%**
Detail of trading securities for main Group companies						
Banca Patrimoni Sella & C. S.p.A	29,2	6,2%	20,0	6,3%	9,2	46,2%
Banca Sella S.p.A.	14,3	3,0%	46,1	14,5%	(31,9)	-69,1%
Banca Sella Holding S.p.A.	404,9	86,1%	247,0	77,6%	158,0	64,0%
C.B.A. Vita S.p.A.	0,2	0,0%	0,1	0,0%	0,0	17,0%
Sella Life Ltd	8,9	1,9%	5,0	1,6%	3,9	76,8%
Other Group companies	13,0	2,8%	0,0	0,0%	13,0	-
Total trading securities	**470,5**	**100,0%**	**318,3**	**100,0%**	**152,2**	**47,8%**

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 404.9 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 86%) and Banca Patrimoni Sella & C. (for 6%).

Percentage breakdown by company of trading securities



FINANCIAL ASSETS AVAILABLE FOR SALE

At the end of the year financial assets available for sale amounted to 1,323.0 million Euro compared with the 1,108.6 million Euro recorded at 31 December 2012, an increase of 19.3%.

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 1,269.6 million Euro, or 96% of the total.

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

On 30 June 2013, the equity investments in Città Studi, SACE (Società Aeroporto di Cerrione) and Pallacanestro Biella, given the structural nature taken on by the losses seen by the Companies over the last few years, were valued using the equity method, and it was consequently held appropriate to write down the same, with effects totalling 50,583.75 Euro recognised in the income statement.

In addition, on 30 June 2013 a write down of the equity investment in Smava GmbH was carried out (measurement method: DCF – Discounted Cash Flow): given the significant nature of the losses seen during the last year, a write down of the equity investment was carried out with an amount equal to 200,000 Euro recognised in the income statement.

At 31 December 2013, the presuppositions to make additional write downs to these equity investments did not exist. On the other hand, fair value adjustments to the valuation reserves relative to the following were made:

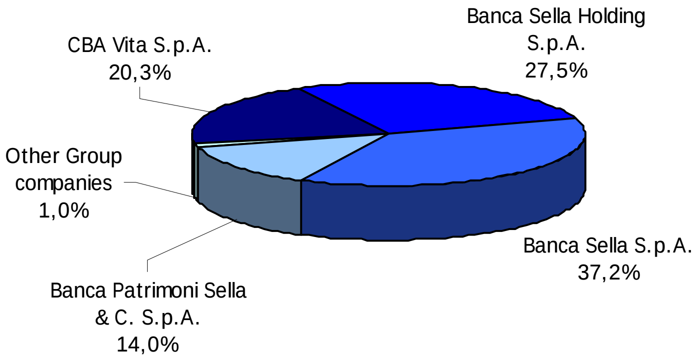
- Gruppo Mutui On Line (measurement method: market listings): the positive shareholders' equity reserve was adjusted to the closing market price at 31 December 2013 for an amount of 242,663.25 Euro;
- Intesa Sanpaolo (measurement method: market listings): the positive shareholders' equity reserve was adjusted to the closing market price at 31 December 2013 for an amount of 292,915.08 Euro;
- Digital Magics (measurement method: market listings): a positive shareholders' equity reserve was recognised on the basis of the closing market price at 31 December 2013 for an amount of 44,321.50 Euro;
- United Ventures One (measurement method: NAV): a negative shareholders' equity reserve on the basis of the most recent available NAV was recognised for 51,794.01 Euro.

In addition, it should be noted that during 2013 equity investments were acquired in Cassa di Risparmio Bolzano S.p.A., Compagnie Financière Martin Maurel SA, and Digital Magics S.p.A. In addition, the equity investment in United Ventures One S.p.A. (formerly JV2 Capital S.p.A.) was increased. On the other hand, the complete sale of the residual investment in London Stock Exchange Group Plc was carried out, as was a partial sale of the investment in Intesa Sanpaolo S.p.A., achieving total gross capital gains of 679,030.64 Euro.

Financial assets available for sale *(euro millions)*						
Item	**31/12/2013**	**Proportion (%) of total**	**31/12/2012**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Debt securities	1.269,6	96,0%	1.067,7	96,3%	201,9	18,9%
Equity securities	45,6	3,4%	33,9	3,1%	11,8	34,8%
UCITS units	5,0	0,4%	4,6	0,4%	0,3	7,2%
Loans and advances	2,8	0,2%	2,4	0,2%	0,3	13,6%
Total securities available for sale	**1.323,0**	**100,0%**	**1.108,6**	**100,0%**	**214,3**	**19,3%**
Details for main Group companies						
Banca Patrimoni Sella & C. S.p.A.	185,8	14,0%	76,6	6,9%	109,2	142,5%
Banca Sella S.p.A.	491,6	37,2%	369,2	33,3%	122,4	33,1%
Banca Sella Holding S.p.A.	363,5	27,5%	365,7	33,0%	(2,2)	-0,6%
CBA Vita S.p.A.	268,7	20,3%	277,0	25,0%	(8,3)	-3,0%
Other Group companies	13,3	1,0%	20,1	1,8%	(6,7)	-33,6%
Total securities available for sale	**1.323,0**	**100,0%**	**1.108,6**	**100,0%**	**214,3**	**19,3%**

The chart below shows that the portfolio of financial assets held for sale is held mostly (37.2% of the total) by Banca Sella, followed by Banca Sella Holding (with 27.5% of the total), CBA Vita (20.3% of the total), and Banca Patrimoni Sella & C. (14% of the total).

Percentage distribution of financial assets available for sale



FINANCIAL ASSETS HELD TO MATURITY

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

The book value of the aggregate, amounting to 1,213.3 million Euro, increased by 33.5% compared with the 909 million Euro of the previous year.

The increase in investments in this category is a consequence of the decision of the Parent Company Board of Directors for the purpose of stable investment.

Financial assets held to maturity *(euro millions)*

Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Book value	1.213,3	100,0%	909,0	100,0%	304,2	33,5%
Fair value	1.274,7	100,0%	939,5	100,0%	335,2	35,7%
Details for main Group companies (book value)						
Banca Patrimoni Sella & C.	100,9	8,3%	101,2	11,1%	(0,3)	-0,3%
Banca Sella S.p.A.	708,5	58,4%	412,5	45,4%	296,0	71,8%
Banca Sella Holding S.p.A.	202,6	16,7%	194,4	21,4%	8,2	4,2%
Banca Sella Nordest Bovio Calderari S.p.A.	-	0,0%	-	0,0%	-	-
Banca Sella Sud Arditi Galati S.p.A.	-	0,0%	-	0,0%	-	-
C.B.A. Vita S.p.A.	201,3	16,6%	201,0	22,1%	0,3	0,2%
Sella Bank A.G.	-	0,0%	-	0,0%	-	-
Other Group companies	-	0,0%	-	0,0%	-	-
Total financial assets held to maturity (book value)	**1.213,3**	**100,0%**	**909,0**	**100,0%**	**304,2**	**33,5%**

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 2013 reveals a decrease of 3.9% compared with the previous year in assets, which amounted to 664.1 million Euro and an increase in liabilities of 4.7% compared with 2012, when they were 578.2 million.

Financial assets/liabilities at fair value through profit or loss *(euro millions)*						
Item	31/12/2013	Proportion (%) of total	31/12/2012	Proportion (%) of total	Change	
					absolute	%
Financial assets at fair value through profit or loss						
Debt securities	257,1	38,7%	315,8	45,7%	(58,7)	-18,6%
Equity securities	25,2	3,8%	28,0	4,0%	(2,8)	-10,0%
UCITS units	345,4	52,0%	282,2	40,9%	63,2	22,4%
Loans and advances	36,4	5,5%	64,8	9,4%	(28,3)	-43,7%
Total	**664,1**	**100,0%**	**690,7**	**100,0%**	**(26,6)**	**-3,9%**
Financial liabilities at fair value through profit or loss						
Due to customers	605,2	100,0%	578,2	100,0%	26,9	4,7%
Total	**605,2**	**100,0%**	**578,2**	**100,0%**	**26,9**	**4,7%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**58,9**		**112,5**		**(53,6)**	**-47,6%**
Net details for Group companies						
C.B.A. Vita S.p.A.	58,8		112,4		(53,6)	-47,7%
Sella Life Ltd	0,1		0,1		0,0	10,8%
TOTAL	**58,9**		**112,5**		**(53,6)**	**-47,6%**

Regulatory capital

The regulatory capital and capital ratios at 31 December 2013 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 the two insurance companies CBA Vita and Sella Life and the company in liquidation, Sella Capital Management, 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 1,057.8 million Euro, a 23.7 million Euro increase with respect to the previous year when it totalled 1,034.1 million Euro (+2.3%).

Tier 1 capital totalled 675.7 million Euro, a 30.9 million Euro increase over the previous period when it totalled 644.8 million Euro (+4.8%).

This growth can be attributed substantially to capitalisation 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 2013, the Tier 1 capital ratio, namely the ratio of the Group's Tier 1 capital and total risk-weighted assets (which amounted to 8,028.3 million Euro, slightly less than the previous year), was 8.42% compared with 7.80% at the end of 2012.

Tier 2 capital fell, by 41.4 million Euro, totalling 382.1 million Euro in comparison to 423.5 million Euro in 2012 (-9.8%).

No elements to be deducted from Tier 1 or Tier 2 capital remain, which on the other hand totalled 34.2 million at 31 December 2012, in that they referred to the equity investments in the Group's insurance companies which, as of 1 January 2013, have been deducted at 50% from Tier 1 capital and at 50% from Tier 2 capital, for a total of 46.2 million Euro.

There is no Tier 3 capital.

As a consequence, at 31 December 2013 the Total Capital Ratio, namely the ratio between the Group's total regulatory capital and its total risk-weighted assets was 13.18%, compared with 12.50% at the end of 2012.

Regulatory capital *(euro mililonis)* **and capital adequacy ratios** *(%)*				
Item	**31/12/2013**	**31/12/2012**	**Change**	
			absolute	**%**
Tier 1 capital	**675,7**	**644,8**	**30,9**	**4,8%**
Tier 2 capital	382,1	423,5	(41,4)	-9,8%
Tier 1 and Tier 2 capital ineligible items	-	(34,2)	34,2	-
Tier 3 capital	-	-	-	-
Regulatory capital including Tier 3	**1.057,8**	**1.034,1**	**23,7**	**2,3%**
Credit and counterparty risk	543,3	568,2	(24,7)	-4,3%
Market risks	16,6	11,6	5,0	43,0%
Operational risk	82,1	81,9	0,2	0,3%
Other capital requirements	-	-	-	-
Total capital requirements	**642,3**	**661,7**	**(19,4)**	**-2,9%**
Risk weighted assets	**8.028,3**	**8.271,0**	**(242,7)**	**-2,9%**
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	**8,42%**	**7,80%**		
Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	**13,18%**	**12,50%**		

As of 1 January 2014, the new regulatory norms known a Basel 3 took effect, which foresee the new definition of Common Equity Tier 1, that is the main capital component, which mainly represents ordinary capital paid in, the relative share premium reserve, profit for the period, the reserves, minority interests (calculable within certain limits) and other regulatory adjustments, as envisaged in European Regulation CRR 575 of 27 June 2013 and the new circular 285 of 17 December 2013. As a consequence, the Common Equity Tier 1 or CET 1 ratio, represents the coefficient of solvency expressed by the ratio between CET 1 and the weighted risk activities calculated on the basis of the Basel 3 regulations, in application of that envisaged in the cited regulation, European Directive CRR IV 575 of 27 June 2013 and the new circular 285.

Taking into account the provisions outlined above, the calculation of the Group's CET 1 ratio at 31 December 2013 was 8.21%, greater than the required minimum of 7% established under the new regulations.

Liquidity

The year 2013 was characterised by a gradual easing of the tensions in relation to the banking industry's liquidity situation. In particular, the notable tightening of the spread for the yield on Italian government securities, favoured by the renewed interest on the part of foreign investors for peripheral countries' securities, led to a general improvement of the average liquidity situation for Italian banks. In particular, during the course of the year the conditions for access to institutional funding constantly improved (both through unsecured issues and through covered securities or ABS), on the part of Italian banks. In addition, the difference between the conditions accessible to medium and small banks with respect to those which larger and better rated institutes continued to be sizeable. As a consequence of the lessening of tensions on the wholesale market, over the course of the year a decline in the cost of customer funding was seen. The unsecured interbank market continued, as in previous years, to record exchanges essentially concentrated only for extremely short maturity dates (mostly overnight) and for smaller amounts.

The European Central Bank continued its support of the banking system:

- lowering rates by 25 bps before April and again in November, bringing them to 0.25%;
- extending the method of assigning the Full Allotment funds for the Eurosystem financing operations to the middle of 2015;
- reducing the haircut on ABS securities held as collateral for the Eurosystem financing operations.

Prudential liquidity management has always been, since the very start, fundamental to ensure normal banking business, especially in times of tension. Maintaining adequate liquidity, both short-term and structural, is held to be a cornerstone of prudent corporate management.

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 critical situations.

The process of liquidity management and control made it possible in 2013 to maintain an adequate level. During the year, a positive trend was seen for the most important liquidity indicators, at both the Group level and for Banca Sella, both structural and short-term, supported by the improvement in macroeconomic conditions.

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

GROUP COMPANIES

As already mentioned above, the Banca Sella Group consists of 20 companies (of which 1 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 the centralised level and provides to its subsidiaries various services including:

- Trading in financial instruments;
- Access to financial markets;
- Centralised 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;
  - Selfid: a company whose purpose is to carry on a “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 households 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 specialised 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 S.A. a common-law company operating under Luxembourg law, 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;
  - Selvimm due S.A.: a real estate company operating under Swiss law which owns the property were Sella Bank AG had its headquarters, a Group company that was sold at the start of the year;
  - 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;
  - Sella Capital Management: in liquidation.

For more information about company operations, please refer to that stated at the start of this Report on Operations, 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 2013, describing their operating performance and overall results.

Note that the comments below indicate the results obtained applying the accounting principles used for the preparation of the individual financial statements, in addition, for Banca Sella and Banca Patrimoni Sella & C. the comments refer to the reclassified income statement figures.

Italian commercial banks

BANCA SELLA S.P.A.

The net profit for the year amounted to approximately 20.4 million Euro, a notable improvement with respect to 31 December 2012. The level of ROE stood at 3.8%.

The year featured the sale of the distribution business unit of Trentino Alto Adige and part of Veneto to Cassa di Risparmio di Bolzano/Sudtiroler Sparkasse, which influenced various items in the income statement and led to profits of approximately 19 million Euro (12.8 million Euro net of income taxes).

Analysing the items, we see a general reduction of the interest margin, including on a system level, in the case of Banca Sella, the reduction was limited (-1.6% as compared with the figures at 31 December 2012). The reduction is due mainly to a drop in the volumes of loans together with a decline in market rates; in fact, again in 2013 protracted weakness in the demand by businesses and households was confirmed both due to the continuation of the crisis and the high supply conditions applied following the increased risk parameters.

Net fees were quite stable, in fact they increased by 2.6%.

Net banking income suffered from the low performance of trading activities, which despite arriving at 5.7 million Euro still decreased by 32.5% with respect to 2012.

In regard to costs, the action to contain operating costs continues. These fell by 5.2% with respect to 31 December 2013. The reduction can also be partially attributed to the operation to sell the branches, described above.

At 31 December 2013 net interest income amounted to 197.4 million Euro, down by 1.6% compared with the previous year. If the sale to Cassa di Risparmio di Bolzano is considered, with net interest totalling around 1.6 million Euro, the interest margin is substantially in line with 2012, with a tiny decrease of -0.5%.

The impact on net banking income fell from 54% in December 2012, to 53.4% in December 2013.

The trend in net income from services, which amounted to a total of 172.1 million Euro, showed a rise of 0.5% compared with 2012, in which it was 171.1 million Euro. The result can be generally considered positive in that it was influenced by the sale of part of the branches, which made a positive contribution to the item.

This component represented 45.6% of net banking and insurance income (45.2% at 31 December 2012).

Net income from banking and insurance activities, together with net income from services, provide a total result of 369.5 million Euro, essentially flat (-0.6%) with respect to 31 December 2012. This is line with respect to the average results seen in the context of the Italian banking system, penalised by the negative performance of results from trading activities, 5.7 million Euro in 2013, a 32.5% decrease, and the trend for net fees which grew by 2.6%.

Also in the case of net banking income it is necessary to keep in mind the component sold in June 2013 to Cassa di Risparmio di Bolzano/Sudtiroler Sparkasse, equal to approximately 3.7 million Euro, which would have brought net banking income to +0.4%.

Operating costs, amounting to 242.8 million Euro, net of the positive contribution of 23.4 million Euro of the item "Other operating expenses/income", effectively decreased by 5.2%.

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 65.9%, substantially in line with the 66.1% recorded at 31 December 2012.

The operating result amounted to 126.6 million Euro, an improvement of 9.5% compared with the figure at 31 December 2012.

During the year provisions of 3.6 million Euro were set aside for risks and charges, a decrease of 12.2% with respect to 2012, for the most part allocated against operational risk.

Net value adjustments on loans and advances amounted to 105.7 million Euro, up by 7.3% compared to the 98.5 million Euro of the aggregated previous year.

This item represents 1.5% of total lending. The generalised crisis context and difficulty experienced by households and businesses has meant that value adjustment have once again had a major impact on the period result.

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 39.4%.

The “Robin Hood tax” introduced by Legislative Decree no. 112 25/06/2008 (turned into Law no. 133 of 06/08/08) which implies that 4% of interest expenses is non-deductible, caused an increase in taxes of approximately 1.3 million Euro, corresponding to about 3.7 percentage points in the tax rate.

Decree Law no. 133 of 30/11/2013 (turned into Law 5 of 29/01/2014) introduced an additional IRES of 8.5% for credit and financial entities, with reference to the period in course at 31 December 2013, and led to greater taxes of 1.9 million Euro, corresponding to a negative impact of 5.4% on the tax rate.

Without the effect of the above-mentioned components, the tax rate would have been around 30.3%.

Large customers and asset management

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

Financial year 2013 ended with a profit of 5.1 million Euro, a decrease of 15% with respect to the profit for financial year 2012, which had come out at approximately 6 million Euro. Note that the gross before tax result is 16% greater than the previous year, meaning that the 15% decrease in the net results with respect to 2012 can be traced to tax effects, specifically the additional 8.5% IRES introduced by Decree Law 133/2013, which led to a negative impact of 0.9 million Euro.

From the reclassified income statement and from the comparison with the previous year it can be noted that the result at 31 December 2013 was affected mainly by the following aspects:

- a positive trend in net banking income which, at 43 million Euro, saw an increase with respect to the previous year in the amount of 7.6%, mainly due to an increase in interest income of 19% and a 20% increase in the managed savings component;
- an increase in operating costs (+5.2%), which amounted to 32.3 million Euro, 1.6 million Euro more than at 31 December 2012;
- an improvement in net banking income (+7.6%), which amply absorbed the increase in operating costs and enabled the Bank to obtain a higher operating profit than in the previous year;
- lower allocations to provisions for risks and charges, which in 2013 amounted to 0.81 million Euro, compared with the 0.9 million Euro in the year ended 31 December 2012;

As a result of the performance outlined above, profit from continuing operations before taxes totalled 9.4 million Euro, compared with the amount of 8.1 million Euro recorded in the previous year.

Net interest income amounted to 9.7 million Euro, a 18.9% increase over 2012. Interest income totalled 3.1 million Euro. This favourable result is attributable mainly to an increase in volumes and to higher profitability of investments in the company-owned securities portfolio of 1.8 million Euro, while the interest component relating to loans to customers increased by 1.3 million Euro.

Interest expense increased by 1.6 million Euro, owing to higher volumes of direct deposits (+29.8%), due to the increase in interest rates paid to customers on demand deposits and repurchase agreements.

Net income from services totalled 33.2 million Euro, an increase of 1.5 million Euro (4.67%) compared with financial year 2012.

Fee income increased by 7.5 million. This increase can be traced to the results of the managed segment, +20.2%, greater indirect deposit volumes and profitability of 0.81%, a 0.06% increase with respect to the previous year.

Fee expense increased by 3.3 million, mainly due to the cost of finding new deposits.

The net result of trading and hedging activities decreased by 1.8 million Euro.

Net banking income was 43 million Euro, an increase of 7.6% compared with the 40 million Euro of 2012.

Operating costs amounted to 32.3 million Euro, recording an increase of 5.2% compared with the 31 million Euro recorded at 31 December 2012.

This increase was mainly determined by personnel expenses which, including IRAP, went up from 18.5 million Euro in 2012 to 19.7 million in 2013, in relation to the growth in the variable component of remuneration determined by the favourable trend in operations and the increase in staff.

Other administrative expenses (net of recovery of stamp duty and other taxes) amounted to 11.1 million Euro, up compared with 31 December 2012, when they were 10.7 million Euro, mainly due to the increase in the fees for services provided by third parties.

The item other operating expenses/income improved with respect to 31 December 2012 rising from -1.2 million Euro to -0.8 million Euro of expenses.

As a result of the above trends the operating profit at 31 December 2013 amounted to 10.7 million Euro, up by 15.7% in comparison with the figure for the previous year.

Provisions for risks and charges amounted to 0.8 million Euro. Value adjustments on loans of 0.2 million Euro were recognised.

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 45.22%, up compared with the tax rate of 2012 (35.23%).

For accurate comparison, the tax impact of 2013 should in any case deduct the tax load dictated by the additional 8.5% IRES determined by Decree Law 133/2013. Net of this additional tax burden, the percentage falls to 35.93%, in line with 2012.

SELFID S.P.A.

The Company, based in Biella, carries on a “static” fiduciary business (as provided for in Law 1966/39). Again in 2013 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 2013 totalled 633. Assets administrated went from 1,791 million Euro in 2012 to 1,549 million Euro in 2013.

Fee income amounted to 920,180 thousand Euro, a slight decrease on the 982,592 thousand Euro of the previous year. The most significant cost item was seconded staff, amounting to 542,011 Euro. The item ‘Costs for services’ amounted instead to 1,017 thousand Euro (in 2012 it was 796 thousand Euro).

Selfid ended the year with a loss of 94 thousand Euro, compared with the loss of 1.1 million Euro recorded in 2012.

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 2013, the Company managed 16 mutual funds operating under Italian law, a mutual fund operating under Italian specialising in investment in parts of other UCITS, consisting of 5 segments and which began operations on 14 January 2013, a pension fund divided into 5 segments, as well as an OEIC operating under Luxembourg law 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 2013 total assets managed (net of duplications) amounted to 1,672.4 million Euro, an increase of 0.7% compared with the figure at the end of 2012.

The market share held by the Company in the area of Italian and foreign funds amounted to 0.269% at the end of December 2013 compared with 0.315% at the end of 2012 while that of the pension fund at 31 December 2013 came out at 2.02% compared with 1.97% at the end of 2012.

As regards collective management, including the pension fund, at year end the assets were invested as follows: 76.50% in bond funds, 7.78% in balanced and flexible funds and 15.72% in equity funds.

The year at 31 December 2013 ended with net income for 1.484 million Euro compared to the income of 1.898 million Euro recorded in 2012. The income for 2013 was positively influenced by the dividend received from CVA Vita S.p.A., equal to 654 thousand Euro and from incentive fees achieved from managed products totalling 1.114 million Euro.

Net fees came to 7.168 million Euro, a decrease of 15.4% with respect to the figure at the end of 2012, due to lower incentive fees (1.114 million Euro in 2013 in comparison to 2.737 million Euro in 2012). Other net fees were greater than the figure at 2012, thanks to greater average assets managed.

Net banking income came to 8.40 million Euro with a decrease of 12.1% with respect to the 2012 figure, due to the effect offset by that outlined in the previous section, the reduced profitability of the own portfolio and the CBA Vita S.p.A. dividend.

Structural costs, amounting to 6.39 million Euro decreased by 8.1% compared with the previous financial year. This reduction was mainly due to lower fixed personnel costs, reduced variable compensation and reduced administrative expenses.

The Company's workforce, including seconded staff and collaborators, went down from 44.37 full time equivalents of the end of 2012 to 44.82 full time equivalents of the end of 2013.

For 2014, 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 3,174 contracts for a total amount of 199.7 million Euro; this figure was an increase on the 2,984 contracts the previous year, but a decline in terms of value, with respect to the 213.5 million Euro stipulated in 2012.

The market share on newly-signed contracts was 1.38%, an increase compared with 31 December 2012, when it was 1.31%.

Net leasing income, amounting to 22.4 million Euro, increased when compared with 2012, when it was 21 million. Structural costs, inclusive of personnel expenses and other overheads, amounted to a total of 6.9 million Euro at 31 December 2013, an increase compared with the previous year, in which they were 6.6 million Euro.

On 31 December 2013 the staff, including employees and seconded personnel from other companies of the Group, was made up of 69 people (with respect to 67 in 2012), of which 34 men and 35 women. Seconded personnel was made up of 7 people.

The ratio of net non-performing positions to total leases went up from 2.2% at 31 December 2012 to 2.8% at 31 December 2013.

The company therefore ended the year with a net profit of 3.3 million Euro, 3.7% up on the figure of 3.2 million Euro recorded at 31 December 2012.

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 263 at the end of 2012), 17 managed branches, 12 affiliated “Consel Points” and more than 2,800 partner sales points active in 2013 all over Italy.

Consumer credit activities by Assofin Associates in 2013 continued to remain in negative territory, despite the fact that the downward trend was less strong with respect to the same period during the previous year. In terms of overall flows, the market returned to the levels of 2005. New disbursements, totalling 45.43

billion Euro slowed by -5.3% with respect to 2012. The trend for the number of financed operations (147.7 million) was positive (+3.0%) due to the growing number of transactions carried out with revolving cards.

In this very difficult context, which began in 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 salary backed loans (+3.1%), while all the other segments and products had negative signs.

Loans for specific purposes distributed through the commercial branches still recorded negative changes in all their components (motor vehicles and motorcycles -6.6%; other loans for specific purposes -1.6%), 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 (- 9.6%) and loans disbursed through new credit cards (-1.9%) were down compared with the first half of the previous year.

During 2013, Consel S.p.A. recovered and significantly increased its market share compared with 2012 (from 0.899% to 1.235%).

After the temporary decline seen during 2012, when the company was involved in notable changes in regard to management and its commercial strategies, in 2013 it saw a new significant positive change in the development of its activities, which produced the above indicated results.

In the period the company recorded a slight increase in the number of applications completed, disbursing 146,635 financing operations (125,557 in 2012). In terms of volumes disbursed, the trend was counter to the negative performance of the market. Including operations carried out with revolving cards (407,656 compared with 357,355 in 2012, up 14.1%), Consel disbursed loans for a total of 561,196 million Euro (431.98 at the end of December 2012), a +29.9% decrease with respect to the same period of the previous year.

Examining the details of the various sectors, personal loans increased by 13.4% compared to the previous year, with total amounts disbursed of 114.85 million Euro in 11,899 operations, while the motor vehicle sector grew by 22.4% (141.9 million Euro and 13,654 operations completed). Other loans for specific purposes sector grew by 30.4% (190,680 million Euro and 120,352 operations).

As regards credit cards, at the end of 2013 there were 72,440 active cards (72,440 in the previous year), with a total of 50.12 million Euro utilised (50.12 in 2011).

For salary/pension-backed loans, thanks to the distribution agreement signed with Pitagora S.p.A., Consel disbursed 48.21 million Euro (compared with 7.77 in 2012) and completed 2,514 applications (468 in 2012).

The automobile leasing business, which thanks to a commercial decision was limited in terms of direct development and transferred to Biella Leasing S.p.A., produced in the year a total of 2.19 million Euro disbursed, with 98 operations completed; in the previous year the amount had been 10.9 million Euro, with 401 operations.

Net interest income amounted to 37.6 million Euro, an increase of 15.3% from 2012, while operating income, amounting to 53.6 million Euro, showed an increase of 9.9% compared with 2012, with an increase in total revenues, which amounted to 21.2 million Euro (+4.4%).

At 31 December 2013 operating costs amounted to 33.1 million Euro, of which 32.0 million relating to administrative and personnel expenses (an increase compared with the 29.1 million recorded in 2012) and 1.1 million for amortisation and depreciation (in 2012 the figure was 1.1 million).

Profit, after taxes amounting to 1.7 million Euro, came out at 1.6 million Euro compared with a loss of 1.3 million Euro in 2012.

Bancassurance

BROSEL S.P.A.

The Company, with its head office in Biella, works in the insurance broking and consulting sector, and ends its financial year at 30 November.

In 2013, Brosel brokered a volume of premiums amounting to approximately 20.3 million Euro.

Net fees from insurance broking (totalling approximately 1.8 million Euro, an 14% reduction compared with the previous year) against total costs which were 4% lower than the past financial year, and financial income which fell by around 20% following the decrease in interest rate levels, which led to pre-tax profit of 453 thousand Euro, down 37% with respect to the previous year.

Net profit came out at 289 thousand Euro, down 38.2% 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 2013 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, the expansion of the commercial network began in the Novara area, 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. Relative to the second point, a project to begin optical document filing has been developed, which will become operational in 2014. On the third point a study has begun regarding the opportunities offered by the Company's presence on the internet and 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 184.9 million Euro (a reduction from the 201.4 million Euro in 2012), mainly from traditional life policies. Premiums ceded amounted to 1.7 million Euro.

Gross premiums of the non-life portfolio amounted to 1.8 million while premiums ceded totalled 0.7 million.

The result of the total technical account was 1.8 million Euro, compared with 11.9 million Euro in the previous year. This reduction is mainly due to the lesser income from financial management.

Operating costs amounted to 3.1 million Euro, of which 1.9 million Euro relating to other administrative expenses and 1.2 million Euro relating to net commissions on purchase and collection. The aggregate indicates a decrease of 25.80% with respect to 2012.

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, determined on the basis of national accounting principles, of 3.3 million Euro, compared with the positive 10.7 million recorded at the end of 2012. The decrease in profit mainly derives from the lower positive results from financial management with respect to the previous year.

As regards Life products, during 2013, as provided for in the legislation, the Company updated the informative brochures of the products distributed.

Deposits for the product “CBA Tuo Valore,” connected to the current account “Conto Tuo Valore”, continued. The guaranteed minimum annual return on the capital insured was 2% for new subscriptions in the first quarter which was reduced, taking into account the ECB tax reduction, to 1.75% in the second quarter. For policies already in the portfolio, the guaranteed minimum annual return was kept at 1.5%. During the second half of 2013, guaranteed returns were further reduced by an additional 25 bp (from 1.75% to 1.5% for new subscriptions and from 1.5% to 1.25% for policies already in the portfolio). Starting in January 2014, guaranteed returns, taking into account the additional reduction in ECB rates, have been brought to 1.25% for new subscriptions and to 1% for policies already in the portfolio.

During the first part of the year, a new savings policy for the private customers of the Banca Sella Group was made available, with single premiums at least equal to 1.5 million.

In addition, the periodic premium CBA Moneta products and the PIP CBA Insurance Pension Fund were amended, eliminating the percentage added to the premium for new subscriptions, to favour placement. Starting in January 2014, after having completed the authorisation process envisaged by COVIP, the percentage added to the subsequent instalments of the PIP CBA Insurance – Pension Fund subscribed before the modification introduced in 2013 was eliminated.

In the last two months of the year, the distribution of a new multi-branch product began, known a “STAR Multiple Choice” which, based on the customer's investment strategy, divides the premiums paid into the separate Alfiere management and into the external fund “Star Collection” managed by Sella Gestioni and operative since the beginning of 2013. The new product allows the Banca Sella Group's distribution network to offers its customers “Multi-manager” management of investments associated with the characteristics of unit-linked insurance products.

At the end of the year, preferential conditions were introduced for customers who decide to reinvest in a new life policy the capital received at maturity, eliminating for the new policy deriving from this reinvestment, the entry costs applied to the premium and the buyout penalties envisaged for the first 5 years.

In addition, to make it easier to maintain insurance products signed before 2001 and for which the new regulations in effect in 2013 have significantly reduced tax breaks on the premiums paid, for CBA Moneta products with recurring payments subscribed by those with a life policy acquired before 31 December 2000, the initial fixed cost and the buyout penalties for the first 5 years have been eliminated.

The evolution of management during the first few months of 2014 is in line with the established projects. No other issues of particular significance have arisen in these first months of 2014.

SELLA LIFE LTD

The Dublin-based insurance company Sella Life Ltd is specialised 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 47.1 million Euro, achieving a total insurance investment of 596 million Euro. In 2013, net banking income was 1.8 million Euro, a notable improvement with respect to the previous year (1.5 million Euro), due to the effects of the increase in the fee percentage for maintaining the Sella Personal Life product (SPL) and the investment portfolio managed. Overheads in 2013 decreased with respect to the previous year and amounted to 1.45 million Euro (in the previous year they amounted to 1.7 million Euro, also due to provisions set aside for litigation).

The combination of effects described above means that the Company ended the year with a profit of 962 thousand Euro (compared with a loss of 252 thousand Euro seen the previous year). Part of this profit (541 thousand Euro) was generated by the recovery of taxes from losses in previous years.

On 20 December 2013, a review of the SPL product was begun through the Banca Sella network.

Banking services

SELIR S.R.L.

The Company, whose head office is in Galati (Romania), works in IT Design and Development, providing Administrative Services and Call-Centres for all the Group's banks, Easy Nolo, Consel and, as of 2012, also for Unione Fiduciaria (an external company).

In 2013, net banking income, amounting to approximately 4.78 million Euro, recorded a +17% increase on 2012 (when it amounted to 4.08 million Euro).

Net incomes from services in 2013 (4.56 million Euro) a +12% increase over 2012, following the growth in activities carried out by the Back Office Administrative and Contact-Centre Services structure (+8%) and in the turnover linked to Software development (+17%).

Operating costs amounted to 3.86 million Euro, up by +18% on the previous year. Within the item there was an increase in personnel expenses, which amounted to 2.96 million Euro (+27% over 2012), while other administrative expenses decreased by -6%.

The Company ended the year with a net profit of 751 thousand Euro, an increase of 62 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.

The value of production amounted to 8.8 million Euro, an increase of 6.0% compared with the previous year. Production costs amounted to 6.7 million Euro, also down of 3.8% on the previous year. Consequently, the difference between production costs and revenues, amounting to 2.1 million Euro, shows growth over last year, by approximately 0.77 million Euro.

The company closed the year with a net profit of 1,376 thousand Euro, compared with 762 thousand Euro in the previous year.

No other important events occurred in 2013.

For 2014 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 of Sella Bank Luxembourg S.A. (2001-2003), which in 2010 changed its name frost to IBL S.A. and then to Miret S.A., while the banking business of Sella Bank Luxembourg S.A. was spun-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 2 thousand Euro (down from that of the previous year of 15 thousand Euro). Net banking income amounted to 29 thousand Euro (lower than that of the previous year of 32 thousand Euro).

As regards operating costs, personnel expenses amounted to 325 million Euro (down 8.7% compared with the figure for 2012) and other administrative expenses totalled 586 thousand Euro (up 31.7% compared with the previous figure) .

As a result of the trends described above, the net income for financial year 2012 was a negative 680.7 thousand Euro, in contrast to the loss of 366.7 thousand Euro in 2012.

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.) following the spin-off – 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 on the 2012 financial statements, distinguishing therefore between:

a) risks attributable to the role of Miret S.A. (at the time Sella Bank Luxembourg S.A.) as the depositary bank and administrative agent of the OEICs Amis Funds (Amis) and Top Ten Multifonds (TTM);
b) the risks relating to disputes that arose with reference to the relations of Miret S.A. (fat the time Sella Bank Luxembourg 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.

In reference to the dispute (a), recall that the action suits by the OEIC against Miret S.A. were the subject of a transaction signed on 21 March 2008, approved with the sentence – now res judicata – of the Court of Luxembourg of 3 July 2008 and regularly carried out by Miret S.A. through deposits on 8 August 2008 and 8 June 2010.

Full completion of the transaction and the subordinated obligation to pay the remaining amount of 540 thousand Euro is, at the moment, still being discussed by the parties, as the liquidators, after many postponements, have not yet completed the collation and analysis of the Vario Invest customers. In any case, no investor or third party, subsequent to the transaction, has made any demands of any type of Miret S.A.

In reference to the risks under (b), note that on 17 October 2013 a transaction was signed between Miret S.A. and the management and sub-management companies for the three BVI-law funds, the stated economic beneficiaries of the management and sub-management companies and the stated economic beneficiary of the three BVI-law funds. This agreement, regularly carried out by Miret S.A. on 21 and 24 October 2013, led to the elimination of the litigation put forward by the management and/or sub-management companies or the subjects directly or indirectly connected to the first and second subjects. The agreement reached does not allow for the full elimination of the dispute in regard to the risks under (b), judgement still being pending regarding the litigation put forward by the BVI-law funds, in which the requests of the highest amount were advanced.

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 2013, 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 2013 ended with a profit of 108.1 thousand Euro (compared with a profit of 150.1 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.

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 S.p.A. 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.

OUTLOOK

The scenario

The world economy should show a slight acceleration in its growth in 2014.

In the United States, the progressive strengthening of private demand and the minor efforts to correct public accounts justify the expectations for GDP growth at higher levels than those seen in 2013. Nonetheless, the risks connected to a possible tightening of financial conditions should be noted, following the reduction of the Fed's monetary stimulus and the persistent critical factors in the employment market that could weigh on the dynamic of private consumption. The euro area economy should confirm the signals of moderate recovery which emerged during 2013, benefiting from the expected recovery of global commerce and the gradual improvement in domestic demand. However, the intensity of the euro area recovery will be slowed by the necessary adjustments to budgets in the public and private sectors, the weak conditions of the job market and the risks which affect the prospects for growth for foreign economies. Italy's exit from the recession will be supported by the positive contribution of net exports and the manifestation of the initial signals of a restoration of domestic demand, in particular in the investment component, while spending for Italian households will continue to suffer from the fragility of the employment market. The emerging countries should see moderately accelerating GDP growth rates, while still at levels that are likely lower than those of 2010-2011, due to an international context that is less favourable with respect to the recent past. Situations of stress could involve countries with unbalanced accounts with foreign countries, that are more dependant on inflows of foreign capital.

In regard to consumer prices, the excess unused production capacity and the expectations of a lack of price pressure for raw materials should justify inflation remaining at contained levels in the advanced countries, in particular in the euro area. In this context, the ECB will maintain an extremely accommodating monetary policy, in line with the indications contained in the forward guidance for policy rates. The Federal Reserve should progressively reduce monthly purchases of government bonds and mortgage-backed securities, while simultaneously confirming its intention to maintain policy rates at current levels for an extended period of time. The improvement of the cyclical conditions of the world economy and the prospects of the normalisation of the US monetary policy should favour a moderate rise in long-term return rates in the US and Germany.

With the consolidation of the improvement of market conditions for Italian public debt securities and the presumable start of a moderate recovery for domestic demand in Italy, it is plausible to expect a lessening of tensions regarding credit disbursement conditions in the country during 2014. The still weak improvement in the quality of credit, the persistent needs to rebalance the funding and loans held by certain banks and the only gradual recovery of the demand for investment loans will continue, nevertheless, to act as obstacles to the development of loans to businesses, probably protracting the stagnation of this variable for the entirety of the year.

Coherently with the improved climate on the financial market, indirect deposits should show a positive trend, whilst deposit growth should show signs of stabilisation. In the lack of exceptional events, banks should continue to pay back the funds disbursed by the Eurosystem through greater use to bond issues, both guaranteed and not, also making use of the normalisation of the wholesale market.

In this context, the volumes of weak loans and low interest rates will weigh on the net interest income from traditional banking activities. However, this effect could be mitigated by the normalisation of bank funding given that the substitution of ECB financing with market issues should serve as a counterbalance to rates on deposits that are on average lower than those used during the apexes of the recent crises by many banks. Normalisation of the yield premium on Italian public securities could also bring benefits for the income statements of banks. The still high cost of credit will, on the other hand, make it indispensable to continue working towards increased efficiency in operating structures and cost containment, so as to be able to protect profitability and with this the capital requirements of banks.

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.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In January 2014, Banca Sella exercised the option to repurchase two portfolios of loans from Mars 2600 that had originally been sold to the same at the time of two self-securitisation operations carried out in 2008 and 2009, then acting to terminate the same in advance.

The self-securitisation operations had not ever led to the derecognition of the underlying assets from the accounts, nor as a consequence had it created any equity benefits for Banca Sella in that the risks connected with the securitised loans had remained that of the bank itself.

On 20 January 2014, the new branch of Banca Patrimoni Sella & C. in Cagliari began operations.

On 18 March 2014, the new Banca Sella branch in Erba in the province of Como began operations, in the same structure as the financial advice office of Banca Patrimoni Sella & C.

In reference to the inspection report relative to the 2009 tax period, delivered on 30 March 2012, we note that in February 2014, while still remaining convinced of the correctness of the Bank's actions, a deed of adhesion was signed with the Tax Authorities, with an eye to eliminate the dispute and in consideration of the truly sizeable decrease in that requested by the authorities. Total charges deriving from said deed, equal to approximately 0.27 million Euro, was allocated to a special provision for risks already present in these financial statements.

With reference to the investigations carried out by Consob from 4 October 2012 and 27 March 2013, the Minister of Economy and Finance sent Banca Sella Holding on 29 January 2014 an objection pursuant to articles 190 and 195 of Legislative Decree 58 of 1998, relative to a hypothesised violation consisting in not having adopted appropriate measures in regard to the identification and notification of suspect operations that could constitute market abuses, created the alleged infringement of article 187-*novies* of Legislative Decree 58/1998.

The Company holds that it has grounds to defend its actions, in the appropriate locations.

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 2013**	**Shareholders' equity at 31 December 2013**
Balances as per parent company financial statements	**18.101**	**607.756**
Own shares deducted	-	-
Equity pertaining to group of companies consolidated with line-by-line and net equity methods	-	101.650
Profit/(loss) for the period of consolidated investee companies, net of proportion pertaining to minority interests	53.194	53.194
Profit/(loss) for the period of investee companies measured with net equity method pertaining to the Group	230	230
Elimination of intragroup dividends collected in the period	-15.671	-
Consolidation adjustments:		
Reversal of writedowns of consolidated investee companies	634	89.494
Assessment of goodwill	1.969	-51.037
Reversal of gains on sales made between group companies	-	-77.144
Other adjustments	-23.565	-23.685
Balances as per consolidated financial statements	**34.892**	**700.458**

The difference between the equity recognised 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, 28 March 2014

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 107,013,670 Euro fully paid up
Biella Companies Register and Tax Code: 01709430027
Adherent 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 29 APRIL 2014

(second call on 10 May 2014)

Dear Shareholders,

during financial year 2013 and to the present, we have carried out the institutional supervisory requirements established under article 2403 of the Civil Code. We inform you of the same in the report below, pursuant to article 2429, second paragraph of the Civil Code.

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Initially, we note that during 2013 Banca Sella Holding carried out a capital increase by payment, including through the offer of shares reserved for employers, pensioners and stable collaborators of the Group. The size of the increase reserved for these categories, and the rules in the Articles of Association regarding their participation, did not lead to a substantial change in the ownership structure, nor in the corporate governance.

Recall that the legal auditing of the accounts and the opinion on the ordinary and consolidated financial statements (pursuant to article 14, first paragraph, letters a) and b) of Legislative Decree 39/2010) are the responsibility of the auditing firm Deloitte & Touche S.p.A. This assignment, approved by the Ordinary Shareholders' Meeting of 2 May 2011, will extend to the approval of the 2019 financial statements.

In reference to that preceding, the Board of Auditors and the auditing firm have had meetings to exchange figures and relevant information, coordinating schedules, communication and the filling of their respective reports.

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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 17 meetings and participated at 15 meetings of the Board of Directors, 2 Ordinary Shareholders' Meetings and 1 Extraordinary Shareholders' Meeting, as well as 11 meetings of the

Audit Committee .

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;
- noted that these periodic meetings were structured and contained all the content with respect to that required under article 2381, third and fifth paragraph, Civil Code. In addition, we acknowledged the positive evaluations from the Board in regard to the adequacy of the administrative and accounting structure of the company and the group;
- were aware of and supervised, by participating, the operation of the shareholders' meetings and audit committee meetings;
- were aware of and supervised, in regard to that under our responsibility, the adequacy of the company's organisational structure – periodically following additional improvements adopted, while awaiting the acceptance of the provisions pursuant to the 15th update to Bank of Italy Circular 263 – and respect for the principles of proper administration, through direct observation and gathering of elements and information from the relevant department managers, including internal audit and compliance;
- acquired, through exchanges of reciprocal considerations and findings, the results of the operations of the auditing firm and, pursuant to Legislative Decree 39/2010, monitored the activities and independence of the same;
- 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, when necessary and in coordination with the Audit Committee, suggestions for the prevention and elimination of 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 other 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, not forgetting that the company, as the Parent Company, directs and coordinates these companies, pursuant to article 2497 of the Civil Code;
- sent notifications pursuant to article 52 of Legislative Decree 231/2007 regarding anomalies traceable to activities connected to the management of the single electronic archive, essentially in regard to input, in regard to which corrective actions have been implemented, as well as others which are currently in course;
- noted that from the activities carried out no significant events arose, directly regarding the company, such as to require noting in this report;
- no claims pursuant to article 2408 of the Civil Code were received by us, nor have we been informed that any had been received;
- prepared the envisaged opinions and certifications and in particular that relative to the capital increase carried out by the Extraordinary Shareholders' Meeting of 17 June 2013;
- retraced the annual 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, with a similarly positive result, the self-assessment of the Board of Auditors and its members, in accordance with the indications of the Bank of Italy and the Banca Sella Group; in the course of said proceedings, the Board of Auditors also made the examinations and received the certifications necessary to hold fulfilled the independence requirements for each regular auditor.

<u>Separate financial statements and consolidated financial statements 2013</u>

The proceedings to prepare the ordinary and consolidated financial statements were carried out correctly and in a timely manner, in the respect of the provisions under the law.

Specifically, on 28 March 2014 the Board approved the draft financial statements and the Report on Operations to be submitted to the Ordinary Shareholders' Meeting, called for 29 April 2014 and 10 May 2014.

At the same time the Board approved the 2013 consolidated financial statements for the Banca Sella Group, with the relative Report on Operations.

We considered the structure and layout of the draft separate financial statements and consolidated financial statements, of the reports on operations, which note 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 purposes, in compliance with the provisions of current laws.

Deloitte & Touche S.p.A., 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.

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.

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The other questions on the agenda of the Ordinary Shareholders' Meeting seem to us to be in accordance with provisions under the law and, therefore, we have no observation in this regard.

10 April 2014

The Board of Statutory Auditors

Mario Pia

Daniele Frè

Paolo Piccatti

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

CONSOLIDATED BALANCE SHEET

Assets *(euro thousand)*		**31/12/2013**		**31/12/2012**		**Differences %**
10. Cash and available liquidity		130.622		142.515		-8,35%
20. Financial assets held for trading		493.797		338.524		45,87%
30. Financial assets at fair value through profit or loss		664.079		690.715		-3,86%
40. Financial assets available for sale		1.322.954		1.108.616		19,33%
50. Financial assets held to maturity		1.213.269		909.045		33,47%
60. Due from banks		338.357		340.155		-0,53%
70. Due from customers		8.315.535		8.622.099		-3,56%
80. Hedging derivatives		16.937		28.530		-40,63%
90. Change in value of financial assets subject to macro-hedging (+/-)		110.873		159.773		-30,61%
100. Equity investment		13.358		13.032		2,50%
110. Reinsurers' share of technical reserves		3.633		3.576		1,59%
120. Tangible assets		201.392		205.728		-2,11%
130. Intangible assets		73.294		74.526		-1,65%
of wich:						
- goodwill	39.947		43.484		-8,13%	
140. Tax assets		281.104		211.277		33,05%
a) current	117.521		82.185		43,00%	
b) deferred	163.583		129.092		26,72%	
- of wich L.214/2011	138.230		104.203		32,65%	
150. Non-current assets and asset groups held for sale		-		114.640		-100,00%
160. Other assets		181.294		172.943		4,83%
Total assets		**13.360.498**		**13.135.694**		**1,71%**

Liabilities and shareholders' equity *(euro thousand)*		**31/12/2013**		**31/12/2012**		**Differences %**
10. Due to banks		1.226.522		800.334		53,25%
20. Due to customers		8.152.130		8.018.136		1,67%
30. Outstanding securities		1.207.557		1.454.163		-16,96%
40. Financial liabilities held for trading		163.365		97.486		67,58%
50. Financial liabilities at fair value through profit or loss		605.169		578.231		4,66%
60. Hedging derivatives		114.608		165.738		-30,85%
80. Tax liabilities		94.340		75.780		24,49%
a) current	77.320		67.545		14,47%	
b) deferred	17.020		8.235		106,68%	
90. Liabilities associated to asset groups held for sale		-		138.235		-100,00%
100. Other liabilities		301.910		290.509		3,92%
110. Employee severance indemnities		37.818		40.943		-7,63%
120. Provisions for risks and charges:		40.537		44.343		-8,58%
a) retirement and similar obligations	-		-		-	
b) other provisions	40.537		44.343		-8,58%	
130. Technical reserves		621.536		690.572		-10,00%
140. Valuation reserves		11.291		4.582		146,42%
160. Equity instruments		-		- -		
170. Reserves		441.710		426.394		3,59%
175. Deposit dividends		-		- -		
180. Share premiums		105.551		90.075		17,18%
190. Share capital		107.014		104.988		1,93%
200. Own shares (-)		-		- -		
210. Capital pertaining to minority interests (+/-)		94.548		94.218		0,35%
220. Profit for the year		34.892		20.967		66,41%
Total liabilities		**13.360.498**		**13.135.694**		**1,71%**

CONSOLIDATED INCOME STATEMENT

	ITEM *(euro thousand)*		31/12/2013		31/12/2012		Differences %
10.	Interest receivable and similar income		464.080		479.303		-3,18%
20.	Interest payable and similar expense		(155.460)		(166.831)		-6,82%
30.	**Net interest income**		**308.620**		**312.472**		**-1,23%**
40.	Fee income		317.792		305.739		3,94%
50.	Fee expenses		(98.837)		(95.368)		3,64%
60.	**Net fees**		**218.955**		**210.371**		**4,08%**
70.	Dividends and similar income		1.210		1.469		-17,63%
80.	Net gains/(losses) on trading activities		23.624		41.202		-42,66%
90.	Net gains/(losses) on hedging activities		555		4.709		-88,21%
100.	Gains/(losses) on sale or repurchase of:		5.378		2.926		83,80%
	a) loans & receivables	(2.676)		(2.235)		19,73%	
	b) financial assets available for sale	9.569		4.962		92,85%	
	c) financial assets held to maturity	-		-		-	
	d) financial liabilities	(1.515)		199		-861,31%	
110.	Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		4.630		12.725		-63,61%
120.	**Net interest and other banking income**		**562.972**		**585.874**		**-3,91%**
130.	Net value adjustments for impairment on:		(140.812)		(129.890)		8,41%
	a) loans & receivables	(138.190)		(127.517)		8,37%	
	b) financial assets available for sale	(262)		(589)		-55,52%	
	c) financial assets held to maturity	-		-		-	
	d) other financial transactions	(2.360)		(1.784)		32,29%	
140.	**Net gains/(losses) on financial operations**		**422.160**		**455.984**		**-7,42%**
150.	Net premiums		184.060		201.077		-8,46%
160.	Balance of other income/expenses from insurance operations		(200.914)		(231.510)		-13,22%
170.	**Net gains/(losses) on financial and insurance operations**		**405.306**		**425.551**		**-4,76%**
180.	Administrative expenses		(383.639)		(379.384)		1,12%
	a) personnel expenses	(219.830)		(222.741)		-1,31%	
	b) other administrative expenses	(163.809)		(156.643)		4,57%	
190.	Net provisions for risks and charges		(4.175)		(7.997)		-47,79%
200.	Net value adjustments on tangible assets		(15.852)		(15.973)		-0,76%
210.	Net value adjustments on intangible assets		(13.752)		(14.040)		-2,05%
220.	Other operating expenses/income		82.635		43.207		91,25%
230.	**Operating costs**		**(334.783)**		**(374.187)**		**-10,53%**
240.	Gains/(losses) on equity investments		354		255		38,82%
250.	Net gains/(losses) on measurement at fair value of tangible and intangible assets		-		-		-
260.	Impairment of goodwill		-		(2.505)		-100,00%
270.	Gains/(losses) on sale of investments		(53)		(18)		194,44%
280.	**Profit/(losses) from continuing operations before taxes**		**70.824**		**49.096**		**44,26%**
290.	Income taxes for the period on continuing operations		(33.778)		(24.873)		35,80%
300.	**Profit/(losses) from continuing operations after taxes**		**37.046**		**24.223**		**52,94%**
310.	Profit/(losses) on asset disposal groups held for sale after taxes		1.292		(1.519)		-185,06%
320.	**Profit/(Loss) for the year**		**38.338**		**22.704**		**68,86%**
330.	Profit/(loss) for the year pertaining to minority interests		3.446		1.737		98,39%
340.	**Profit/(Loss) for the period pertaining to Parent Company**		**34.892**		**20.967**		**66,41%**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Items *(euro thousand)*	31/12/2013	31/12/2012
10.	**Net income (loss)**	**38.338**	**22.704**
	Other comprehensive income (net of tax) not reattributions to income statements		
20.	Tangible assets	(99)	77
30.	Intangible assets	-	-
40.	Defined benefit plans	674	(4.321)
50.	Non-current assets held for sale	-	-
60.	Share of valuation reserves connected with investments meaured with net equity method	-	-
	Other comprehensive income (net of tax) reattributions to income statements		
70.	Hedges of foreign investments	-	-
80.	Foreign exchange differences	(1.435)	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	8.424	46.756
110.	Non-current assets held for sale	-	-
120.	Share of valuation reserves connected with investments meaured with net equity method	(26)	438
130.	**Total other comprehensive income (net of tax)**	**7.538**	**42.950**
140.	**Total comprehensive income (item 10+130)**	**45.876**	**65.654**
150.	Total consolidated comprehensive profit pertaining to minority interest	4.284	4.567
160.	**Total consolidated comprehensive profit pertaining to the Parent Company**	**41.592**	**61.087**

STATEMENT OF CHANGES IN CONSOLIDATED SHARHOLDERS' EQUITY 2012

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

	Balance at 31/12/2011	Changes to opening balance	Balance at 01/01/2012	Allocation of profit of previous year		Changes in the period								Group shareholders' equity 31/12/2012	Minority interest shareholders' equity 31/12/2012
							Operations on shareholders' equity								
				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		
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**

STATEMENT OF CHANGES IN CONSOLIDATED SHARHOLDERS' EQUITY 2013

Statement of changes in consolidated sharholders' equity 2013 *(euro thousands)*

	Balance at 31/12/2012	Changes to opening balance	Balance at 01/01/2013	Allocation of profit of previous year		Changes in the period								Group shareholders' equity 31/12/2013	Minority interest shareholders' equity 31/12/2013
							Operations on shareholders' equity								
				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 31/12/2013		
Share capital:															
a) ordinary shares	145.378	-	145.378	-	-	(583)	2.026	-	-	-	-	-	-	**107.014**	**39.807**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	132.258	-	132.258	-	-	1.294	15.476	-	-	-	-	-	-	**105.551**	**43.477**
Reserves:															
a) profit reserves	435.795	-	435.795	18.281	-	(5.884)	-	-	-	-	-	-	-	**441.710**	**6.482**
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	5.089	-	5.089	-	-	-	-	-	-	-	-	-	7.538	**11.291**	**1.336**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (loss) for the year	22.704	-	22.704	(18.281)	(4.423)	-	-	-	-	-	-	-	38.338	**34.892**	**3.446**
Group Shareholders' equity	647.006	-	647.006		(2.968)	(2.674)	17.502	-	-	-	-	-	41.592	**700.458**	
Minority interest Shareholders' equity	94.218	-	94.218		(1.455)	(2.499)	-	-	-	-	-	-	4.284		**94.548**

CONSOLIDATED CASH FLOW STATEMENT – direct method

(euro thousand)

A. OPERATING ACTIVITIES	31/12/2013	31/12/2012
1. Operations	**178.858**	**114.900**
Interest income collected (+)	466.970	460.265
Interest expense paid (-)	(155.460)	(166.831)
Dividends and similar income	1.210	1.469
Net fees (+/-)	218.955	210.371
Personnel expenses	(219.496)	(221.831)
Net premiums collected (+)	184.060	201.077
Other insurance income/expenses (+/-)	(200.914)	(231.510)
Other costs (-)	(163.809)	(156.643)
Other revenues (+)	81.120	43.406
Taxes and duties (-)	(33.778)	(24.873)
2. Cash provided (used) by financial assets	**(22.496)**	**137.284**
Financial assets held for trading	(131.649)	163.874
Financial assets at fair value throguh profit or loss	31.266	29.113
Financial assets available for sale	(192.517)	197.204
Due from customers	214.598	(139.913)
Due from banks	1.798	(52.461)
Other assets	54.008	(60.533)
3. Cash provided (used) by financial liabilities	**150.318**	**92.096**
Due to banks	426.188	257.766
Due to customers	133.994	455.994
Outstanding securities	(246.606)	(535.138)
Financial liabilities held for trading	65.879	54.229
Financial liabilities at fair value through profit or loss	26.938	20.146
Other liabilities	(256.075)	(160.901)
Net cash provided (used) by operating activities	**306.680**	**344.280**

B. INVESTING ACTIVITIES	31/12/2013	31/12/2012
1. Cash provided by:	**9.300**	**787**
Sales of equity investments	2	-
Dividends collected on equity investments	-	162
Sales/redemptions of financial assets held to maturity	5.280	-
Sales of tangible assets	203	238
Sales of intangible assets	3.815	387
Sales of subsidiaries and company divisions	-	-
2. Cash used by:	**(340.952)**	**(387.322)**
Purchase of equity investments	-	(238)
Purchase of financial assets held to maturity	(312.280)	(357.482)
Purchase of tangible assets	(12.337)	(16.229)
Purchase of intangible assets	(16.335)	(13.373)
Sales of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**(331.652)**	**(386.535)**

C. FUNDING ACTIVITIES	31/12/2013	31/12/2012
Issue/purchase of own shares	17.502	45.149
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(4.423)	(1.112)
Net cash provided (used) by funding activities	**13.079**	**44.037**
NET CASH PROVIDED (USED) IN THE PERIOD	**(11.893)**	**1.782**

RECONCILIATION	31/12/2013	31/12/2012
Cash and cash equivalents at start of year	**142.515**	**140.733**
Total net cash provided (used) in the period	(11.893)	1.782
Cash and cash equivalents at end of year	**130.622**	**142.515**

NOTES TO THE FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 GENERALE 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 21 January 2014 with which it issued the second amendment to Circular No. 262/05.

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

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

Section 2 – General drafting principles

The financial statements consist of the Balance Sheet, the Income Statement, the 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.

The financial statements have been prepared in accordance with uniform principles and accounting policies used in the previous year.

Below is the list of new documents issued by the IASB and endorsed by the EU to adopt mandatory for annual periods beginning on 1 January 2013:

Title of document	Date of issue	Date of entry into force	Date of approval	EU regulation and the date of publication
Amendments to IAS 1 Presentation of Financial Statements - Disclosure of the voices of the other components of comprehensive income	June 2011	1th July 2012	5 June 2012	(UE) 475/2012 6 June 2012
IAS 19 (2011) Employee Benefits	June 2011	1th January 2013	5 June 2012	(UE) 475/2012 6 June 2012
Amendments to IFRS 7 Financial Instruments: Disclosures - offsetting financial assets and liabilities	December 2011	1th January 2013	13 December 2012	(UE) 1256/2012 29 December 2012
IFRS 13 Assessment of the fair value	May 2011	1th January 2013	11 December 2012	(UE) 1255/2012 29 December 2012
Amendments to IAS 12 Income Taxes - Deferred tax: recovery of underlying assets	December 2010	1th January 2013 (IASB 1th January 2012)	11 December 2012	(UE) 1255/2012 29 December 2012
IFRIC 20 - Costs of excavation at the production stage of an open pit mine	October 2011	1th January 2013	11 December 2012	(UE) 1255/2012 29 December 2012
Amendments to IFRS 1 First-time Adoption of IFRS - Severe hyper inflation and removal of fixed dates for first - time adopters	December 2010	1th January 2013 (IASB 1th January 2012)	11 December 2012	(UE) 1255/2012 29 December 2012
Amendments to IFRS 1 First-time Adoption of IFRS - public funding	March 2012	1th January 2013	4 March 2013	(UE) 183/2013 5 March 2013
Annual Improvements to IFRS (2009-2011)	May 2012	1th January 2013	27 March 2013	(UE) 301/2013 28 March 2013

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	92,439%	92,439%
3	BANCA PATRIMONI SELLA & C. S.p.A.	Turin	1	A.1 1	74,359%	74,359%
4	MIRET S.A.	Luxembourg	1	A.1 17	76,333%	76,333%
				A.1 1	23,667%	23,667%
5	BIELLA LEASING S.p.A.	Biella	1	A.1 1	99,830%	99,830%
6	CONSEL S.p.A.	Turin	1	A.1 1	67,412%	67,412%
7	SELLA GESTIONI SGR S.p.A.	Milan	1	A.1 1	94,174%	94,174%
				A.1 3	0,898%	0,898%
8	SELLA CAPITAL MANAGEMENT SGR S.p.A. *in liquidazione*	Milan	1	A.1 1	97,008%	97,008%
				A.1 3	2,500%	2,500%
9	EASY NOLO S.p.A.	Biella	1	A.1 1	89,790%	89,790%
10	SELFID S.p.A.	Biella	1	A.1 1	92,500%	92,500%
11	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 7	8,175%	8,175%
12	SELLA LIFE Ltd.	Ireland	1	A.1 11	100,000%	100,000%
13	BROSEL S.p.A.	Biella	1	A.1 1	96,000%	96,000%
14	SELIR S.r.l.	Romania	1	A.1 17	99,902%	99,902%
15	SELLA SYNERGY INDIA P.Ltd.	India	1	A.1 17	99,999%	99,999%
16	IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
17	FINANZIARIA 2010 S.p.A.	Milan	1	A.1 1	100,000%	100,000%
18	IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
19	FAMILY ADVISORY SIM S.p.A.- SELLA & PARTNERS	Turin	1	A.1 3	85,000%	66,667%
20	MARS 2600 S.r.l.(1)	Treviso	4	A.1 1	10,000%	10,000%
21	SELVIMM DUE S.A.	Lugano	1	A.1 1	90,000%	90,000%
22	MONVISO 2013 s.r.l.(1)	Milan	4	A.1 6	0,000%	0,000%

(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

2. 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	45,000%	45,000%
IN CHIARO ASSICURAZIONI S.P.A.	Rome	Subj. to sig. influence	CBA Vita S.p.A.	49,000%	49,000%
S.C.P. VDP1	Principality of Monaco	Subj. to sig. influence	Banca Sella Holding S.p.A.	29,000%	29,000%
HI-MTF SIM S.P.A.	Milan	Subj. to sig. influence	Banca Sella Holding S.p.A.	20,000%	20,000%
ENERSEL S.P.A.	Biella	Subj. to sig. influence	Banca Sella Holding S.p.A.	18,298%	18,298%

Section 3 – Events subsequent to the balance sheet date

In January 2014, Banca Sella exercised its right to repurchase two portfolios of loans from the company Mars 2600 which had originally been transferred to the same at the time of two securitisation operations carried out in 2008 and 2009, which was then followed by the early extinguishing of the same.

The securitisation operations did not lead to derecognition of the underlying assets nor, as a consequence, any equity benefits for Banca Sella in that the risks connected with the securitised loans had remained associated with the bank.

Section 4 – Other issues

In preparing these financial statements, that indicated in the Bank of Italy letter accompanying the second update to Circular 262 of 21 January 2014 was made use of.

In regard to the comparative information (T-1) to be provided in the financial statements closed at, or in course at, 31 December 2013, we note that this cannot be provided in reference to:

1) the information pursuant to letter b) (see IFRS 13, section C3), with the exception of the information already foreseen in Circular 262, first update;

2) the information pursuant to letter c), limited to that foreseen in IAS 19, section 173, letter b);

3) the quantitative data on asset encumbrance, in that it is a new item not connected with the IAS/IFRS.

For regulatory capital, detailed in part F of these Notes, the right granted by the Bank of Italy was also made use of – this was the right to not include in any element of own funds the unrealised profits and losses relative to exposures to the central administrations of EU countries classified in the category “Financial Assets available for sale,” of IAS 39, approved by the EU, also for the purposes of EU regulation 575/2013 (Basel III), in effect as of 1 January 2014.

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 carried at fair value

Classification criteria

The Group has classified in this item, which includes financial assets held for trading and, in the life insurance field, investments on behalf of policy-holders who assume the risk and the investments deriving from management of pension funds. In addition, this item includes derivative contracts which had a positive value at the end of the financial year.

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.

Assessment criteria

At the moment of initial recognition financial assets held for trading are recognised at cost, understood as the fair value of the instrument. After initial recognition the financial assets held for trading 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, market listings are used. In the lack of an active market, estimation methods and assessment models identified in the Fair Value Policy and detailed below are used. 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 derecognised 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 recognised as funding or lending operations. In particular, spot sale and forward repurchase operations are recognised as payables for the spot amount received, spot purchase and forward resale operations are recognised as receivables for the spot amount paid.

Assessment criteria

After initial recognition, receivables are measured at their amortised cost, which is equivalent to their value on initial recognition reduced/increased by repayments of principal, write-downs/write-backs and amortisation – 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 amortised 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 recognised 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, watch list, 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 (amortised 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 realisation 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 watch list loans not revoked:

- analytical adjustments for exposures in excess of 25,000 Euro – 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 Euro – 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 watch list 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 Watch list.
- objective watch list positions, for which the temporary difficulties are governed by Bank of Italy legislation; in the database, these are indicated with the code INCO – Objective Watch list.

  The measurement of watch list positions for the purpose of determining value adjustments is made analytically at the time of classification to watch list 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 watch list 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 watch list 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 Euro: forfeit percentage calculated as the weighted average of adjustments made during the last three years to revoked positions with exposure of less than 10 thousand Euro, 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 Euro new entries to objective watch list: average during the last three years of adjustments made to non-revoked watch list positions with uses in excess of 10 thousand Euro. This method will only be applied for the first month of entrance to objective watch list. 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 10 thousand already classed as objective watch list 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 watch list positions with exposure of less than 10 thousand Euro, 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 watch list.

The valuation parameters are connected to the following classes of non-performing or watch list 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 watch list
- 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, formalisation 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 watch list 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 Euro with no collateral or assets to be enforced;
- Estimated recovery to be assigned at the time the settlement agreement is filed for unsecured loans not backed by any guarantees.
- Estimated recovery to be assigned at the time bankruptcy is filed for unsecured loans not backed by any guarantees.

The updates to valuation parameters are backed by historical and statistical series for the bank's default loan portfolio.

The parameters subject to revision during this year were also applied to the stock of impaired loans classified as non-performing and as revoked watch list, and had an effect on the size of rectified provisions equal to 1.686 million Euro as at 31/12/2013, of which 0.404 million Euro for non-performing and 1.282 million Euro for revoked watch list.

The main component regards estimates deriving from the recovery percentage for unsecured loans with a settlement agreement request filed, which constitute 57.68% of the total variation.

In the context of the parameter revision process, the following evaluation parameters and time frames were confirmed, as summarised below:

- Recovery percentage parameter for transfers without recourse
- Time estimates for the discounting of deposits for transfers without recourse for non-performing loans
- Time estimates for the discounting of real estate enforcement proceedings and bankruptcy proceedings
- Time estimates for the discounting of enforcements of guarantees deriving from consortia
- Valuation at the moment of default with transfer to the watch list
- 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, formalisation and verification of observance of repayment schedules, adverse events, state of attachment and settlements proceedings etc.

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 "recognised").

The collective valuation of performing loans takes place by subdividing the clientèle into homogeneous segments in terms of credit risk. The relative percentage losses are estimated by taking into account probability of default (PD) and the loss given default rate (LGD), making use of appropriate adjustments aimed at converting the expected loss of Basel II into incurred loss. 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 internal rating models when available, and all other cases on the basis of default entry historic data.

Relative to LGD, the Banca Sella Group has provided itself with a Workout Loss Given Default estimate model, on the basis of internal data. The estimate sample has been divided into subgroups with similar risk characteristics, and the resulting LGD for each subgroup is used as an estimate for future LGDs for all loans with the same characteristics.

The method described above makes it possible to estimate "latent loss" for each category of receivables. Value adjustments determined collectively are recognised in the Income Statement. At every annual or interim balance sheet date any additional write-downs or write-backs are recalculated in a differential manner with reference to the entire portfolio of performing loans.

Derecognition criteria

Loans sold are derecognised 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 derecognised 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).

Definition and criteria for fair value measurement

On 12 May 2011, the IASB published IFRS 13 "Fair Value Measurement which provides a complete guide on how to measure the fair value of financial and non-financial assets and liabilities and the relative disclosure. IFRS 13 was approved by EU Regulation 1255/2012, by the Commission on 11 December 2012.

The new principle applies every time that another accounting standard requires measuring an asset or liability at fair value or requires additional information about the measurement of fair value.

On the basis of that envisaged in IFRS 13, fair value is defined as the *"price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."*

The principle establishes that when transactions that can be directly observed on the market exist, the determination of fair value is immediate. In the absence of these conditions, it is necessary to make use of measurement techniques. IFRS 13 identifies three widely used measurement techniques and establishes that each entity, to measure fair value, must use measurement techniques that are in line with one or more of these methods:

- *Market approach*: with this technique, prices and other information relative to transactions that involved identical or comparable financial assets or liabilities are made use of. Measurements based on determining market multiples fall within this category.
- *Cost approach*:the fair value is represented by the replacement cost of a financial asset.
- *Income approach*: the fair value is equal to the current value of future flows. These techniques can be based on current value.

In calculating fair value of a financial asset, IFRS 13 envisages the insertion of a credit value adjustment factor (CVA) which identifies the counterparty risk. This credit risk must be quantified as it would be determined by a market operator in defining the purchase price of a financial asset.

In determining the fair value of a financial liability, IFRS 13 envisages that a debt value adjustment factor (DVA) must also be quantified, which refers to own credit risk.

As already noted previously, on the basis of IFRS 13 the determination of fair value of financial instruments should use measurement techniques that maximise the use of inputs based on observable market data.

To that end, IFRS 13 establishes a hierarchy of fair value techniques, that classifies the input used for the techniques adopted to measure the fair value into three levels:

- Level 1: quoted prices (not corrected) in active markets for identical assets and liabilities to which the entity has access at the measurement date.

- Level 2: input other than quoted prices included in Level 1, directly or indirectly observable for the asset or liability. The prices of the assets or liabilities are inferred from listings on similar asset markets or through measurement techniques in which all the significant factors (credit spreads and liquidity) are inferred from observable market data.
- Level 3: unobservable data for the asset or liability. The prices of the assets or liabilities are inferred using measurement techniques based on data processed using the best available information in regard to assumptions that market operators would use to determine the price of the asset or liability (it involves, therefore, estimates and assumptions by management).

IFRS 13 defines an active market as "*a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis*".

Input for the determination of fair value

Below are illustrated the various levels of input to use for determination of the fair value of the financial instruments to be measured at fair value:

(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 listed on an active market.
- Derivatives quoted on regulated markets.

The above criteria, together with the definition of an "active market" provided by IFRS 13, combine to unequivocally identify active 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 featuring issued amounts higher than 500 million Euro, there is no Bloomberg market maker with regularly available prices.
- Bonds issued by the Banca Sella Group for which measurement occurs every fifteen days, as a rule (around the 15th of each month and around the end of each month). The measurement may occur with greater frequency when market conditions or the type of instrument make it appropriate or necessary, or "on demand" in the case that the trading area makes such a request, at any time. Measurement of the fair value of the Group's bond issues is carried out by the Parent Company's Finance Department, using the methodologies, widely in use on the market, indicated below:
    - Fixed rate bonds: "asset swap spread";
    - Variable rate bonds: "discount margin";
    - Structured bonds: "net present value" (for the bond component).

  Structured bonds which, in addition to the bond component also incorporate an optional component (derivative), foresee the measurement of the latter on the basis of both prices used by market counterparties and on the basis of external (e.g. Black-Scholes) or proprietary measurement models. In addition, a second level control by the Risk Management service is foreseen in regard to the prices calculated and the models used. Any incongruities or anomalies detected are communicated to the Finance Department in a timely manner for verification and recalculation, if necessary.
- Securities defined as illiquid with the exclusion of those unequivocally measured 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 for which market parameters for measurement are available.

(L3) Instruments whose fair value is determined using input data that are not based on observable market values:

- Default securities or delisted, in the case in which the price communicated by the reference provider for the individual security is greater than 0. If, instead, this price is equal to 0, said securities are considered "not carried at fair value".
- Securities defined as illiquid unequivocally measured according to the model.
- Securities deriving from Mars 2600 and other ABS securitisations.
- Funds or Sicav specialising in ABS.
- Unlisted 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.
- OTC derivatives for which market parameters for measurement are not available.

<u>Measuring counterparty risk</u>

In calculating fair value of a financial asset, IFRS 13 envisages the insertion of a credit value adjustment factor (CVA) which identifies the counterparty risk. This credit risk must be quantified as it would be determined by a market operator in defining the purchase price of a financial asset.

In determining the fair value of a financial liability, IFRS 13 envisages that a debt value adjustment factor (DVA) must also be quantified, which refers to own credit risk.

Relative to the bonds issued by the Banca Sella Group (structured and non), the counterparty risk of the issuer is included in the spread known as "Rate Spread," which represents the margin on the variable rate subject to indexing (for variable rate securities) or the yield in terms of asset swap (for fixed rate securities), which is determined with respect to the rule described rule:

Starting from the central value of the oscillation interval at 31 July 2011, the new very narrow oscillation intervals are defined (reduced to a fifth of those previously used). These intervals, symmetrically centred to the central values at 31 July 2011, in the case in which these central values are equal to 85 basis points for senior securities and 170 basis points for subordinated securities will be:

- \+ e – 5 basis points with respect to 85 basis points (hence 80/90 bps) for ordinary bonds;
- \+ e – 10 basis points with respect to 170 basis points (hence 160/180 bps) for subordinate bonds.

The position of the two central values (and therefore of the relative oscillation intervals) defined above do not remain unchanged over time, but vary as a function of the changes in the average of the indicators taken for reference in regard to the month previous to the day of measurement with respect to the value of the same calculated on the date of the previous measurement.

Relative to exposure to OTC derivatives, the quantification of the CVA (for asset exposures) and DVA correctives (for liability exposures) occurs for contracts that are not covered by clearing and collateralisation agreements (e.g. ISDA, CSA, etc.) and that are not of an amount continued irrelevant in accordance with "the materiality principle." Specifically, contracts of an amount considered as irrelevant cannot exceed, cumulatively, more than 3% of the total fair value (in absolute terms) of derivatives to which the CVA/DVA corrective is applied.

In regard to OTC derivatives, calculation of the CVA and DVA correctives is done by using the appropriate SWPM and OVML functions from the information provider Bloomberg, limited to the instruments for which this function is active, that is IRS, forward, and currency options . In regard to CAPs , calculation of CVA and DVA correctives is done on the basis of the CURRENT EXPOSURE. This methodology[1], developed internally in the Parent Company's Finance Department, consists in the application of a credit spread to the discounting of the expected cash flows.

In addition, quantification of the CVA and DVA correctives requires, as input parameters, market data that synthesises the credit risk, such as the credit curve of the counterparty or the credit curve of the Banca Sella Group. In accordance with that defined by the hierarchy of input levels for measuring fair value the CDS spread quotes found on Bloomberg are, as a general principle, to be preferred with respect to credit risk measure that may be obtained from internally estimated default probability. To that end, in the absence of a credit spread curve for

[1] The decision to use a methodology based on current exposure for the CAPs became necessary in the light of the fact that, as of the date this document was prepared, the applications currently in use at the Banca Sella Group do not have calculation algorithms for the new correctives required by IFRS 13 for any derivative, nor is the function for calculating the CVA and DVA relative to CAPs available on Bloomberg.

the various counterparts (in particular for customers), a proxy is used, which is equal for all, which is determined at each measurement date, calculating the average CS curve (from Bloomberg) of a group of Italian corporations operating in various sectors and with different ratings . When possible, this system refined in the future, identifying appropriate sub-groups (e.g. rating classes, sectors, etc.).

Relative to the Banca Sella Group, the credit spread necessary as an input parameter to calculate the DVA corrective is determine in accordance with the spread applied on the same date to the ordinary bonds issued by the Group.

Frequency of fair value measurement

Measurement of fair value is carried out at least once at the end of each month, and in any case any time the necessity arises following events about which information is received and which could negatively influence the value and risk level of assets.

Loans: hedged fixed-rate loans

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 amortisation profile of the IRSs corresponds to the amortisation 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 amortisation plan of the principal of all loans hedged, the amortisation 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 amortisation 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 amortisation 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.

In this procedure (current value of the instalments minus residual debt brought down according to the hedging percentage), the fair value adjustments are calculated at the end of financial years T and T-1.
The difference between these two figures is the fair value delta of the loans, which is then compared with the fair value delta of the IRSs.

A.3 DISCLOSURE ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.1 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 31/12/2013 (4)	Fair Value at 31/12/2013 (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			**214.431**	**220.622**	**(8.319)**	**(258)**	**(681)**	**(277)**
	HFT	Due from banks	3.443	3.388	(77)	-	-	(25)
	AFS	Due from banks	9.669	9.549	(200)	(7)	(118)	(28)
	AFS	HTM	201.319	207.685	(8.042)	(251)	(563)	(224)
Total			**214.431**	**220.622**	**(8.319)**	**(258)**	**(681)**	**(277)**

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.3.2 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	
			31/12/2013 (4)	31/12/2012 (5)	31/12/2013 (6)	31/12/2012 (7)
A. Debt securities			**-**	**-**	**8.242**	**1.856**
	AFS	Due from banks	-	-	200	1.503
	AFS	HTM	-	-	8.042	353
Total			**-**	**-**	**8.242**	**1.856**

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 reclassificatior	description	isin	rate	expected cash flow
Banca Sella Holding Spa	BPU TV EUR 16 LR2	XS0248693854	1,53%	20.069
Cba Vita Spa	BTP 01/03/20 4.25%	IT0004536949	3,88%	23.351.055
Cba Vita Spa	BTP 3.75% 01.03.21	IT0004634132	3,70%	16.495.308
Cba Vita Spa	BTP 4% 01.09.20	IT0004594930	3,94%	44.977.041
Cba Vita Spa	BTP 4.25% 01.09.19	IT0004489610	4,06%	6.205.137
Cba Vita Spa	BTP 4.5% 01.02.20	IT0003644769	3,82%	21.022.130
Cba Vita Spa	BTP 4.75% 01.09.21	IT0004695075	4,15%	15.691.908
Cba Vita Spa	BTP I/L 2.1% 15.09.1	IT0004682107	0,97%	6.869.859
Cba Vita Spa	BTP I/L 2.1% 15.09.2	IT0004604671	2,52%	9.876.651
Cba Vita Spa	CCT 01/07/16	IT0004518715	1,62%	50.167.149
Cba Vita Spa	CCT EU 15.10.17	IT0004652175	1,84%	15.335.427
Cba Vita Spa	CCT EU 15.12.15	IT0004620305	1,27%	21.993.755
Cba Vita Spa	BANCA . INT. 2/12/15	XS0236477377	3,60%	2.580.237
Cba Vita Spa	BPU IM Float 29.03.1	XS0248693854	2,26%	3.053.448
Cba Vita Spa	MPS CMS 01.04.15	XS0215079202	3,11%	2.049.973
Cba Vita Spa	UNICREDITO Float 26.	XS0226191798	4,74%	2.832.877

A.4 FAIR VALUE DISCLOSURE

QUALITATIVE INFORMATION

A.4.1 Fair value levels 2 and 3: measurement techniques and input used

Relative to the measurement techniques, input and relative adjustments used in measuring the fair value of instruments in level 2 and level 3, below we provide an extract of that specified in the Fair Value Policy adopted by the Group and currently in effect.

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 processing 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 processing 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.

Rate 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 (Bloomberg/Reuters) 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.

At present, rate options for the Banca Sella Group include only caps and floors , and are measured on the basis of 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 exotic options structures that are more complex and do not allow reasonable certainty about the value of the contract, when possible a measurement algorithm is developed internally or, when possible, an evaluation of the same is requested from a third party external to the transaction. These evaluations, when available, are part of the determination of the price together with the measurement provided by the counterparty in the transaction.

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 securitisation.

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 <u>AFS investments</u> 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; 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;
- 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: 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.
- other measurement techniques commonly used by those participating in the market to give a price to companies if these techniques have demonstrated that the provide reliable estimates of the prices practices in current market transactions (these include the use of the equity method, which determines the value of the company on the basis of the algebraic balance between assets and liabilities; analysis on the basis of historic data obtained from company information; financial statements, half-yearly reports, budgets, industrial plans).

<u>Unquoted close-end funds and private equity funds</u> 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. Special attention will be paid to ABS funds where, within the limits of that possible, the investor reports for the individual ABS will be analysed, which are available for individual funds in most cases.

In relation to the <u>loans issued by each Bank in the Group</u> and that subject to hedging, the determination of the fair value for the purposes of evaluating the efficacy of the same is done by using the discounted cash flow method. To that end, the same risk-free curve utilised to measure the hedges is used, and the spread paid is obtained from the security coupon according to that indicated in the hedging contract.

Relative to <u>hedged fixed-rate loans</u> fair value measurement requires financial consistency between the assets hedged 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 amortisation profile of the IRSs corresponds to the amortisation 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 amortisation plan of the principal of all loans hedged, the amortisation 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 amortisation 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 decreased 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 amortisation 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 the instalments minus residual debt reduced by the hedging percentage), the fair value at the end of financial year T and the fair value at the end of financial year T-1 is calculated. The difference between these two figures is the fair value delta of the loans, which is then compared with the fair value delta of the IRSs.

A.4.2 Measurement processes and sensitivity

The use of measurement techniques and models requires the selection and quantification of certain parameters, which vary based on the financial instrument to be measured.

These parameters are chosen and set up on the calculation software at the moment of a request for measurement of a new instrument.

The Risk Management service is responsible for validating the parameters defined.

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 Risk Management service.

The main parameters can be traced to:

- Rate Curve This is a combination of yield rates for zero coupon synthetic securities, ordered in increasing order relative to the maturity dates of the same. These rates are obtained using consolidated "bootstrapping" methods from the market rates for deposits (for maturities no greater than 12 months) and market rates for IRSs (for maturities of no less than 2 years). For the purposes of the measurements, the mid rates are considered. This is at the base of the measurement of all OTC derivatives.
- Volatility Matrix This consists of a table that indicates, for every maturity date and strike for the options considered, the relative value of the mid volatility quoted on the market. This table is unique for cap/floor type options.
- Spread: to measure bonds issued by the Group (structured or not), two types of spread are taken into consideration:
  - Rate spread: represents the margin on the variable rate subject to indexing (for variable rate securities) or the yield in terms of asset swaps (for fixed rate securities). This spread is determined in accordance with the rules illustrated above in the section "Measuring Counterparty Risk". The oscillation interval may vary as a function of the performance of the average market spread, measured by the available indicators. In the context of the defined oscillation interval, the rate spread is any case established with respect to the following behavioural rules:
    - bonds with a greater degree of subordination have a spread > o = with respect to bonds with a lower degree of subordination;
    - bonds with a greater residual life have, with structural parity, a spread> o = with respect to bonds with lesser residual life;
    - in the case of a ratings downgrade, the spread will be > o = with respect to that applied before the downgrading, and vice versa.

- Price spread: represents the differential to be subtracted from the theoretical price to take into account the riskiness of the structure.

- **Historic/Implicit Volatility** This is the volatility of the prices of the options quoted for a specific underlying instrument. For every maturity date, the value of the options at-the-money is considered, , or a weighted average of the volatility of the prices of the options quoted (even with different strikes) for the same maturity date. In the case that said volatility is not quoted, the historic volatility of the underlying instrument is used, measured on the basis of the standard deviation of the logarithmic variations of the prices of the same.
- **Dividend Yield** In the measurement methodologies, this is obtained as the annualised logarithm of the ratio between dividend and price, as reported by the main information providers (Bloomberg, Reuters, etc.), for maturity dates analogous to those of the derivative in question.
- **Correlations** To calculate correlations, the logarithmic variations in the prices of the two assets (exchange rate and price of the underlying instrument) considered are used. To that end, data relative to the last 6 months is generally used.

No significant observable input is used for the measurement of the fair value of assets and liabilities in level 3, given the absence of said input it is not held necessary to provide the information requested in the 2nd update to Bank of Italy Circular 262/05 of 21 January 2014.

A.4.3 Fair value hierarchy

Any transfers from a fair value hierarchy level to another occurs as a function of the evolution of the characteristics of each security and in relation to the criteria which determine classification in the various levels of the fair value hierarchy. They are identified twice a year, at the time of the half-yearly and annual financial statements. The input levels which determine classification in a given fair value level are listed in these financial statements, in Part A.2 - The Main Accounting Items, in the section Input for the determination of fair value.

At 31 December 2013, there were no securities in the portfolio that had changed their fair value hierarchy level with respect to 31 December 2012.

A.4.4 Other information

The Bank does not manage groups of financial assets or liabilities on the basis of their net exposure to market risks or credit risk.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Accounting portfolios: fair value by level

Financial assets/liabilities at fair value	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	450.880	37.370	5.547	304.466	28.610	5.448
2. Financial assets at fair value through profit or loss	607.319	56.760	-	562.528	128.187	-
3. Financial assets available for sale	1.251.782	25.429	45.743	1.029.511	45.490	33.615
4. Hedging derivatives	-	16.937	-	-	28.530	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**2.309.981**	**136.496**	**51.290**	**1.896.505**	**230.817**	**39.063**
1. Financial liabilities held for trading	137.644	25.721	-	74.317	23.169	-
2. Financial liabilities at fair value through profit or loss	584.834	20.335	-	560.208	18.023	-
3. Hedging derivatives	-	114.608	-	-	165.738	-
Total	**722.478**	**160.664**	**-**	**634.525**	**206.930**	**-**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

Transfers between portfolios involved a total of 3 positions with a limited value that came to a total of less than 50 thousand Euro.

A.4.5.2 Annual changes to financial assets carried at fair value (level 3)

	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets available for sale	hedging	Tangible assets	Intangible assets
1. Opening balance	**5.448**	**-**	**33.615**	**-**	**-**	**-**
2. Increases	**15.341**	**-**	**12.509**	**-**	**-**	**-**
2.1. Purchases	15.010	-	12.486	-	-	-
2.2. Profits allocated to:						
2.2.1. Income Statement	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2. Shareholders' Equity	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	331	-	23	-	-	-
3. Decreases	**15.242**	**-**	**381**	**-**	**-**	**-**
3.1 Sales	15.048	-	-	-	-	-
3.2. Repayments	-	-	-	-	-	-
3.3. Losses allocated to:						
3.3.1. Income Statement	-	-	263	-	-	-
- of which capital losses	-	-	256	-	-	-
3.3.2. Shareholders' Equity	X	X	104	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	194	-	14	-	-	-
4. Closing balance	**5.547**	**-**	**45.743**	**-**	**-**	**-**

A.4.5.4 Assets and liabilities not measured at fair value or at fair value on a non-recurring: breakdown by fair value levels

Assets and liabilities not measured at fair value or at fair value on a non-recurring	31/12/2013				31/12/2012			
	BV	Level 1	Level 2	Level 3	BV	Level 1	Level 2	Level 3
1. Financial assets held to maturity	1.213.269	1.274.735	-	-	909.045	939.506	-	-
2. Due from banks	338.357	-	19.229	319.321	340.155	-	-	-
3. Due from customers	8.315.535	-	212	8.427.823	8.622.099	-	-	-
4. Tangible assets for investment	37.704	-	-	52.139	15.529	-	-	-
5. Non-current assets and asset groups	-	-	-	-	114.640	-	-	-
Total	**9.904.865**	**1.274.735**	**19.441**	**8.799.283**	10.001.468	939.506	-	-
1. Due to banks	1.226.522	-	-	1.224.107	800.334	-	-	-
2. Due to customers	8.152.130	4.722	176	8.147.547	8.018.136	-	-	-
3. Outstanding securities	1.207.557	7.477	1.018.746	179.625	1.454.163	11.833	1.441.413	58.931
4. Liabilities associated to asset groups he	-	-	-	-	138.235	-	-	-
Total	10.586.209	12.199	1.018.922	9.551.279	10.410.868	8.830.303	1.441.413	58.931

Key

L1= Level 1

L2= Level 2

L3= Level 3

BV=Balance value

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 - Cash and available liquidity - Item 10

1.1 Cash and available liquidity: breakdown	31/12/2013	31/12/2012
a) Cash on hand	130.622	142.515
b) Demand deposits at central banks	-	-
Total	**130.622**	**142.515**

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Item/Amount	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	441.461	14.053	3	298.785	7.635	1
1.1 Structured securities	4.738	-	-	-	-	-
1.2 Other debt securities	436.723	14.053	3	298.785	7.635	1
2. Equity securities	377	16	9	355	19	6
3. UCITS units	9.024	-	5.535	5.046	1.005	5.441
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**450.862**	**14.069**	**5.547**	**304.186**	**8.659**	**5.448**
B. Derivative instruments						
1. Financial derivatives:	18	23.301	-	280	19.951	-
1.1 for trading	18	23.214	-	280	19.911	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	87	-	-	40	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**18**	**23.301**	**-**	**280**	**19.951**	**-**
Total A+B	**450.880**	**37.370**	**5.547**	**304.466**	**28.610**	**5.448**

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.

Figures relative to financial assets held for trading refer to the banking group, with the exception of 172 thousand Euro in equity securities and 10 thousand Euro in financial derivatives for trading, which are held by the insurance companies.

The component of securities held for trading above all refers to the parent company Banca Sella Holding (for 404.9 million Euro) and Banca Patrimoni Sella & C. (for 29.2 million Euro).

The category of financial assets held for trading increased, due to the fact that the securities portfolio saw generalised net growth in its values, with the exception of the fixed and residual segments. The strategy of diversification of 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”. In addition, these types of securities were never held during the year.

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

Item/Amount	31/12/2013	31/12/2012
A. Cash assets		
1. Debt securities	**455.517**	**306.421**
a) Governments and Central Banks	278.266	206.746
b) Other public bodies	63	40
c) Banks	144.597	85.164
d) Other issuers	32.591	14.471
2. Equity securities	**402**	**380**
a) Banks	2	109
b) Other issuers:	400	271
- insurance companies	108	124
- financial companies	138	17
- non-financial companies	90	65
- others	64	65
3. UCITS units	**14.559**	**11.492**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**470.478**	**318.293**
B. Derivative instruments		
a) Banks		
- fair value	12.341	6.743
b) Customers		
- fair value	10.978	13.488
Total B	**23.319**	**20.231**
Total A+B	**493.797**	**338.524**

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

Financial assets held for trading: details on the item "UCITS units"	
Description	**31/12/2013**
Bond	6.503
Equity	104
Monetary	-
Balanced	197
Other	7.755
Total "UCITS units"	**14.559**

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

Details on the item "Equity securities"	
	31/12/2013
Equity securities	402
- 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	**306.421**	**380**	**11.492**	**-**	**318.293**
B. Increases	**78.522.717**	**348.222**	**15.971**	**-**	**78.886.910**
B.1 Purchases	78.479.641	347.812	15.540	-	78.842.993
B.2 Increases in fair value	1.868	79	389	-	2.336
B.3 Other changes	41.208	331	42	-	41.581
C. Decreases	**78.373.621**	**348.200**	**12.904**	**-**	**78.734.725**
C.1 Sales	78.106.417	347.463	12.710	-	78.466.590
C.2 Redemptions	252.126	-	-	-	252.126
C.3 Reductions in fair value	2.313	26	194	-	2.533
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	12.765	711	-	-	13.476
D. Closing balance	**455.517**	**402**	**14.559**	**-**	**470.478**

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	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
1. Debt securities	215.237	41.821	-	201.437	114.317	-
1.1 Structured securities	12.101	274	-	8.246	-	-
1.2 Other debt securities	203.136	41.547	-	193.191	114.317	-
2. Equity securities	25.171	-	-	26.854	1.099	-
3. UCITS units	330.464	14.939	-	269.467	12.771	-
4. Loans and advances	36.447	-	-	64.770	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	36.447	-	-	64.770	-	-
Total	**607.319**	**56.760**	**-**	**562.528**	**128.187**	**-**
Cost	**585.783**	**59.636**	**-**	**539.210**	**157.413**	**-**

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"

	31/12/2013			
	L1	L2	L3	Total
"Natural hedgings"	-	-	-	-
Structured financial instruments	-	-	-	-
Portfolios of financial assets managed internally on a fair value basis	607.319	56.760	-	664.079
Total	**607.319**	**56.760**	**-**	**664.079**

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.

3.2 Financial assets at fair value through profit or loss: breakdown by borrowers/issuers

Item/Amount	31/12/2013	31/12/2012
1. Debt securities	**257.058**	**315.754**
a) Governments and central banks	165.118	148.147
b) Other public bodies	-	6
c) Banks	47.128	87.974
d) Other issuers	44.812	79.627
2. Equity securities	**25.171**	**27.953**
a) Banks	4.330	1.859
b) Other issuers:	20.841	26.094
- insurance companies	1.931	3.327
- financial companies	5.111	4.931
- non-financial companies	13.660	17.836
- others	139	-
3. UCITS units	**345.403**	**282.238**
4. Loans and advances	**36.447**	**64.770**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	36.447	64.770
d) Other issuers	-	-
Total	**664.079**	**690.715**

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	**315.754**	**27.953**	**282.238**	**64.770**	**690.715**
B. Increases	**356.789**	**83.488**	**286.476**	**1.629**	**728.382**
B.1 Purchases	347.310	81.285	266.462	1.629	696.686
B.2 Increases in fair value	7.132	2.203	20.014	-	29.349
B.3 Other changes	2.347	-	-	-	2.347
C. Decreases	**415.485**	**86.270**	**223.311**	**29.952**	**755.018**
C.1 Sales	364.304	86.035	212.437	29.952	692.728
C.2 Redemptions	48.726	-	7.209	-	55.935
C.3 Reductions in fair value	2.455	235	3.665	-	6.355
C.4 Other changes	-	-	-	-	-
D. Closing balance	**257.058**	**25.171**	**345.403**	**36.447**	**664.079**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type						
Item/Amount	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1.244.136	25.429	55	1.022.165	45.490	55
1.1 Structured securities	-	7.698	-	106	11.562	-
1.2 Other debt securities	1.244.136	17.731	55	1.022.059	33.928	55
2. Equity securities	3.365	-	42.254	3.244	-	30.609
2.1 Carried at fair value	3.120	-	245	3.244	-	245
2.2 Carried at cost	245	-	42.009	-	-	30.364
3. UCITS units	4.281	-	680	4.102	-	527
4. Loans and advances	-	-	2.754	-	-	2.424
Total	**1.251.782**	**25.429**	**45.743**	**1.029.511**	**45.490**	**33.615**

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 securities sector increased during 2013, going down from 1,108.6 million Euro at the end of 2012 to 1,323 million Euro at 31 December 2013.

The companies which contributed the most were Banca Sella, at around 491.6 million Euro, Banca Sella Holding with around 363.5 million Euro of securities and CBA Vita with a portfolio of around 268.7 million Euro.

The largest change was seen in Italian government securities, increases were seen in investments in BTP, CCT, and BOT. In addition, supranational bonds (EIB) and high creditworthiness bank bonds were also present.

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

On 30 June 2013, the equity investments in Città Studi, SACE (Società Aeroporto di Cerrione) and Pallacanestro Biella, given the structural nature taken on by the losses seen by the Companies over the last few years, were valued using the equity method, and it was consequently held appropriate to write down the same, with effects totalling 50,583.75 Euro recognised in the income statement.

In addition, on 30 June 2013 a write down of the equity investment in Smava GmbH was carried out (measurement method: DCF – Discounted Cash Flow): given the significant nature of the losses seen during the last year, a write down of the equity investment was carried out with an amount equal to 200,000 Euro recognised in the income statement.

At 31 December 2013, the presuppositions to make additional write downs to these equity investments did not exist. On the other hand, fair value adjustments to the valuation reserves relative to the following were made:

- Gruppo Mutui On Line (measurement method: market listings): the positive shareholders' equity reserve was adjusted to the closing market price at 31 December 2013 for an amount of 242,663.25 Euro;
- Intesa Sanpaolo (measurement method: market listings): the positive shareholders' equity reserve was adjusted to the closing market price at 31 December 2013 for an amount of 292,915.08 Euro;
- Digital Magics (measurement method: market listings): a positive shareholders' equity reserve was recognised on the basis of the closing market price at 31 December 2013 for an amount of 44,321.50 Euro;
- United Ventures One (measurement method: NAV): a negative shareholders' equity reserve on the basis of the most recent available NAV was recognised for 51,794.01 Euro.

In addition, it should be noted that during 2013 equity investments were acquired in Cassa di Risparmio Bolzano S.p.A., Compagnie Financière Martin Maurel SA, and Digital Magics S.p.A. In addition, the equity investment in United Ventures One S.p.A. (formerly JV2 Capital S.p.A.) was increased. On the other hand, the complete sale of the residual investment in London Stock Exchange Group Plc was carried out, as was a partial sale of the investment in Intesa Sanpaolo S.p.A., achieving total gross capital gains of 679,030.64 Euro.

4.1 Of which: attributable to the banking group

Item/Amount	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	979.476	17.731	55	769.345	14.846	55
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	979.476	17.731	55	769.345	14.846	55
2. Equity securities	3.365	-	42.254	3.244	-	30.608
2.1 Carried at fair value	3.120	-	245	3.244	-	245
2.2 Carried at cost	245	-	42.009	-	-	30.363
3. UCITS units	4.281	-	680	4.102	-	527
4. Loans and advances	-	-	2.754	-	-	2.424
Total	**987.122**	**17.731**	**45.743**	**776.691**	**14.846**	**33.614**

4.1 Of which: attributable to insurance companies

Item/Amount	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	264.660	7.698	-	252.820	30.644	-
1.1 Structured securities	-	7.698	-	106	11.562	-
1.2 Other debt securities	264.660	-	-	252.714	19.082	-
2. Equity securities	-	-	-	-	-	1
2.1 Carried at fair value	-	-	-	-	-	-
2.2 Carried at cost	-	-	-	-	-	1
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
Total	**264.660**	**7.698**	**-**	**252.820**	**30.644**	**1**

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

Item/Amount	31/12/2013	31/12/2012
1. Debt securities	**1.269.620**	**1.067.710**
a) Governments and central banks	1.149.771	865.549
b) Other public bodies	2.400	4.632
c) Banks	99.801	176.043
d) Other issuers	17.648	21.486
2. Equity securities	**45.619**	**33.853**
a) Banks	30.080	23.910
b) Other issuers:	15.539	9.943
- insurance companies	-	-
- financial companies	13.978	9.457
- non-financial companies	924	486
- others	637	-
3. UCITS units	**4.961**	**4.629**
4. Loans and advances	**2.754**	**2.424**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.754	2.424
Total	**1.322.954**	**1.108.616**

4.2 Of which: attributable to the banking group		
Item/Amount	**31/12/2013**	**31/12/2012**
1. Debt securities	**997.262**	**784.246**
a) Governments and central banks	907.855	644.053
b) Other public bodies	-	-
c) Banks	81.863	137.989
d) Other issuers	7.544	2.204
2. Equity securities	**45.619**	**33.852**
a) Banks	30.080	23.910
b) Other issuers:	15.539	9.942
- insurance companies	-	-
- financial companies	13.978	9.457
- non-financial companies	924	485
- others	637	-
3. UCITS units	**4.961**	**4.629**
4. Loans and advances	**2.754**	**2.424**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.754	2.424
Total	**1.050.596**	**825.151**

4.2 Of which: attributable to insurance companies		
Item/Amount	**31/12/2013**	**31/12/2012**
1. Debt securities	**272.358**	**283.464**
a) Governments and central banks	241.916	221.496
b) Other public bodies	2.400	4.632
c) Banks	17.938	38.054
d) Other issuers	10.104	19.282
2. Equity securities	**-**	**1**
a) Banks	-	-
b) Other issuers:	-	1
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	1
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**272.358**	**283.465**

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**1.067.710**	**33.853**	**4.629**	**2.424**	**1.108.616**
B. Increases	**1.076.542**	**13.602**	**4.448**	**330**	**1.094.922**
B.1 Purchases	1.043.425	12.198	4.417	330	1.060.370
B.2 Increases in fair value	23.355	709	31	-	24.095
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	9.762	695	-	-	10.457
C. Decreases	**874.632**	**1.836**	**4.116**	**-**	**880.584**
C.1 Sales	785.168	1.071	4.102	-	790.341
C.2 Redemptions	78.683	-	-	-	78.683
C.3 Reductions in fair value	1.630	399	14	-	2.043
C.4 Impairment losses	-	366	-	-	366
- charged to the income statement	-	314	-	-	314
- charged to shareholders' equity	-	52	-	-	52
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	9.151	-	-	-	9.151
D. Closing balance	**1.269.620**	**45.619**	**4.961**	**2.754**	**1.322.954**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type								
	Total 31/12/2013				Total 31/12/2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1.213.269	1.274.735	-	-	909.045	939.506	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	1.213.269	1.274.735	-	-	909.045	939.506	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

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

5.1 Of which: attributable to the banking group								
	Total 31/12/2013				Total 31/12/2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1.011.950	1.067.050	-	-	708.050	739.619	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	1.011.950	1.067.050	-	-	708.050	739.619	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

5.1 Of which: attributable to insurance companies								
	Total 31/12/2013				Total 31/12/2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	201.319	207.685	-	-	200.995	199.887	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	201.319	207.685	-	-	200.995	199.887	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

5.2 Financial assets held to maturity: borrowers/issuers		
Type of transaction/Amount	**31/12/2013**	**31/12/2012**
1. Debt securities	**1.213.269**	**909.045**
a) Governments and central banks	1.213.269	909.045
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	**1.213.269**	**909.045**
Total *fair value*	**1.274.735**	**939.506**

5.2 Of which: attributable to the banking group		
Type of transaction/Amount	**31/12/2013**	**31/12/2012**
1. Debt securities	**1.011.950**	**708.050**
a) Governments and central banks	1.011.950	708.050
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	**1.011.950**	**708.050**
Total *fair value*	**1.067.050**	**739.619**

5.2 Of which: attributable to insurance companies		
Type of transaction/Amount	**31/12/2013**	**31/12/2012**
1. Debt securities	**201.319**	**200.995**
a) Governments and central banks	201.319	200.995
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	**201.319**	**200.995**
Total *fair value*	**207.685**	**199.887**

5.4 Financial assets held to maturity: annual changes

	Debt securities	Loans and advances	Total
A. Opening balance	**909.045**	**-**	**909.045**
B. Increases	**321.051**	**-**	**321.051**
B.1 Purchases	312.280	-	312.280
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	8.771	-	8.771
C. Decreases	**16.827**	**-**	**16.827**
C.1 Sales	-	-	-
C.2 Redemptions	11.154	-	11.154
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	5.673	-	5.673
D. Closing balance	**1.213.269**	**-**	**1.213.269**

5.4 Of which: attributable to the banking group

	Debt securities	Loans and advances	Total
A. Opening balance	**708.050**	**-**	**708.050**
B. Increases	**319.765**	**-**	**319.765**
B.1 Purchases	312.280	-	312.280
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	7.485	-	7.485
C. Decreases	**15.865**	**-**	**15.865**
C.1 Sales	-	-	-
C.2 Redemptions	11.154	-	11.154
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	4.711	-	4.711
D. Closing balance	**1.011.950**	**-**	**1.011.950**

5.4 Of which: attributable to insurance companies

	Debt securities	Loans and advances	Total
A. Opening balance	**200.995**	**-**	**200.995**
B. Increases	**1.286**	**-**	**1.286**
B.1 Purchases	-	-	-
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	1.286	-	1.286
C. Decreases	**962**	**-**	**962**
C.1 Sales	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	962	-	962
D. Closing balance	**201.319**	**-**	**201.319**

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by type								
Type of transaction/Amount	Total 31/12/2013				Total 31/12/2012			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A) Due from central banks	**52.442**	**-**	**-**	**52.442**	**140.963**	**-**	**-**	**-**
1. Term deposits	-	X	X	X	115.000	X	X	X
2. Statutory reserve	52.442	X	X	X	25.963	X	X	X
3. Reverse repurchase agreements	-	X	X	X	-	X	X	X
4. Others	-	X	X	X	-	X	X	X
B) Due from banks	**285.915**	**-**	**19.229**	**266.879**	**199.192**	**-**	**-**	**-**
1. Loans and advanced	266.879	-	-	266.879	180.039	-	-	-
1.1 Current accounts and demand deposits	155.515	X	X	X	79.611	X	X	X
1.2 Term deposits	8.829	X	X	X	9.816	X	X	X
1.3 Other loans and advances	102.535	X	X	X	90.612	X	X	X
- reverse repurchase agreements	11.294	X	X	X	10.537	X	X	X
- financial leasing	413	X	X	X	624	X	X	X
- others	90.828	X	X	X	79.451	X	X	X
2. Debt securities	**19.036**	**-**	**19.229**	**-**	**19.153**	**-**	**-**	**-**
2.1 structured	19.036	X	X	X	9.551	X	X	X
2.2 others	-	X	X	X	9.602	X	X	X
Total	**338.357**	**-**	**19.229**	**319.321**	**340.155**	**-**	**-**	**-**

Key
FV= fair value
BV= balance value

At the end of the period no impaired assets were included

The largest changes as at 31 December 2013 involve the absence of Banca Sella Holding overnight deposit of 115 million Euro with the European Central Bank and the upswing in current account and free deposit operations.

For the derogation regarding comparative information, please refer to Part A – Accounting Policies – Section 5 Other Aspects, in these financial statements.

6.1 Of which: attributable to the banking group

Type of transaction/Amount	Total 31/12/2013				Total 31/12/2012			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A) Due from central banks	**52.442**	**-**	**-**	**52.442**	**140.963**	**-**	**-**	**-**
1. Term deposits	-	X	X	X	115.000	X	X	X
2. Statutory reserve	52.442	X	X	X	25.963	X	X	X
3. Reverse repurchase agreements	-	X	X	X	-	X	X	X
4. Others	-	X	X	X	-	X	X	X
B) Due from banks	**274.305**	**-**	**9.680**	**264.938**	**188.850**	**-**	**-**	**-**
1. Loans and advanced	264.938	-	-	264.938	179.729	-	-	-
1.1 Current accounts and demand deposits	153.574	X	X	X	79.301	X	X	X
1.2 Term deposits	8.829	X	X	X	9.816	X	X	X
1.3 Other loans and advances	102.535	X	X	X	90.612	X	X	X
- reverse repurchase agreements	11.294	X	X	X	10.537	X	X	X
- financial leasing	413	X	X	X	624	X	X	X
- others	90.828	X	X	X	79.451	X	X	X
2. Debt securities	**9.367**	**-**	**9.680**	**-**	**9.121**	**-**	**-**	**-**
2.1 structured	9.367	X	X	X	-	X	X	X
2.2 others	-	X	X	X	9.121	X	X	X
Total	**326.747**	**-**	**9.680**	**317.380**	**329.813**	**-**	**-**	**-**

Key
FV= fair value
BV= balance value

6.1 Of which: attributable to insurance companies

Type of transaction/Amount	Total 31/12/2013				Total 31/12/2012			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A) Due from central banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Term deposits	-	X	X	X	-	X	X	X
2. Statutory reserve	-	X	X	X	-	X	X	X
3. Reverse repurchase agreements	-	X	X	X	-	X	X	X
4. Others	-	X	X	X	-	X	X	X
B) Due from banks	**11.610**	**-**	**9.549**	**1.941**	**10.342**	**-**	**-**	**-**
1. Loans and advanced	1.941	-	-	1.941	310	-	-	-
1.1 Current accounts and demand deposits	1.941	X	X	X	310	X	X	X
1.2 Term deposits	-	X	X	X	-	X	X	X
1.3 Other loans and advances	-	X	X	X	-	X	X	X
- reverse repurchase agreements	-	X	X	X	-	X	X	X
- financial leasing	-	X	X	X	-	X	X	X
- others	-	X	X	X	-	X	X	X
2. Debt securities	**9.669**	**-**	**9.549**	**-**	**10.032**	**-**	**-**	**-**
2.1 structured	9.669	X	X	X	9.551	X	X	X
2.2 others	-	X	X	X	481	X	X	X
Total	**11.610**	**-**	**9.549**	**1.941**	**10.342**	**-**	**-**	**-**

Key
FV= fair value
BV= balance value

6.3 Due from banks: financial leasing

Time-bands	Impaired loans	Minimum payment			Gross Investment	
		Capital share		interest share		
			of witch residual value guaranteed			*of witch residual value not guaranteed*
Within 1 year	-	413	-	5	418	418
From 1 to 5 years	-	-	-	-	-	-
More than 5 years	-	-	-	-	-	-
Total	**-**	**413**	**-**	**5**	**418**	**418**

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	Total 31/12/2013						Total 31/12/2012					
	Book value			Fair value			Book value			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Others					Purchased	Others			
Loans and advanced	**7.668.887**	**-**	**646.436**	**-**	**-**	**8.427.823**	**8.010.766**	**-**	**610.353**	**-**	**-**	**-**
1. Current accounts	972.842	-	147.712	X	X	X	1.143.279	-	141.503	X	X	X
2. Repurchase agreements	107.134	-	-	X	X	X	61.652	-	-	X	X	X
3. Mortgage loans	3.406.144	-	222.069	X	X	X	3.514.290	-	205.506	X	X	X
4. Credit cards, personal loans, salary-backed loans	1.231.702	-	75.624	X	X	X	1.186.008	-	69.745	X	X	X
5. Financial leasing	886.869	-	83.361	X	X	X	945.568	-	78.804	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	1.064.196	-	117.670	X	X	X	1.159.969	-	114.795	X	X	X
Debt securities	212	-	-	-	212	-	980	-	-	-	-	-
8. Structured	-	-	-	X	X	X	-	-	-	X	X	X
9. Others	212	-	-	X	X	X	980	-	-	X	X	X
Total	**7.669.099**	**-**	**646.436**	**-**	**212**	**8.427.823**	**8.011.746**	**-**	**610.353**	**-**	**-**	**-**

For the derogation regarding comparative information, please refer to Part A – Accounting Policies – Section 5 Other Aspects, in these financial statements.

The reduction in cash and endorsement loans can be attributed by 2.7% to the extraordinary operation which sold 26 Banca Sella branches located in the provinces of Trento, Bolzano and Belluno to Cassa di Risparmio di Bolzano Sudtiroler – Sparkasse, which took place in June 2013. For the remaining part, in an economic situation that is was even more difficult with respect to 2012, the decline is due to a generalised contraction in the components, with the exception of repurchase agreements and credit cards, which increased.

7.1 Of which: attributable to the banking group

Type of transaction / Amount	Total 31/12/2013						Total 31/12/2012					
	Book value			Fair value			Book value			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Others					Purchased	Others			
Loans and advanced	**7.668.678**	**-**	**646.436**	**-**	**-**	**8.427.614**	**8.010.523**	**-**	**610.353**	**-**	**-**	**-**
1. Current accounts	972.842	-	147.712	X	X	X	1.143.279	-	141.503	X	X	X
2. Repurchase agreements	107.134	-	-	X	X	X	61.652	-	-	X	X	X
3. Mortgage loans	3.406.144	-	222.069	X	X	X	3.514.290	-	205.506	X	X	X
4. Credit cards, personal loans, salary-backed loans	1.231.702	-	75.624	X	X	X	1.186.008	-	69.745	X	X	X
5. Financial leasing	886.869	-	83.361	X	X	X	945.568	-	78.804	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	1.063.987	-	117.670	X	X	X	1.159.726	-	114.795	X	X	X
Debt securities	**212**	**-**	**-**	**-**	**212**	**-**	**980**	**-**	**-**	**-**	**-**	**-**
8. Structured	-	-	-	X	X	X	-	-	-	X	X	X
9. Others	212	-	-	X	X	X	980	-	-	X	X	X
Total	**7.668.890**	**-**	**646.436**	**-**	**212**	**8.427.614**	**8.011.503**	**-**	**610.353**	**-**	**-**	**-**

7.1 Of which: attributable to insurance companies

Type of transaction / Amount	Total 31/12/2013						Total 31/12/2012					
	Book value			Fair value			Book value			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Others					Purchased	Others			
Loans and advanced	**209**	**-**	**-**	**-**	**-**	**209**	**243**	**-**	**-**	**-**	**-**	**-**
1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	-	-	-	X	X	X	-	-	-	X	X	X
4. Credit cards, personal loans, salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
5. Financial leasing	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	209	-	-	X	X	X	243	-	-	X	X	X
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Structured	-	-	-	X	X	X	-	-	-	X	X	X
9. Others	-	-	-	X	X	X	-	-	-	X	X	X
Total	**209**	**-**	**-**	**-**	**-**	**209**	**243**	**-**	**-**	**-**	**-**	**-**

7.2 Due from customers: breakdown by borrowers/issuers

Type of transaction/Amount	31/12/2013			31/12/2012		
	Performing	Impaired		Performing	Impaired	
		Purchased	Others		Purchased	Others
1. Debt securities issued by:	**212**	**-**	**-**	**980**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
d) Other issuers	212	-	-	980	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	212	-	-	980	-	-
- insurance companies	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans and advances to:	**7.668.887**	**-**	**646.436**	**8.010.766**	**-**	**610.353**
a) Governments	1.168	-	-	513	-	-
b) Other public bodies	16.351	-	25	19.570	-	32
c) Other subjects	7.651.368	-	646.411	7.990.683	-	610.321
- non-financial companies	4.051.293	-	445.081	4.351.518	-	412.573
- financial companies	219.434	-	3.940	201.391	-	4.326
- insurance companies	38	-	-	29	-	-
- others	3.380.603	-	197.390	3.437.745	-	193.422
Total	**7.669.099**	**-**	**646.436**	**8.011.746**	**-**	**610.353**

7.2 Of which: attributable to the banking group

Type of transaction/Amount	31/12/2013			31/12/2012		
	Performing	Impaired		Performing	Impaired	
		Purchased	Others		Purchased	Others
1. Debt securities issued by:	**212**	**-**	**-**	**980**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
d) Other issuers	212	-	-	980	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	212	-	-	980	-	-
- insurance companies	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans and advances to:	**7.668.678**	**-**	**646.436**	**8.010.523**	**-**	**610.353**
a) Governments	1.168	-	-	513	-	-
b) Other public bodies	16.351	-	25	19.570	-	32
c) Other subjects	7.651.159	-	646.411	7.990.440	-	610.321
- non-financial companies	4.051.292	-	445.081	4.351.517	-	412.573
- financial companies	219.434	-	3.940	201.391	-	4.326
- insurance companies	25	-	-	18	-	-
- others	3.380.408	-	197.390	3.437.514	-	193.422
Total	**7.668.890**	**-**	**646.436**	**8.011.503**	**-**	**610.353**

7.2 Of which: attributable to insurance companies						
Type of transaction/Amount	**31/12/2013**			**31/12/2012**		
	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:	**209**	**-**	**-**	**243**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
c) Other subjects	209	-	-	243	-	-
- non-financial companies	1	-	-	1	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	13	-	-	11	-	-
- others	195	-	-	231	-	-
Total	**209**	**-**	**-**	**243**	**-**	**-**

7.4 Due from customers: financial leasing						
Time - bands	**Impaired loans**	**Minimum payment**			**Gross investments**	
		Capital share		**Interest share**		
			of witch residual value guaranteed			*of witch residual value not guaranteed*
Within 1 year	43.427	179.988	-	36.008	215.996	9.014
From 1 to 5 years	15.483	404.257	-	94.117	498.374	22.238
More than 5 years	24.451	302.624	-	65.582	368.206	53.383
Total	**83.361**	**886.869**	**-**	**195.707**	**1.082.576**	**84.635**

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 2013 were in total at a fixed interest rate. The type of customers mainly consists of professionals, small and medium size businesses, and only marginally private individuals. In 2013, Consel lent 2,2 million euro with an average financing value of 22 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

The item all pertains to the banking groups.

8.1 Hedging derivatives: breakdown by hedging type and by levels	FV 31/12/2013			VN 31/12/2013	FV 31/12/2012			VN 31/12/2012
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**16.937**	**-**	**360.707**	**-**	**28.530**	**-**	**498.931**
1) Fair value	-	16.937	-	360.707	-	28.530	-	498.931
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**16.937**	**-**	**360.707**	**-**	**28.530**	**-**	**498.931**

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.

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	16.937	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**16.937**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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.

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	**31/12/2013**	**31/12/2012**
Positive change	**110.873**	**159.773**
1.1 of specific portfolios:	110.873	159.773
a) loans and recievables	110.873	159.773
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	**110.873**	**159.773**

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		
	31/12/2013	**31/12/2012**
Hedged assets		
1. Loans and receivables	1.768.431	1.782.473
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**1.768.431**	**1.782.473**

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	45,000%	45,000%
IN CHIARO ASSICURAZIONI S.P.A.	Rome	Subj. to sig. influence	CBA Vita S.p.A.	49,000%	49,000%
S.C.P. VDP1	Principality of Monaco	Subj. to sig. influence	Banca Sella Holding S.p.A.	29,000%	29,000%
HI-MTF SIM S.P.A.	Milan	Subj. to sig. influence	Banca Sella Holding S.p.A.	20,000%	20,000%
ENERSEL S.P.A.	Biella	Subj. to sig. influence	Banca Sella Holding S.p.A.	18,298%	18,298%

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*		
						L1	L2	L3
A. Companies accounted for with equity method								
A.2 subject to significant influence								
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	177.935	8.725	199	16.939	7.623	-	-	-
IN CHIARO ASSICURAZIONI S.P.A.	46.956	21.862	266	6.376	3.488	-	-	-
S.C.P. VDP1	4.922	151	-	1.955	567	-	-	-
HI-MTF SIM S.P.A.	6.290	3.046	419	5.640	1.410	-	-	-
ENERSEL S.P.A.	1.815	407	153	1.490	270	-	-	-
Total					**133.258**	**-**	**-**	**-**

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	31/12/2013	31/12/2012
A. Opening balance	**9.637**	**3.395**	**-**	**13.032**	**12.262**
B. Increases	**233**	**93**	**-**	**326**	**813**
B.1 Purchases	-	-	-	-	238
B.2 Writebacks	5	93	-	98	-
B.3 Revaluations	228	-	-	228	575
B.4 Other changes	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**43**
C.1 Sales	-	-	-	-	-
C.2 Writedowns	-	-	-	-	-
C.4 Other changes	-	-	-	-	43
D. Closing balance	**9.870**	**3.488**	**-**	**13.358**	**13.032**
E. Total revaluation	**3.760**	**-**	**-**	**3.760**	**3.532**
F. Total adjustements	**13**	**3.141**	**-**	**3.154**	**3.252**

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

11.1 Reinsurers' share of technical reserves: breakdown

	Total 31/12/2013	Total 31/12/2012
A. Non-life insurance	**705**	**623**
A.1 premium reserves	136	140
A.2 claims reserves	85	71
A.3 other reserves	484	412
B. Life assurance	**2.928**	**2.953**
B.1 Actuarial reserves	2.352	2.462
B.2 outstanding claims reserves	560	265
B.3 other reserves	16	226
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	**3.633**	**3.576**

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

	Total 31/12/2013
Opening balance	**3.576**
A. Non-life insurance	**82**
A.1 premium reserves	(4)
A.2 claims reserves	14
A.3 other reserves	72
B. Life assurance	**(25)**
B.1 Actuarial reserves	(110)
B.2 outstanding claims reserves	295
B.3 other reserves	(210)
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	**3.633**

Section 12 - Tangible assets - Item 120

12.1 Tangible assets used for business purposes: breakdown of assets carried at cost

Item/Amount	Total 31/12/2013	Total 31/12/2012
1. Owned assets	**162.665**	**187.672**
a) land	30.945	40.233
b) buildings	105.962	120.912
c) furniture	2.298	2.172
d) electronic equipment	8.899	9.748
e) other	14.561	14.607
2. acquired through financial leasing	**1.023**	**2.527**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	1.023	2.527
Total	**163.688**	**190.199**

12.1 Of which: attributable to the banking group

Item/Amount	Total 31/12/2013	Total 31/12/2012
1. Owned assets	**162.629**	**187.624**
a) land	30.945	40.233
b) buildings	105.962	120.912
c) furniture	2.296	2.168
d) electronic equipment	8.876	9.730
e) other	14.550	14.581
2. acquired through financial leasing	**1.023**	**2.527**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	1.023	2.527
Total	**163.652**	**190.151**

12.1 Of which: attributable to insurance companies

Item/Amount	Total 31/12/2013	Total 31/12/2012
1. Owned assets	**36**	**48**
a) land	-	-
b) buildings	-	-
c) furniture	2	4
d) electronic equipment	23	18
e) other	11	26
2. acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total	**36**	**48**

12.2 Tangible assets held for investment: breakdown of assets carried ay fair value

Item/Amount	31/12/2013				31/12/2012			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**37.704**	**-**	**-**	**52.139**	**15.529**	**-**	**-**	**-**
a) land	16.400	-	-	20.931	7.237	-	-	-
b) buildings	21.304	-	-	31.208	8.292	-	-	-
2. Acquired through financial leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**37.704**	**-**	**-**	**52.139**	**15.529**	**-**	**-**	**-**

12.5 Tangible assets used for business purposes: annual changes

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**40.233**	**163.755**	**23.739**	**125.607**	**77.135**	**430.469**
A.1 Total net impairments		42.843	21.567	115.859	60.001	240.270
A.2 Net opening balance	**40.233**	**120.912**	**2.172**	**9.748**	**17.134**	**190.199**
B. Increases	**396**	**5.244**	**891**	**4.273**	**3.906**	**14.710**
B.1 Purchases	24	3.218	889	4.252	3.895	12.278
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	372	2.025	-	-	9	2.406
B.7 Other changes	-	1	2	21	2	26
C. Decreases	**9.684**	**20.194**	**765**	**5.122**	**5.456**	**41.221**
C.1 Sales	-	3	5	2	1	11
C.2 Depreciation	-	4.097	729	4.828	5.335	14.989
C.3 Impairment losses charged to:	-	-	-	-	24	24
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	24	24
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	1	401	4	13	-	419
C.6 Transfers to:	9.681	15.660	-	-	-	25.341
a) property, plant and equipment held for investment	9.681	15.660	-	-	-	25.341
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	2	33	27	279	96	437
D. Net closing balance	**30.945**	**105.962**	**2.298**	**8.899**	**15.584**	**163.688**
D.1 Total net impairments		38.517	20.816	114.562	62.245	236.140
D.2 Gross closing balance	**30.945**	**144.479**	**23.114**	**123.461**	**77.829**	**399.828**
E. Carried at cost	-	-	-	-	-	-

12.5 Of which: attributable to the banking group						
	Land	**Buildings**	**Furniture**	**Electronic equipment**	**Others**	**Total**
A. Gross opening balance	**40.233**	**163.755**	**23.616**	**125.138**	**76.934**	**429.676**
A.1 Total net impairments		42.843	21.448	115.408	59.826	239.525
A.2 Net opening balance	**40.233**	**120.912**	**2.168**	**9.730**	**17.108**	**190.151**
B. Increases	**396**	**5.244**	**889**	**4.238**	**3.906**	**14.673**
B.1 Purchases	24	3.218	889	4.237	3.895	12.263
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	372	2.025	-	-	9	2.406
B.7 Other changes	-	1	-	1	2	4
C. Decreases	**9.684**	**20.194**	**761**	**5.092**	**5.441**	**41.172**
C.1 Sales	-	3	5	2	1	11
C.2 Depreciation	-	4.097	728	4.818	5.320	14.963
C.3 Impairment losses charged to:	-	-	-	-	24	24
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	24	24
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	1	401	4	13	-	419
C.6 Transfers to:	9.681	15.660	-	-	-	25.341
a) property, plant and equipment held for investment	9.681	15.660	-	-	-	25.341
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	2	33	24	259	96	414
D. Net closing balance	**30.945**	**105.962**	**2.296**	**8.876**	**15.573**	**163.652**
D.1 Total net impairments		38.517	20.698	114.120	62.055	235.390
D.2 Gross closing balance	**30.945**	**144.479**	**22.994**	**122.996**	**77.628**	**399.042**
E. Carried at cost	-	-	-	-	-	-

12.5 Of which: attributable to insurance companies						
	Land	**Buildings**	**Furniture**	**Electronic equipment**	**Others**	**Total**
A. Gross opening balance	**-**	**-**	**123**	**469**	**201**	**793**
A.1 Total net impairments		-	119	451	175	745
A.2 Net opening balance	**-**	**-**	**4**	**18**	**26**	**48**
B. Increases	**-**	**-**	**2**	**35**	**-**	**37**
B.1 Purchases	-	-	-	15	-	15
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	-	-	2	20	-	22
C. Decreases	**-**	**-**	**4**	**30**	**15**	**49**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	1	10	15	26
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	-	-	-	-	-	-
C.7 Other changes	-	-	3	20	-	23
D. Net closing balance	**-**	**-**	**2**	**23**	**11**	**36**
D.1 Total net impairments		-	118	442	190	750
D.2 Gross closing balance	**-**	**-**	**120**	**465**	**201**	**786**
E. Carried at cost	-	-	-	-	-	-

12.6 Tangible assets held for investment purpose: annual changes	Total	
	Land	Buildings
A. Gross opening balance	**7.237**	**11.757**
A.1 Total net impairments		3.465
A.2 Net opening balance	**7.237**	**8.292**
B. Increases	**9.696**	**15.891**
B.1 Purchases	15	44
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange differences	-	187
B.6 Transfers from buildings for business purposes	9.681	15.660
C. Decreases	**533**	**2.879**
C.1 Sales	7	14
C.2 Depreciation	-	838
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	154	-
C.6 Transfers from other asset portfolios	372	2.025
a) buildings for business purposes	372	2.025
b) non-current assets held for sale	-	-
C.7 Other changes	-	2
D. Net closing balance	**16.400**	**21.304**
D.1 Total net impairments		12.646
D.2 Gross closing balance	**16.400**	**33.950**
E. Carried at fair value	-	-

The Tangible assets held for investment purpose all pertains to the banking groups.

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by type of asset	Total 31/12/2013		Total 31/12/2012	
Item/Amount	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**39.947**	**X**	**43.484**
A.1.1 attributable to the group	X	39.442	X	42.844
A.1.2 attributable to minority interests	X	505	X	640
A.2 Other intangible assets:	**33.346**	**1**	**31.041**	**1**
A.2.1 Assets carried at cost	33.346	1	31.041	1
a) Intangible assets generated internally	5.712	-	4.974	-
b) Other assets	27.634	1	26.067	1
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**33.346**	**39.948**	**31.041**	**43.485**

13.1 Of which: attributable to the banking group				
Item/Amount	Total 31/12/2013		Total 31/12/2012	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**39.947**	**X**	**43.484**
A.1.1 attributable to the group	X	39.442	X	42.844
A.1.2 attributable to minority interests	X	505	X	640
A.2 Other intangible assets:	**32.086**	**1**	**30.738**	**1**
A.2.1 Assets carried at cost	32.086	1	30.738	1
a) Intangible assets generated internally	5.712	-	4.974	-
b) Other assets	26.374	1	25.764	1
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**32.086**	**39.948**	**30.738**	**43.485**

13.1 Of which: attributable to insurance companies				
Item/Amount	Total 31/12/2013		Total 31/12/2012	
	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:	**1.260**	**-**	**303**	**-**
A.2.1 Assets carried at cost	1.260	-	303	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	1.260	-	303	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**1.260**	**-**	**303**	**-**

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	CGU A1	20.177
Company Banca Patrimoni Sella & C.	CGU A2	1.510
Company Sella Gestioni	CGU A3	7.260
Company Selfid	CGU A4	448
Company CBA Vita	CGU A5	3.998
Company Brosel	CGU A6	32
Company Immobiliare Lanificio Maurizio Sella	CGU A7	56
Company HI MTF	CGU B1	127
Branches BS (Bovolone and Sant Martin Buon Albergo) (1)	CGU C1	1.048
Branches BS Milano via Gonzaga (2)	CGU C2	542
Branches BS (former Cram) (3)	CGU C3	1.881
Branches BS S.Michele e Fasano (4)	CGU C4	1.099
Branches BS (former BCC Camastra e Naro)(5)	CGU C5	1.770
Total		**39.948**

(1) The entity subjected to the impairment testincludes the two branches remaining after the operation which sold the branches to Sparkasse and which were originally part of the group of branches acquired from the Unicredito Group in 2000.

(2) 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.

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

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

(5) 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 selling costs and its value in use.

Below is a list of the CGUs that were analysed and, on the side, 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	value in use	Dividend discount model (*excess capital*)	The impairment test does not detect a loss of value
CGU A3	value in use	Dividend discount model (*excess capital*)	The impairment test does not detect a loss of value
CGU A4	value in use	Present value of future cash flows	The impairment test does not detect a loss of value
CGU A5	Fair value	actuarial method	The impairment test does not detect a loss of value
CGU A6	value in use	Present value of future cash flows	The impairment test does not detect a loss of value
CGU A7	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	value in use	Dividend discount model (*excess capital*)	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 <u>fair value</u> 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 have been properly adjusted to take into consideration possible high-low yields relative to the company at issue.

- Actuarial method: applied, in accordance with professional valuation practices, for insurance companies operating mainly in life business. The valuation is obtained by summing shareholders' equity, the value of the existing policies portfolio (embedded value) and the current value of future life production (appraisal value). The shareholders' equity is represented by the Company's net assets, deriving from the last accounting statement available, adjusted to the market value of underlying assets, if necessary. The in-force value is the present value of future cash flows on net profits which are expected to arise from policies in force at the valuation date, considering the cost of the solvency capital requirement. The value of new business is the present value of future cash flows on net profits which are expected to arise from newly issued policies, considering the cost of the solvency capital requirement.
- Adjusted Equity Method: involves considering the proportion of shareholders' equity held adjusted to:
  - the value attributed to specific intangible assets connected with the relation with customers; this value is determined by referring to the main CGU aggregates (total deposits, managed deposits, loans) and applying the multiples presumed from the market with reference to comparable transactions; the value obtained is then properly adjusted to take into account the company's high/low yields on the market itself (income adjustment);
  - possible capital gains, i.e. differences between the present values of assets and liabilities calculated with the relevant criteria and the corresponding carrying values.

The <u>Value in use</u> is defined as the present value of future cash flows expected to derive from an asset. The models used for determining the value in use are:

- DDM (dividend discount model), to discount back distributable income flows after meeting the prescribed minimum capital requirement (excess capital): it was applied to entities subject to prudential supervisory regulations;
- discounting back income flows: this was applied in all cases.

The estimate of value in use incorporates the following elements:

- estimate of future financial flows that the company envisages will derive from the continuous use of the asset and its final sale: the most recent budget plans relative to the CGU as approved by the governing bodies of the company were used as references. Apart from the period covered by said plans, the projections of financial flows are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);
- discount rate (Ke): 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 2013, of the return on ten-year BTPs. The value used was 4.268%;
  - (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	**2013**	**2014**	**2015**	**2016**
Real GDP	-0,4	0,9	1,2	1,5
Consumer price index	1,3	1,4	1,8	1,8
Official rates	0,25	0,25	0,25	1,00
Short-term interest rates (Euribor 3m)	0,22	0,29	0,40	0,72
Italy	**2013**	**2014**	**2015**	**2016**
Real GDP	-1,9	0,5	1,1	1,1
Consumption	-2,5	-0,5	1,0	1,5
Consumer price index	1,3	1,6	2,0	1,8

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 2014-2016 appear weak and below the euro area average.
With reference to the financial segment, the scenario hypothesises a low level of interest rates on the money market with a tendency to see a gradual increase in rates only in the latter part of the three-year period.

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 A1	Economic and financial variables	Budget 2014 and three years plan 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:
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	. by the improvement in net income from services due to the expected increase of the masses with particular reference to the managed portfoglio
	Profitability over the forecast period	Constant annual growth rate of 2%	. by an increase in the net interest income which is expected to improve the spread . impact on the performance of credit losses gradually weakening especially in 2015 and 2016 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 9,02% having incorporated a Beta of 0,95.
CGU A2	Economic and financial variables	Budget 2014 and three years plan 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:
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	. by the improvement in net income from services due to the expected increase of the masses with particular reference to the managed portfoglio
	Profitability over the forecast period	Constant annual growth rate of 2%	. by an increase in the net interest income which is expected to improve the spread . the continuation of the rationalization carried on operating costs - The discount rate used is equal to 9,02% having incorporated a Beta of 0,95.
CGU A3	Economic and financial variables	Budget 2014 and three years plan approved by the Board	The forecasts take into account a gradual recovery in profitability resulting primarily from the structural improvement of service revenues due to the expected increase of the masses
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 2%	- The discount rate used is equal to 9,02% having incorporated a Beta of 0,95.
CGU A4	Economic and financial variables	Budget 2014 and three years plan 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
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	- The discount rate used is equal to 9,02% having incorporated a Beta of 0,95.
	Profitability over the forecast period	Constant annual growth rate of 2%	

follows the previous table			
CGU	**Assumptions**	**Methods for determining**	**Notes**
CGU A5	Shareholders' equity	Financial statements as at 31/12/2013	- With regard to returns on separate management were considered the expected trends in asset yields calculated to 31/12/2013, for the new production, as well as the return on assets to cover its margin, it was hypothesized a constant
	Value of in-force	Life portfolio as of 31/12/13	- 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 (2014-2023)	- 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 2013 budget increased by a percentage equal to 2% per annum.
CGU A6	Economic and financial variables	Budget 2014 and three years plan 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
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 2%	- The discount rate used is equal to 9,02% having incorporated a Beta of 0,95.
CGU A7	Shareholders' equity	Financial statements at 31/12/2013	- The valuation of the properties has been prepared with the assistance of an evaluator
	Value of real estate owned	The value of the properties was estimated on the basis of a recent survey	
CGU B1	Shareholders' equity	Financial statements as at 31/12/2013	Multiples were determined by reference to the listing on a sample of comparable companies to 31/12/13
	Ebidta		
CGU 1 CGU 2 CGU 3 CGU 4 CGU 5	Economic and financial variables	Budget 2014 and three years plan 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:
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	. by the improvement in net income from services due to the expected increase of the masses with . by an increase in the net interest income which is expected to improve the spread
	Profitability over the forecast period	Constant annual growth rate of 2%	. impact on the performance of credit losses gradually weakening especially in 2015 and 2016 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 9,02% having incorporated a Beta of 0,95.

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.	0,8%
CGU A2	+ 25 b. p.	2,7%	- 25 b. p.	1,7%
CGU A3	+ 25 b. p.	2,1%	- 25 b. p.	1,7%
CGU A4	+ 25 b. p.	3,7%	- 25 b. p.	3,2%
CGU A6	+ 25 b. p.	3,6%	- 25 b. p.	3,1%
CGU C1	+ 25 b. p.	3,4%	- 25 b. p.	2,8%
CGU C2	+ 25 b. p.	3,5%	- 25 b. p.	2,9%
CGU C3	+ 25 b. p.	3,4%	- 25 b. p.	2,8%
CGU C4	+ 25 b. p.	3,1%	- 25 b. p.	2,6%
CGU C5	+ 25 b. p.	3,8%	- 25 b. p.	3,1%

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 A2	20,7%	N.S. (<-25%)
CGU A3	22,1%	-23,7%
CGU A4	13,3%	-3,3%
CGU A6	9,5%	1,5%
CGU C1	15,4%	-6,7%
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	11,0%	-0,5%

Conclusions

From the analysis performed, it can be seen that the recoverable value of all CGUs is greater than the carrying value.
The sensitivity analysis also revealed no indications of reduction in value requiring registration.

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	**96.522**	**6.949**	**-**	**171.561**	**1**	**275.033**
A.1 Total net reductions in value	53.038	1.975	-	145.494	-	200.507
A.2 Net opening balance	**43.484**	**4.974**	**-**	**26.067**	**1**	**74.526**
B. Increases	**-**	**2.534**	**-**	**14.305**	**-**	**16.839**
B.1 Purchases	-	2.534	-	13.801	-	16.335
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	-	-	-	504	-	504
C. Decreases	**3.537**	**1.796**	**-**	**12.738**	**-**	**18.071**
C.1 Sales	3.537	-	-	-	-	3.537
C.2 Writedowns	-	1.796	-	11.956	-	13.752
- amortization	X	1.796	-	11.956	-	13.752
- 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	-	-	-	2	-	2
C.6 Other changes	-	-	-	780	-	780
D. Net closing balance	**39.947**	**5.712**	**-**	**27.634**	**1**	**73.294**
D.1 Total net adjustments	51.069	3.771	-	152.957	-	207.797
E. Gross closing balance	**91.016**	**9.483**	**-**	**180.591**	**1**	**281.091**
F. Carried at cost	-	-	-	-	-	-

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	**96.522**	**6.949**	**-**	**166.803**	**1**	**270.275**
A.1 Total net reductions in value	53.038	1.975	-	141.039	-	196.052
A.2 Net opening balance	**43.484**	**4.974**	**-**	**25.764**	**1**	**74.223**
B. Increases	**-**	**2.534**	**-**	**12.414**	**-**	**14.948**
B.1 Purchases	-	2.534	-	12.414	-	14.948
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	**3.537**	**1.796**	**-**	**11.804**	**-**	**17.137**
C.1 Sales	3.537	-	-	-	-	3.537
C.2 Writedowns	-	1.796	-	11.640	-	13.436
- amortization	X	1.796	-	11.640	-	13.436
- 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	-	-	-	2	-	2
C.6 Other changes	-	-	-	162	-	162
D. Net closing balance	**39.947**	**5.712**	**-**	**26.374**	**1**	**72.034**
D.1 Total net adjustments	51.069	3.771	-	151.666	-	206.506
E. Gross closing balance	**91.016**	**9.483**	**-**	**178.040**	**1**	**278.540**
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	**-**	**-**	**-**	**4.758**	**-**	**4.758**
A.1 Total net reductions in value	-	-	-	4.455	-	4.455
A.2 Net opening balance	**-**	**-**	**-**	**303**	**-**	**303**
B. Increases	**-**	**-**	**-**	**1.891**	**-**	**1.891**
B.1 Purchases	-	-	-	1.387	-	1.387
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	-	-	-	504	-	504
C. Decreases	**-**	**-**	**-**	**934**	**-**	**934**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	-	-	-	316	-	316
- amortization	X	-	-	316	-	316
- 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	-	-	-	618	-	618
D. Net closing balance	**-**	**-**	**-**	**1.260**	**-**	**1.260**
D.1 Total net adjustments	-	-	-	1.291	-	1.291
E. Gross closing balance	**-**	**-**	**-**	**2.551**	**-**	**2.551**
F. Carried at cost	-	-	-	-	-	-

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

Current tax assets: breakdown		
	Total 31/12/2013	Total 31/12/2012
Prepaid taxes	96.762	61.197
Credits for withholdings	875	1.555
Assets from inclusion in tax consolidation	4.716	1.257
Tax credits	15.168	18.176
Total	**117.521**	**82.185**

Current tax liabilities: breakdown

	Total 31/12/2013	Total 31/12/2012
Provisions for direct taxes	72.052	61.481
Provisions for indirect taxes	5.268	6.064
Total	**77.320**	**67.545**

14.1 - Deferred tax assets: breakdown

	Ires	Irap	Others	31/12/2013	31/12/2012
Losses on loans and receivables	122.966	5.338	-	128.304	96.785
Provisions for sundry risks and liabilities	6.241	5	-	6.246	5.999
Depreciation and valuation of buildings	3.767	155	-	3.922	1.939
Sundry administrative expenses	1.003	-	-	1.003	924
Personnel expenses	29	-	79	108	127
Collective valuations of sureties issued	406	-	-	406	531
Measurement of available-for-sale financial assets	-	173	-	173	204
	6.588	1.334	-	7.922	7.446
Other assets	8.474	917	79	9.470	10.207
Total deferred tax assets (charged to income statement)	**149.474**	**7.922**	**158**	**157.554**	**124.162**
Depreciation and valuation of buildings	2.623	307	-	2.930	2.930
Measurement of available-for-sale financial assets	2.868	142	-	3.010	1.990
Others	89	-	-	89	10
Total deferred tax assets (charged to shareholders' equity)	**5.580**	**449**	**-**	**6.029**	**4.930**

14.1 Of which: attributable to the banking group

	Ires	Irap	Others	31/12/2013	31/12/2012
Losses on loans and receivables	122.964	5.338	-	128.302	96.783
Provisions for sundry risks and liabilities	6.231	5	-	6.236	5.989
Depreciation and valuation of buildings	3.765	155	-	3.920	1.938
Sundry administrative expenses	1.000	-	-	1.000	922
Personnel expenses	16	-	79	95	105
Collective valuations of sureties issued	406	-	-	406	531
Measurement of available-for-sale financial assets	-	173	-	173	204
	6.588	1.334	-	7.922	7.446
Other assets	8.024	915	79	9.018	9.715
Total deferred tax assets (charged to income statement)	**148.994**	**7.920**	**158**	**157.072**	**123.633**
Depreciation and valuation of buildings	2.623	307	-	2.930	2.930
Measurement of available-for-sale financial assets	4	4	-	8	199
Others	89	-	-	89	10
Total deferred tax assets (charged to shareholders' equity)	**2.716**	**311**	**-**	**3.027**	**3.139**

14.1 Of which: attributable to insurance companies					
	Ires	**Irap**	**Others**	**31/12/2013**	**31/12/2012**
Losses on loans and receivables	2	-	-	2	2
Provisions for sundry risks and liabilities	10	-	-	10	10
Depreciation and valuation of buildings	2	-	-	2	1
Sundry administrative expenses	3	-	-	3	2
Personnel expenses	13	-	-	13	22
Other assets	450	2	-	452	492
Total deferred tax assets (charged to income statement)	**480**	**2**	**-**	**482**	**529**
Depreciation and valuation of buildings	-	-	-	-	-
Measurement of available-for-sale financial assets	2.864	138	-	3.002	1.791
Total deferred tax assets (charged to shareholders' equity)	**2.864**	**138**	**-**	**3.002**	**1.791**

14.2 - Deferred tax liabilities: breakdown					
	Ires	**Irap**	**Others**	**31/12/2013**	**31/12/2012**
Gains on sale of available-for-sale financial assets	86	350	-	436	439
Different calculation of depreciation of tangible assets	455	90	-	545	545
Different calculation of amortization of intangible assets	27	4	-	31	60
Discounting to the present of provisions for sundry risks and charges	7	-	-	7	5
Discounting to the present of severance indemnities	4	-	-	4	4
Capital gain on sale of company division	4.216	-	-	4.216	2
Writedowns of receivables	-	-	-	-	-
Goodwill	832	167	-	999	864
Other liabilities	2.554	203	4	2.761	3.414
Total deferred taxes (charged to income statement)	**8.181**	**814**	**4**	**8.999**	**5.333**
Measurement of available-for-sale financial assets	3.908	825	-	4.733	773
Depreciation and valuation of buildings	746	150	-	896	897
Other liabilities	2.392	-	-	2.392	1.232
Total deferred taxes (charged to shareholders' equity)	**7.046**	**975**	**-**	**8.021**	**2.902**

14.2 Of which: attributable to the banking group					
	Ires	**Irap**	**Others**	**31/12/2013**	**31/12/2012**
Gains on sale of available-for-sale financial assets	86	350	-	436	439
Different calculation of depreciation of tangible assets	455	90	-	545	545
Different calculation of amortization of intangible assets	27	4	-	31	60
Discounting to the present of provisions for sundry risks and charges	7	-	-	7	5
Capital gain on sale of company division	4.216	-	-	4.216	2
Goodwill	832	167	-	999	864
Other liabilities	1.517	203	4	1.724	1.584
Total deferred taxes (charged to income statement)	**7.140**	**814**	**4**	**7.958**	**3.499**
Measurement of available-for-sale financial assets	3.908	825	-	4.733	773
Depreciation and valuation of buildings	746	150	-	896	897
Total deferred taxes (charged to shareholders' equity)	**4.654**	**975**	**-**	**5.629**	**1.670**

14.2 Of which: attributable to insurance companies					
	Ires	**Irap**	**Others**	**31/12/2013**	**31/12/2012**
Discounting to the present of severance indemnities	4	-	-	4	4
Other liabilities	1.037	-	-	1.037	1.830
Total deferred taxes (charged to income statement)	**1.041**	**-**	**-**	**1.041**	**1.834**
Other liabilities	2.392	-	-	2.392	1.232
Total deferred taxes (charged to shareholders' equity)	**2.392**	**-**	**-**	**2.392**	**1.232**

14.3 Changes in deferred tax assets (charged to income statement)

	31/12/2013	31/12/2012
1. Initial amount	**124.162**	**102.034**
2. Increases	**46.458**	**35.598**
2.1 Prepaid taxes recognised during the year	46.301	31.968
a) relating to previous years	1.495	840
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	44.806	31.128
2.2 New taxes or increases of tax rate	-	2
2.3 Other increases	157	3.628
- of which: business combinations	-	-
3. Decreases	**13.066**	**13.470**
3.1 Prepaid taxes cancelled during the year	12.330	12.046
a) reversals	11.326	9.359
b) writedowns for unrecoverable items	199	156
c) changes in accounting policies	-	-
d) others	805	2.531
3.2 Reductions in tax rates	-	-
3.3 Other changes	736	1.424
a) trasformation into tax credits of lex 214/2011	292	582
b) other	444	842
- of which: business combinations	-	-
4. Final amount	**157.554**	**124.162**

14.3 Of which: attributable to the banking group

	31/12/2013	31/12/2012
1. Initial amount	**123.633**	**101.045**
2. Increases	**46.412**	**35.555**
2.1 Prepaid taxes recognised during the year	46.283	31.926
a) relating to previous years	1.495	840
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	44.788	31.086
2.2 New taxes or increases of tax rate	-	2
2.3 Other increases	129	3.627
- of which: business combinations	-	-
3. Decreases	**12.973**	**12.967**
3.1 Prepaid taxes cancelled during the year	12.237	11.993
a) reversals	11.301	9.306
b) writedowns for unrecoverable items	199	156
c) changes in accounting policies	-	-
d) others	737	2.531
3.2 Reductions in tax rates	-	-
3.3 Other changes	736	974
a) trasformation into tax credits of lex 214/2011	292	582
b) other	444	392
- of which: business combinations	-	-
4. Final amount	**157.072**	**123.633**

14.3 Of which: attributable to insurance companies		
	31/12/2013	**31/12/2012**
1. Initial amount	**529**	**989**
2. Increases	**46**	**43**
2.1 Prepaid taxes recognised during the year	18	42
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
d) others	18	42
2.2 New taxes or increases of tax rate	-	-
2.3 Other increases	28	1
- of which: business combinations	-	-
3. Decreases	**93**	**503**
3.1 Prepaid taxes cancelled during the year	93	53
a) reversals	25	53
b) writedowns for unrecoverable items	-	-
c) changes in accounting policies	-	-
d) others	68	-
3.2 Reductions in tax rates	-	-
3.3 Other changes	-	450
a) trasformation into tax credits of lex 214/2011	-	-
b) other	-	450
- of which: business combinations	-	-
4. Final amount	**482**	**529**

14.3.1 Changes in prepaid tax pursuant to Italian Law no. 214/2011 (offsetting the IS)		
	31/12/2013	**31/12/2012**
1. Initial amount	**104.203**	**82.783**
2. Increases	**40.526**	**28.724**
3. Decreases	**6.499**	**7.304**
3.1 Reversals	1.215	1.214
3.2 Transformation into tax receivables	292	582
a) deriving from period losses	292	582
b) deriving from tax losses	-	-
3.3 Other changes	4.992	5.508
4. Final amount	**138.230**	**104.203**

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

	31/12/2013	31/12/2012
1. Initial amount	**103.992**	**82.583**
2. Increases	**40.521**	**28.699**
3. Decreases	**6.499**	**7.290**
3.1 Reversals	1.215	1.214
3.2 Transformation into tax receivables	292	582
a) deriving from period losses	292	582
b) deriving from tax losses	-	-
3.3 Other changes	4.992	5.494
4. Final amount	**138.014**	**103.992**

14.3.1 Of which: attributable to insurance companies

	31/12/2013	31/12/2012
1. Initial amount	**211**	**200**
2. Increases	**5**	**25**
3. Decreases	**-**	**14**
3.1 Reversals	-	-
3.2 Transformation into tax receivables	-	-
a) deriving from period losses	-	-
b) deriving from tax losses	-	-
3.3 Other changes	-	14
4. Final amount	**216**	**211**

14.4 Changes in deferred tax liabilities (charged to income statement)

	31/12/2013	31/12/2012
1. Opening balance	**5.333**	**11.282**
2. Increases	**5.980**	**1.415**
2.1 Deferred taxes recognized during the year	5.980	1.337
a) relating to previous years	6	93
b) due to changes in accounting policies	-	-
c) others	5.974	1.244
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	78
3. Decreases	**2.314**	**7.364**
3.1 Deferred taxes cancelled during the year	1.507	2.747
a) reversals	1.430	1.142
b) due to changes in accounting policies	-	-
c) others	77	1.605
3.2 Reductions in tax rates	-	2
3.3 Other decreases	807	4.615
4. Final amount	**8.999**	**5.333**

14.4 Of which: attributable to the banking group		
	31/12/2013	**31/12/2012**
1. Opening balance	**3.499**	**5.190**
2. Increases	**5.980**	**1.410**
2.1 Deferred taxes recognized during the year	5.980	1.332
a) relating to previous years	6	93
b) due to changes in accounting policies	-	-
c) others	5.974	1.239
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	78
3. Decreases	**1.521**	**3.101**
3.1 Deferred taxes cancelled during the year	1.507	2.746
a) reversals	1.430	1.141
b) due to changes in accounting policies	-	-
c) others	77	1.605
3.2 Reductions in tax rates	-	2
3.3 Other decreases	14	353
4. Final amount	**7.958**	**3.499**

14.4 Of which: attributable to insurance companies		
	31/12/2013	**31/12/2012**
1. Opening balance	**1.834**	**6.092**
2. Increases	**-**	**5**
2.1 Deferred taxes recognized during the year	-	5
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	5
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**793**	**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	793	4.262
4. Final amount	**1.041**	**1.834**

14.5 Changes in deferred tax assets (charged to shareholders' equity)

	31/12/2013	31/12/2012
1. Opening balance	**4.930**	**27.756**
2. Increases	**1.420**	**590**
2.1 Prepaid taxes recognized during the year	86	589
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	86	589
2.2 New taxes or increases in tax rates	-	1
2.3 Other increases	1.334	-
3. Decreases	**321**	**23.416**
3.1 Prepaid taxes cancelled during the year	321	14.727
a) reversals	3	2.926
b) writedowns for unrecoverable items	1	-
c) due to changes in accounting policies	-	-
d) others	317	11.801
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	8.689
4. Final amount	**6.029**	**4.930**

14.5 Of which: attributable to the banking group

	31/12/2013	31/12/2012
1. Opening balance	**3.139**	**17.851**
2. Increases	**86**	**15**
2.1 Prepaid taxes recognized during the year	86	14
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	86	14
2.2 New taxes or increases in tax rates	-	1
2.3 Other increases	-	-
3. Decreases	**198**	**14.727**
3.1 Prepaid taxes cancelled during the year	198	14.727
a) reversals	3	2.926
b) writedowns for unrecoverable items	1	-
c) due to changes in accounting policies	-	-
d) others	194	11.801
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**3.027**	**3.139**

14.5 Of which: attributable to insurance companies		
	31/12/2013	**31/12/2012**
1. Opening balance	**1.791**	**9.905**
2. Increases	**1.334**	**575**
2.1 Prepaid taxes recognized during the year	-	575
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	575
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	1.334	-
3. Decreases	**123**	**8.689**
3.1 Prepaid taxes cancelled during the year	123	-
a) reversals	-	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	123	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	8.689
4. Final amount	**3.002**	**1.791**

14.6 Changes in deferred tax liabilities (charged to shareholders' equity)		
	31/12/2013	**31/12/2012**
1. Opening balance	**2.902**	**2.414**
2. Increases	**5.429**	**737**
2.1 Deferred taxes recognized during the year	4.268	731
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4.268	731
2.2 New taxes or increases in tax rates	-	6
2.3 Other increases	1.161	-
3. Decreases	**310**	**249**
3.1 Deferred taxes cancelled during the year	310	43
a) reversals	277	43
b) due to changes in accounting policies	-	-
c) others	33	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	206
4. Final amount	**8.021**	**2.902**

14.6 Of which: attributable to the banking group		
	31/12/2013	**31/12/2012**
1. Opening balance	**1.670**	**972**
2. Increases	**4.269**	**731**
2.1 Deferred taxes recognized during the year	4.268	725
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4.268	725
2.2 New taxes or increases in tax rates	-	6
2.3 Other increases	1	-
3. Decreases	**310**	**33**
3.1 Deferred taxes cancelled during the year	310	33
a) reversals	277	33
b) due to changes in accounting policies	-	-
c) others	33	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**5.629**	**1.670**

14.6 Of which: attributable to insurance companies		
	31/12/2013	**31/12/2012**
1. Opening balance	**1.232**	**1.442**
2. Increases	**1.160**	**6**
2.1 Deferred taxes recognized during the year	-	6
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	6
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	1.160	-
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	**2.392**	**1.232**

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	31/12/2013	31/12/2012
A. Single asset		
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**-**
referred value at cost	-	-
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**
referred value at cost	-	114.640
referred fair value level 1	-	-
C. Liabilities associated with single assets held for sale		
referred value at cost	-	-
referred fair value level 1	-	-
referred fair value level 2	-	-
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**
referred value at cost	-	138.235
referred fair value level 1	-	-
referred fair value level 2	-	-
referred fair value level 3	-	-

At 31 December 2012, the assets and liabilities of Sella Bank AG were recognised among "non-current assets and groups of assets held for sale and associated liabilities".

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown	31/12/2013	31/12/2012
Items receivable in transit	1.433	578
Payment orders to sundry others being debited	11.416	12.283
Current account cheques drawn against third parties	31.420	43.414
Current account cheques drawn against the bank	2.830	2.956
Fees, commissions and other income in the process of collection	35.844	23.318
Expenses for improvements to third-party property	2.004	2.880
Portfolio adjustments	2.394	6.548
Advances and accounts payable	1.062	8.765
Charges/invoices to be issued towards customers	3.800	7.215
Disputed items not deriving from lending transactions	1.247	1.288
Deferrals on administrative expenses and fees	9.415	6.771
Due from insured, intermediaries and reinsurance companies	2.355	2.675
Other tax recievables	51.907	36.294
Payments on a temporary basis for the purpose of warranty pending judgments tax	6.441	6.442
Others	17.726	11.516
Total	**181.294**	**172.943**

This item includes assets related to provisional deposits made in expectation of a legal judgement. This amount includes direct or indirect tax with the related interest, collection fees and any sanctions.

These assets are kept recorded on the financial statements in line with the evaluation of the probable favourable outcome of the related tax disputes – of which these payments by way of guarantee constitute an accessory event – in accordance with the requirements set out in particular by IAS 37, in the paragraphs relating to potential liabilities.

LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type		
Type of transaction/Group components	**31/12/2013**	**31/12/2012**
1. Due to central banks	**877.570**	**554.474**
2. Due to banks	**348.952**	**245.860**
2.1 Current accounts and demand deposits	165.700	70.535
2.2 Term deposits	12.291	22.581
2.3. Loans and advances	167.488	151.327
2.3.1 financial leasing	-	-
2.3.2 others	167.488	151.327
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	3.473	1.417
Total	**1.226.522**	**800.334**
Fair value - Level 1	-	-
Fair value - Level 2	-	-
Fair value - Level 3	1.224.107	-
Total fair value	**1.224.107**	**-**

The item amounts due to bank saw an increase of 426.2 million Euro. From the analysis of the contribution to the item, it can be seen that the company with the largest impact was Banca Sella Holding, which with its interbanking operations at 31 December 2013 increased its deposits with the European Central Bank by around 300 million Euro. In addition, the Parent Company and Biella Leasing stipulated larger loans to companies external to the Group for 70 and 15 million Euro, respectively.

For the derogation regarding comparative information, please refer to Part A – Accounting Policies – Section 5 Other Aspects, in these financial statements.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type		
Type of transaction/Group components	**31/12/2013**	**31/12/2012**
1. Current accounts and demand deposits	6.931.136	6.780.777
2. Term deposits	1.026.003	977.189
3. Loans and advances	70.994	144.243
3.1 repurchase agreement	54.126	122.244
3.2 others	16.868	21.999
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	123.997	115.927
Total	**8.152.130**	**8.018.136**
Fair value - level 1	4.722	-
Fair value - level 2	176	-
Fair value - level 3	8.147.547	-
Total *fair value*	**8.152.445**	**-**

For the derogation regarding comparative information, please refer to Part A – Accounting Policies – Section 5 Other Aspects, in these financial statements.

2.1 *Of which: attributable to the banking group*		
Type of transaction/Group components	**31/12/2013**	**31/12/2012**
1. Current accounts and demand deposits	6.931.136	6.780.777
2. Term deposits	1.026.003	977.189
3. Loans and advances	70.994	144.243
3.1 repurchase agreement	54.126	122.244
3.2 others	16.868	21.999
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	119.414	111.274
Total	**8.147.547**	**8.013.483**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	8.147.547	-
Total *fair value*	**8.147.547**	**-**

2.1 *Of which: attributable to insurance companies*		
Type of transaction/Group components	**31/12/2013**	**31/12/2012**
1. Current accounts and demand deposits	-	-
2. Term deposits	-	-
3. Loans and advances	-	-
3.1 repurchase agreement	-	-
3.2 others	-	-
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	4.583	4.653
Total	**4.583**	**4.653**
Fair value - level 1	4.722	-
Fair value - level 2	176	-
Fair value - level 3	-	-
Total *fair value*	**4.898**	**-**

2.3 Detail of item 20 "Due to customers": structured debts		
	Total 31/12/2013	**Total 31/12/2012**
- structured debts	8.482	6.291
Total	**8.482**	**6.291**

Section 3 - Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type

Type of security/Amount	Total 31/12/2013				Total 31/12/2012			
	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	1.153.702	7.477	1.018.746	125.765	1.451.592	11.833	1.441.413	56.360
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1.153.702	7.477	1.018.746	125.765	1.451.592	11.833	1.441.413	56.360
2. Other securities	53.855	-	-	53.860	2.571	-	-	2.571
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	53.855	-	-	53.860	2.571	-	-	2.571
Total	**1.207.557**	**7.477**	**1.018.746**	**179.625**	**1.454.163**	**11.833**	**1.441.413**	**58.931**

The following levels are used for the classifications given in these Explanatory Notes:

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;
- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

For more information on the methodologies used to determine the fair value, refer to Part A – Accounting policies of these Explanatory Notes.

The item related to other securities refers to commercial cards issued by Consel in the amount of 53.8 million Euro. This is the result of joint efforts with the Parent Company dictated by the need to obtain liquidity external to the Group as well as to diversify deposits at very satisfactory conditions.

This is, in addition, a return to normality. In fact, in the past this channel was an important form of funding for the company and only over the last few years was lower demand seen from potential investors.

3.1 Of which: attributable to the banking group

Type of security/Amount	Total 31/12/2013				Total 31/12/2012			
	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	1.147.020	-	1.018.746	125.765	1.440.252	-	1.441.413	56.360
- convertible to shares	-	-	-	-	-	-	-	-
- reverse floater	-	-	-	-	-	-	-	-
- structured bonds: others	-	-	-	-	-	-	-	-
1.2 others	1.147.020	-	1.018.746	125.765	1.440.252	-	1.441.413	56.360
2. Other securities	53.855	-	-	53.860	2.571	-	-	2.571
2.1 structured	-	-	-	-	-	-	-	-
- convertible to shares	-	-	-	-	-	-	-	-
- reverse floater	-	-	-	-	-	-	-	-
- other structured securities: others	-	-	-	-	-	-	-	-
2.2 others	53.855	-	-	53.860	2.571	-	-	2.571
Total	**1.200.875**	**-**	**1.018.746**	**179.625**	**1.442.823**	**-**	**1.441.413**	**58.931**

3.1 Of which: attributable to insurance companies

Type of security/Amount	Total 31/12/2013				Total 31/12/2012			
	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	6.682	7.477	-	-	11.340	11.833	-	-
- convertible to shares	-	-	-	-	-	-	-	-
- reverse floater	-	-	-	-	-	-	-	-
- structured bonds: others	-	-	-	-	-	-	-	-
1.2 others	6.682	7.477	-	-	11.340	11.833	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
- convertible to shares	-	-	-	-	-	-	-	-
- reverse floater	-	-	-	-	-	-	-	-
- other structured securities: others	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	**6.682**	**7.477**	**-**	**-**	**11.340**	**11.833**	**-**	**-**

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

	Total 31/12/2013	Total 31/12/2012
- subordinated securities	427.458	458.873
Total	**427.458**	**458.873**

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

	Total 31/12/2013	Total 31/12/2012
1. Securities subject to micro-hedging of fair value	**337.764**	**472.161**
a) interest rate risk	337.764	472.161
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	**337.764**	**472.161**

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	31/12/2013					31/12/2012				
	VN	FV			FV*	VN	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	128.946	137.627	-	-	137.627	65.075	74.107	-	-	74.107
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	**128.946**	**137.627**	**-**	**-**	**137.627**	**65.075**	**74.107**	**-**	**-**	**74.107**
B. Derivative instruments										
1. Financial derivatives	X	17	25.721	-	X	X	210	23.169	-	X
1.1 Held for trading	X	17	25.721	-	X	X	210	23.169	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	-	-	X	X	-	-	-	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**	**17**	**25.721**	**-**	**X**	**X**	**210**	**23.169**	**-**	**X**
Total A+B	**X**	**137.644**	**25.721**	**-**	**X**	**X**	**74.317**	**23.169**	**-**	**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 -137627 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										
	31/12/2013					31/12/2012				
Type of transaction/Amount	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	**605.169**	**584.834**	**20.335**	**-**	**-**	**578.231**	**560.208**	**18.023**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Others	605.169	584.834	20.335	-	X	578.231	560.208	18.023	-	X
3. Outstanding securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Others	-	-	-	-	X	-	-	-	-	X
Total	**605.169**	**584.834**	**20.335**	**-**	**-**	**578.231**	**560.208**	**18.023**	**-**	**-**

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"				
	31/12/2013			
	L1	L2	L3	Totale
"Natural hedgings"	-	-	-	-
Structured financial instruments	-	-	-	-
Portfolios of financial assets managed internally on a fair value basis	584.834	20.335	-	605.169
Total	**584.834**	**20.335**	**-**	**605.169**

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	**-**	**578.231**	**-**	**578.231**
B. Increases	**-**	**72.421**	**-**	**72.421**
B.1 Issues	-	47.231	-	47.231
B.2 Sales	-	-	-	-
B.3 Fair value increases	-	25.190	-	25.190
B.4 Other changes	-	-	-	-
C. Decreases	**-**	**45.483**	**-**	**45.483**
C.1 Purchases	-	-	-	-
C.2 Repayments	-	38.154	-	38.154
C.3 Fair value decreases	-	5.760	-	5.760
C.4 Other changes	-	1.569	-	1.569
D. Closing balance	**-**	**605.169**	**-**	**605.169**

Section 6 - Hedging derivatives - Item 60

Hedging derivatives are exclusively attributable to the banking group.

6.1 Hedging derivatives: breakdown by type of hedging and by level								
	Fair value 31/12/2013			VN 31/12/2013	Fair value 31/12/2012			VN 31/12/2012
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**114.608**	**-**	**971.373**	**-**	**165.738**	**-**	**1.248.008**
1) Fair value	-	114.608	-	971.373	-	165.738	-	1.248.008
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**114.608**	**-**	**971.373**	**-**	**165.738**	**-**	**1.248.008**

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.

6.2 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	-	-	-	-	-	114.608	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**114.608**	**-**	**-**	**-**
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	31/12/2013	31/12/2012
Items payable in transit	4.874	1.793
Taxes payable for third parties	26.576	23.825
Adjustments for non-cash portfolio items	79.376	91.535
Countervalues on securities and derivatives trading being settled	95	1.015
Cash available to customers	3.651	3.665
Bank transfers and other payments due	81.670	56.811
Accounts payable and fees payable to sundry third parties	45.595	53.879
Personnel expenses	24.012	23.836
Payables collective for guarantees and commitments	1.341	1.900
Payables analytical for guarantees and commitments	1.489	30
Amounts owed to interventions FITD	999	-
Fees payable to statutory auditors and directors	2.569	3.611
Contributions payable to sundry agencies	8.961	9.658
Deferrals	1.579	1.809
Advances and due to customers	389	255
Debts deriving from direct insurance and reinsurance operations	2.535	2.595
Debts deriving from reinsurance operations	22	23
Deferred Income Reserve	639	399
Others	15.538	13.870
Total	**301.910**	**290.509**

The item shows an upward change of around 11 million Euro. The sub-item with the greatest contribution, which compensated for other decreases, was “bank transfers and other payments due” at +24.6 million Euro, while the sub-item “adjustments for non-cash portfolio items” decreased by 12.2 million Euro due to lower “technical” stock in the bank transfers to be placed account at the end of the year, with respect to 31 December 2012.

10.1.1 attributable to the banking group		
	31/12/2013	**31/12/2012**
Items payable in transit	4.874	1.793
Taxes payable for third parties	25.695	22.990
Adjustments for non-cash portfolio items	79.376	91.535
Countervalues on securities and derivatives trading being settled	95	1.015
Cash available to customers	3.651	3.665
Bank transfers and other payments due	81.670	56.811
Accounts payable and fees payable to sundry third parties	44.625	52.888
Personnel expenses	23.756	23.557
Payables collective for guarantees and commitments	1.341	1.900
Payables analytical for guarantees and commitments	1.489	30
Amounts owed to interventions FITD	999	-
Fees payable to statutory auditors and directors	2.539	3.557
Contributions payable to sundry agencies	8.835	9.528
Deferrals	1.575	1.798
Advances and due to customers	307	182
Debts deriving from direct insurance and reinsurance operations	2.043	2.125
Debts deriving from reinsurance operations	632	399
Others	14.068	12.501
Total	**297.570**	**286.274**

10.1.2 attributable to insurance companies		
	31/12/2013	**31/12/2012**
Taxes payable for third parties	881	835
Accounts payable and fees payable to sundry third parties	970	991
Personnel expenses	256	279
Fees payable to statutory auditors and directors	30	54
Contributions payable to sundry agencies	126	130
Deferrals	4	11
Advances and due to customers	82	73
Debts deriving from direct insurance and reinsurance operations	492	470
Deferred Income Reserve	7	-
Commissions for premiums being collected	22	23
Others	1.470	1.369
Total	**4.340**	**4.235**

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes		
	31/12/2013	**31/12/2012**
A. Opening balance	**40.943**	**35.850**
B. Increases	**847**	**7.208**
B.1 Provision of the year	334	910
B.2 Other changes	513	6.298
C. Decreases	**3.972**	**2.115**
C.1 Liquidations paid	1.294	1.672
C.2 Other changes	2.678	443
D. Closing balance	**37.818**	**40.943**

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 1.044 thousand euro.

As indicated in IAS Accounting Principle 19 (article 76), 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 – 30.06.2013.
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 2010 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", converted, with amendments, by Law of 22 December 2011 n. 214 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 1.9% (previously 3.1%), while the severance indemnity percentage requested in advance was confirmed 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 31.12.2013 (at 30.11.2013 for the company Brosel S.p.A.) communicated by the companies.

Economic/financial assumptions

The method established by IAS 19 requires the adoption of underlying economic-financial techniques that affect both the prospective flow development (following salary increases and foreseeable 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 29 November 2013 for the Company Brosel S.p.A. and as at 31 December 2012 for all the other Companies.

11.1.1 attributable to the banking group		
	31/12/2013	**31/12/2012**
A. Opening balance	**40.200**	**35.184**
B. Increases	**795**	**6.948**
B.1 Provision of the year	282	843
B.2 Other changes	513	6.105
C. Decreases	**3.876**	**1.932**
C.1 Liquidations paid	1.293	1.489
C.2 Other changes	2.583	443
D. Closing balance	**37.119**	**40.200**

11.1.2 attributable to insurance companies		
	31/12/2013	**31/12/2012**
A. Opening balance	**743**	**666**
B. Increases	**52**	**260**
B.1 Provision of the year	52	67
B.2 Other changes	-	193
C. Decreases	**96**	**183**
C.1 Liquidations paid	1	183
C.2 Other changes	95	-
D. Closing balance	**699**	**743**

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown		
Item/Component	**31/12/2013**	**31/12/2012**
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	40.537	44.343
2.1 Legal disputes and customers complaint	11.005	12.149
2.2 Operational risks	21.584	24.302
2.3 Personnel charges	460	2.157
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	3.344	3.203
2.5 Others	4.144	2.532
Total	**40.537**	**44.343**

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 first instance. Three second instance judgements have been issued in favour of other financial intermediaries (in contrast to one unfavourable) in 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 regarding the taxable base for IRES and IRAP, traceable to the alleged requalification of an international corporate restructuring of the VISA Group. Period 2004. Total disputed amount (including taxes, interest and fines): approximately 6.4 million Euro. Awaiting the presentation of the appeal at the CTP. This dispute involves all the Italian financial intermediaries that are Visa “principal members”. The assessment was supported also by an opinion expressed by a leading tax law office, favourable to the Bank's conduct;
- 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 first 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 and IRAP for 2009 and 2010. With reference to the latter year, only the VAT taxable base is disputed. Total value of the tax disputed: approximately 0.9 million Euro. The evaluation has also been supported by the remarks of a major tax firm in favour of 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 first instance favourable Awaiting judgement of second 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 value of the tax disputed: approximately 1.3 million Euro. The evaluation has also been supported by the remarks of a major tax firm in favour of the Bank's conduct. In February 2014, while still remaining convinced of the correctness of the Bank's actions, a deed of adhesion was signed with the Tax Authorities, with an eye to eliminate the dispute and in consideration of the truly sizeable decrease in that requested by the authorities. Total charges, equal to approximately 0.3 million Euro, was allocated to a special provision for risks already present in these financial statements.
- 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 0.2 million Euro. Judgement of first instance favourable with reference to 2004. Awaiting judgement of first instance with reference to 2003. A judgement of second 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.

12.1.1 attributable to the banking group

Item/Component	31/12/2013	31/12/2012
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	40.398	43.946
2.1 Legal disputes and customers complaint	11.005	11.890
2.2 Operational risks	21.549	24.268
2.3 Personnel charges	460	2.157
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	3.344	3.203
2.5 Others	4.040	2.428
Total	**40.398**	**43.946**

12.1.2 attributable to insurance companies		
Item/Component	**31/12/2013**	**31/12/2012**
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	139	397
2.1 Legal disputes and customers complaint	-	259
2.2 Operational risks	35	34
2.3 Personnel charges	-	-
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	-	-
2.5 Others	104	104
Total	**139**	**397**

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	**-**	**12.149**	**24.302**	**2.157**	**3.203**	**2.532**
B. Increases	**-**	**3.321**	**1.319**	**244**	**511**	**2.217**
B.1 Provisions for the year	-	3.269	981	243	511	1.844
B.2 Changes due to passing of time	-	51	338	1	-	-
B.3 Changes due to fluctuations in discount rate	-	1	-	-	-	-
B.4 Other changes	-	-	-	-	-	373
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	-	-	-	-	-
- other changes (+)	-	-	-	-	-	373
C. Decreases	**-**	**4.465**	**4.037**	**1.941**	**370**	**605**
C.1 Utilization in the period	-	2.304	3.324	1.941	262	455
C.2 Changes due to fluctuations in discount rate	-	28	368	-	5	-
C.3 Other changes	-	2.133	345	-	103	150
- business combinations (+)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	2.133	345	-	103	150
D. Closing balance	**-**	**11.005**	**21.584**	**460**	**3.344**	**4.144**

12.2.1 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	**-**	**11.890**	**24.268**	**2.157**	**3.203**	**2.428**
B. Increases	**-**	**3.321**	**1.318**	**244**	**511**	**2.216**
B.1 Provisions for the year	-	3.269	980	243	511	1.843
B.2 Changes due to passing of time	-	51	338	1	-	-
B.3 Changes due to fluctuations in discount rate	-	1	-	-	-	-
B.4 Other changes	-	-	-	-	-	373
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	-	-	-	-	-
- other changes (+)	-	-	-	-	-	373
C. Decreases	**-**	**4.206**	**4.037**	**1.941**	**370**	**604**
C.1 Utilization in the period	-	2.045	3.324	1.941	262	454
C.2 Changes due to fluctuations in discount rate	-	28	368	-	5	-
C.3 Other changes	-	2.133	345	-	103	150
- business combinations (+)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	2.133	345	-	103	150
D. Closing balance	**-**	**11.005**	**21.549**	**460**	**3.344**	**4.040**

12.2.2 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	**-**	**259**	**34**	**-**	**-**	**104**
B. Increases	**-**	**-**	**1**	**-**	**-**	**1**
B.1 Provisions for the year	-	-	1	-	-	1
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	**-**	**259**	**-**	**-**	**-**	**1**
C.1 Utilization in the period	-	259	-	-	-	1
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-	-
C.3 Other changes	-	-	-	-	-	-
- business combinations (+)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	-	-	-	-	-
D. Closing balance	**-**	**-**	**35**	**-**	**-**	**104**

Section 13 - Technical reserves - Item 130

13.1 Technical reserves: breakdown	Direct work	Indirect work	Total 31/12/2013	Total 31/12/2012
A. Non-life	**1.159**	**-**	**1.159**	**1.077**
A.1 Premium reserves	386	-	386	391
A.2 Claims reserves	241	-	241	202
A.3 Other reserves	532	-	532	484
B. Life business	**593.502**	**-**	**593.502**	**571.788**
B.1 Actuarial reserves	574.835	-	574.835	552.425
B.2 Outstanding claims reserves	6.148	-	6.148	10.658
B.3 Other reserves	12.519	-	12.519	8.705
C. Technical reserves where the investment risk is borne by the policyholders	**26.875**	**-**	**26.875**	**117.707**
C. 1 Reserves relating to investment fund and index-linked contracts	26.875	-	26.875	117.707
C.2 Reserves deriving from the administration of pension funds	-	-	-	-
D. Total technical reserves	**621.536**	**-**	**621.536**	**690.572**

13.2 Technical reserves: annual variations	Total 31/12/2012	Change	Total 31/12/2013
A. Non-life	**1.077**	**82**	**1.159**
A.1 Premium reserves	391	(5)	386
Premium portion reserve	391	(5)	386
Current risks reserve	-	-	-
A.2 Claims reserves	202	39	241
Compensations and direct expenses reserve	109	39	148
Settlment costs reserve	-	-	-
Incurred and unreported losses reserve	93	-	93
A.3 Other reserves	484	48	532
B. Life business	**571.788**	**21.714**	**593.502**
B.1 Actuarial reserves	552.425	22.410	574.835
B.2 Outstanding claims reserves	10.658	(4.510)	6.148
B.3 Other reserves	8.705	3.814	12.519
C. Technical reserves where the investment risk is borne by the policyholders	**117.707**	**(90.832)**	**26.875**
C. 1 Reserves relating to investment fund and index-linked contracts	117.707	(90.832)	26.875
C.2 Reserves deriving from the administration of pension funds	-	-	-
D. Total technical reserves	**690.572**	**(69.036)**	**621.536**

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

Consolidated capital: breakdown	31/12/2013	31/12/2012
Share capital	107.014	104.988
Share premiums	105.551	90.075
Reserves	441.710	426.394
Valuation reserves	11.291	4.582
Profit/(loss) for the year	34.892	20.967
Total	**700.458**	**647.006**

15.1 "Capital" and "Treasury shares": breakdown	31/12/2013			31/12/2012		
	Shares issued	Shares subscribed and not yet paid up	Total	Shares issued	Shares subscribed and not yet paid up	Total
A. Capital	**107.014**	**-**	**107.014**	**104.988**	**-**	**104.988**
A.1 ordinary shares	107.014	-	107.014	104.988	-	104.988
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	**209.976.000**	**-**
- fully paid up	209.976.000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**209.976.000**	**-**
B. Increases	4.051.340	-
B.1 New issues	4.051.340	-
- for payment	4.051.340	-
- business combinations	-	-
- conversion of bonds	-	-
- exercize of warrants	-	-
- others	4.051.340	-
- 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	**214.027.340**	**-**
D.1 Treasury shares (+)	-	-
D.2 Total shares at end of period	214.027.340	-
- fully paid up	214.027.340	-
- not fully paid up	-	-

During 2013, Banca Sella Holding completed a share capital increase operation, achieved by offering reserved shares to "Employees," "Pensioners," "Stable Collaborators," and "Ordinary Shareholders," as defined under article *7* of the Articles of Association.

15.3 Capital: further information

	31/12/2013	31/12/2012
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. No company in the Group has held shares of the Parent Company Banca Sella Holding.

15.4 Profit reserves: other information

	31/12/2013	31/12/2012
Legal reserve	28.759	28.759
Statutory reserves	78.803	71.765
Other	334.148	325.870
Total reserves	**441.710**	**426.394**

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		
	31/12/2013	31/12/2012
Share capital	39.807	40.390
Share premiums	43.477	42.183
Reserves	6.482	9.401
Valuation reserves	1.336	507
Profit/(loss) for the year pertaining to minority interest	3.446	1.737
Total	**94.548**	**94.218**

Other information

1. Guarantees issued and commitments		
Transactions	Balance 31/12/2013	Balance 31/12/2012
1) Financial guarantees issued	**61.192**	**76.276**
a) banks	18.023	18.530
b) customers	43.169	57.746
2) Commercial guarantees issued	**206.363**	**247.754**
a) banks	63	63
b) customers	206.300	247.691
3) Irrevocable commitments to disburse funds	**514.548**	**478.100**
a) banks	59.575	93.443
i) certain to be drawn down	59.575	93.443
ii) not certain to be drawn down	-	-
b) customers	454.973	384.657
i) certain to be drawn down	174.455	60.992
ii) not certain to be drawn down	280.518	323.665
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**29.717**	**30.607**
6) Other commitments	**10.733**	**233**
Total	**822.553**	**832.970**

2. Assets pledged against own liabilities and commitments		
Portfolios	Balance 31/12/2013	Balance 31/12/2012
1. Financial assets held for trading	76.668	45.602
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	238.428	228.326
4. Financial assets held to maturity	313.664	111.770
5. Due from banks	9.367	9.755
6. Due from customers	89.343	12.831
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 31/12/2013	Balance 31/12/2012
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	627.313	624.827
1. Shares and holdings	364.478	303.115
2. Bonds and other fixed-income securities	256.739	314.636
3. Deposits with credit institutions	-	-
4. Miscellaneous financial investments	6.096	7.076
V. Other assets	-	-
VI. Cash	36.447	64.770
Total	**663.760**	**689.597**

5. Management and intermediation on third parties behalf		
Type of service	**Balance 31/12/2013**	**Balance 31/12/2012**
1. Order execution on customers' behalf	***108.311.503***	***109.734.011***
a) Purchases	54.679.811	55.234.437
1. settled	54.649.829	55.152.610
2. not settled	29.982	81.827
b) Sales	53.631.692	54.499.574
1. settled	53.601.834	54.430.611
2. not settled	29.858	68.963
2. Portfolio management	***3.178.170***	***2.673.476***
a) Individual	2.984.147	2.488.697
b) Collective	194.023	184.779
3. Custody and administration of securities	***35.114.007***	***34.915.283***
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	11.123.157	11.452.418
1. securities issued by companies included within consolidation	791.130	1.008.067
2. other securities	10.332.027	10.444.351
c) third-party securities deposited with third parties	17.197.972	16.716.194
c) own securities deposited with third parties	6.792.878	6.746.671
4. Other transactions *	***118.152.921***	***116.866.511***

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

- purchases: 59.945.225
- sales: 58.207.696

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

Detail of indirect deposit item		
	31/12/2013	**31/12/2012**
a) Indirect deposit referred to management and intermediation on third parties behalf activity (as shown in previous chart)	13.510.197	13.817.441
- Portfolio management	3.178.170	2.866.136
- 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	10.332.027	10.951.305
b) Indirect deposit elated to income from insurance activities	984.317	942.048
Total indirect deposit	**14.494.514**	**14.759.489**

For consistency of comparison, the figures relative to the previous period differ from those published in the financial statements at 31 December 2012 in that, in those financial statements, the components of portfolio management and deposits and securities administration relative to Sella Bank AG, totalling 699.6 million Euro, were included in the relevant items, while in these statements, with the sale completed, said components have been derecognised. In addition, the amounts related to third party securities on deposit with underlying Sella Personal Life insurance policies have been reclassified among indirect deposits traceable to insurance policies, under the item administered deposits.

6. Financial assets subject to compensation in the financial statements, or subject to framework agreements for compensation or similar agreements

Type	Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount reported in the balance sheet of financial assets (c=a-b)	Related amounts not subject to compensation in the financial statements		Net amount 31/12/2013 (f=c-d-e)	Net amount 31/12/2012
				Financial assets (d)	Deposits of cash received as collateral (e)		
1. Derivatives	29.382	-	29.382	24.323	1.889	3.170	4.551
2. Repurchase agreement	107.143	-	107.143	107.122	-	21	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2013	136.525	-	136.525	131.445	1.889	3.191	X
Total 31/12/2012	97.396	-	97.396	92.845	-	X	4.551

7. Financial liabilities subject to compensation in the financial statements, or subject to framework agreements for compensation or similar agreements

Type	Gross amount of financial liabilities (a)	Amount of financial assets offset in the balance sheet (b)	Net amount reported in the balance sheet of financial liabilities (c=a-b)	Related amounts not subject to compensation in the financial statements		Net amount 31/12/2013 (f=c-d-e)	Net amount 31/12/2012
				Financial assets (d)	Deposits of cash received as collateral (e)		
1. Derivatives	128.821	-	128.821	61.295	67.526	-	44.483
2. Repurchase agreement	11.500	-	11.500	11.500	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2013	140.321	-	140.321	72.795	67.526	-	X
Total 31/12/2012	240.953	-	240.953	122.846	73.624	X	44.483

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 31/12/2013**	**Total 31/12/2012**
1. Financial assets held for trading	11.841	-	521	12.362	13.187
2. Financial assets at fair value through profit or loss	2.687	-	1.680	4.367	10.146
3. Financial assets available for sale	30.295	96	-	30.391	34.946
4. Financial assets held to maturity	44.217	-	-	44.217	35.279
5. Due from banks	678	2.294	-	2.972	3.375
6. Due from customers	15	358.750	264	359.029	374.264
7. Hedging derivatives	X	X	10.661	10.661	7.863
8. Other assets	X	X	81	81	243
Total	**89.733**	**361.140**	**13.207**	**464.080**	**479.303**

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	
	31/12/2013
- accrued on non performing loans	341
- accrued on watchlist loans	10.287
- accrued on past due exposures	4.190
'- accrued on restructured exposures	267

1.1.1 attributable to the banking group					
Item/Technical type	**Debt securities**	**Loans and advances**	**Other operations**	**Total 31/12/2013**	**Total 31/12/2012**
1. Financial assets held for trading	11.841	-	519	12.360	13.187
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Financial assets available for sale	22.360	8	-	22.368	24.872
4. Financial assets held to maturity	37.845	-	-	37.845	27.327
5. Due from banks	326	2.289	-	2.615	2.640
6. Due from customers	15	358.750	264	359.029	374.264
7. Hedging derivatives	X	X	10.661	10.661	7.863
8. Other assets	X	X	81	81	243
Total	**72.387**	**361.047**	**11.525**	**444.959**	**450.396**

1.1.2 attributable to insurance companies					
Item/Technical type	Debt securities	Loans and advances	Other operations	Total 31/12/2013	Total 31/12/2012
1. Financial assets held for trading	-	-	2	2	-
2. Financial assets at fair value through profit or loss	2.687	-	1.680	4.367	10.146
3. Financial assets available for sale	7.935	88	-	8.023	10.074
4. Financial assets held to maturity	6.372	-	-	6.372	7.952
5. Due from banks	352	5	-	357	735
6. Due from customers	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
Total	**17.346**	**93**	**1.682**	**19.121**	**28.907**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies		
	Total 31/12/2013	Total 31/12/2012
- on assets in foreign currencies	2.700	4.353

1.3.2 Interest income on financial leasing operations		
	Total 31/12/2013	Total 31/12/2012
- on financial leasing operations	41.089	42.795

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2013	Total 31/12/2012
1. Due to central banks	3.095	X	-	3.095	4.474
2. Due to banks	3.973	X	-	3.973	4.354
3. Due to customers	82.561	X	-	82.561	79.803
4. Outstanding securities	X	26.836	-	26.836	38.189
5. Financial liabilities held for trading	65	-	313	378	2.005
6. Financial liabilities at fair value through profit or loss	-	-	-	-	8
7. Other liabilities and funds	X	X	233	233	388
8. Hedging derivatives	X	X	38.384	38.384	37.610
Total	**89.694**	**26.836**	**38.930**	**155.460**	**166.831**

1.4.1 attributable to the banking group					
	Debts	Securities	Other operations	Total 31/12/2013	Total 31/12/2012
1. Due to central banks	3.095	X	-	3.095	4.474
2. Due to banks	3.973	X	-	3.973	4.354
3. Due to customers	82.561	X	-	82.561	79.803
4. Outstanding securities	X	26.517	-	26.517	37.685
5. Financial liabilities held for trading	65	-	313	378	2.005
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	15	15	64
8. Hedging derivatives	X	X	38.384	38.384	37.610
Total	**89.694**	**26.517**	**38.712**	**154.923**	**165.995**

1.4.2 attributable to insurance companies					
	Debts	**Securities**	**Other operations**	**Total 31/12/2013**	**Total 31/12/2012**
1. Due to central banks	-	X	-	-	-
2. Due to banks	-	X	-	-	-
3. Due to customers	-	X	-	-	-
4. Outstanding securities	X	319	-	319	504
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	8
7. Other liabilities and funds	X	X	218	218	324
8. Hedging derivatives	X	X	-	-	-
Total	**-**	**319**	**218**	**537**	**836**

1.5 Interest and similar expense: differences on hedging transactions

Item/Segment	**Total 31/12/2013**	**Total 31/12/2012**
A. Positive differences on hedging transactions	10.661	7.863
B. Negative differences on hedging transactions	38.384	37.610
Balance (A-B)	**(27.723)**	**(29.747)**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies		
	Total 31/12/2013	**Total 31/12/2012**
- on liabilities in foreign currencies	1.452	3.709

Section 2 - Fees - Items 40 and 50

2.1 Fee income: breakdown		
Type of service/Amount	**Total 31/12/2013**	**Total 31/12/2012**
a) Sureties issued	5.300	3.240
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	122.330	112.117
1. Financial instruments trading	3.274	1.317
2. Currency trading	1.325	1.298
3. Portfolio management	47.153	43.513
3.1. individual	28.295	23.928
3.2. collective	18.858	19.585
4. Custody and administration of securities	2.265	1.450
5. Depositary bank	-	-
6. Placement of securities	22.712	18.623
7. Order reception and transmission activities	31.068	32.807
8. Consultancy activities	586	705
8.1 about investments matters	426	335
8.2 about financial structure matters	160	370
9. Distribution of third party services	13.947	12.404
9.1. Portfolio management	131	176
9.1.1. individual	131	176
9.1.2. collective	-	-
9.2. Insurance products	13.763	12.213
9.3. Other products	53	15
d) Collection and payment services	106.251	106.467
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	22.949	23.670
j) Other services	60.960	60.243
Total	**317.792**	**305.739**

Further detail on the "other services" item is provided below:

Fee income: details on the item "Other services"		
	31/12/2013	**31/12/2012**
Credit and debit cards	11.803	10.271
Expense recovery on loans to customers	1.264	1.122
Fees and commissions on relations with credit institutions	620	450
Safe-deposit box lease	178	188
Recovery of postal, printing and similar expenses.	1.660	3.436
Fees on loans to customers	34.876	21.415
Others	10.559	23.361
Total "Other services"	**60.960**	**60.243**

The positive trend in fees is due to the component of profit connected to indirect deposits, the success of the 2 issues of Italy BTPs, which the Treasury decided to continue to place with the direct market placement mechanism, and for which Banca Sella Holding was asked to participated as a co-dealer and the component connected to payment systems.

In the indirect deposits segment, fees related to asset management, funds/OEICs, correspondent bank outperformed 2012, as did fees for custody of securities, the growth of which compensated for the slight decrease in the trading segments (net of the impact of intra-group bonds) and OLT.

This dynamic was determined by excellent growth at the Group level in the stock of indirect deposits, caused by both incoming flows of new customer deposits and the positive impact of stock prices connected to the good performance for stocks during the year. At the same time, the average profitability of indirect deposits increased with respect to 2012 (even net of the greater fee component for managed products due to the achievement of returns greater than the benchmarks foreseen), confirming the excellent capacity of the Group's companies to remunerate products/services for customers.

2.1.1 attributable to the banking group

Type of service/Amount	Total 31/12/2013	Total 31/12/2012
a) Sureties issued	5.300	3.240
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	120.549	110.822
1. Financial instruments trading	3.274	1.317
2. Currency trading	1.325	1.298
3. Portfolio management	45.372	42.218
3.1. individual	28.295	23.928
3.2. collective	17.077	18.290
4. Custody and administration of securities	2.265	1.450
5. Depositary bank	-	-
6. Placement of securities	22.712	18.623
7. Order reception and transmission activities	31.068	32.807
8. Consultancy activities	586	705
8.1 about investments matters	426	335
8.2 about financial structure matters	160	370
9. Distribution of third party services	13.947	12.404
9.1. Portfolio management	131	176
9.1.1. individual	131	176
9.1.2. collective	-	-
9.2. Insurance products	13.763	12.213
9.3. Other products	53	15
d) Collection and payment services	106.251	106.467
e) Servicing for securitization transactions	2	2
i) Current accounts holding and management	22.949	23.670
j) Other services	60.620	59.987
Credit and debit cards	11.803	10.271
Expense recovery on loans to customers	1.264	1.122
Fees and commissions on relations with credit institutions	620	450
Safe-deposit box lease	178	188
Recovery of postal, printing and similar expenses.	1.660	3.436
Fees on loans to customers	34.876	21.415
Others	10.219	23.105
Total	**315.671**	**304.188**

2.1.2 attributable to insurance companies		
Type of service / Amount	**Total 31/12/2013**	**Total 31/12/2012**
c) Asset management, brokerage and advisory services:	1.781	1.295
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Portfolio management	1.781	1.295
3.1. individual	-	-
3.2. collective	1.781	1.295
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	340	256
Total	**2.121**	**1.551**

2.2 Fee expense: breakdown

Service / Amount	**Total 31/12/2013**	**Total 31/12/2012**
a) Sureties received	3.386	3.009
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	37.110	32.761
1. Financial instruments trading	4.285	4.131
2. Currency trading	2	2
3. Portfolio management	614	619
3.1. own	141	73
3.2. delegated to third parties	473	546
4. Custody and administration of securities	754	844
5. Placement of fnancial instruments	1.156	1.202
6. Door-to-door sale of securities, products and services	30.299	25.963
d) Collection and payment services	52.281	53.910
e) Other services	6.060	5.688
Total	**98.837**	**95.368**

Further detail on the "other services" item is provided below:

Fee expense: details on the item "Other services"		
	31/12/2013	**31/12/2012**
Connections with banks	630	410
Loans	795	854
Brokerage activity	1.359	1.431
Others	3.276	2.993
Total "Other services"	**6.060**	**5.688**

2.2.1 attributable to the banking group		
Service/Amount	**Total 31/12/2013**	**Total 31/12/2012**
a) Sureties received	3.386	3.009
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	36.719	32.357
1. Financial instruments trading	4.285	4.131
2. Currency trading	2	2
3. Portfolio management	223	215
3.1. own	1	2
3.2. delegated to third parties	222	213
4. Custody and administration of securities	754	844
5. Placement of fnancial instruments	1.156	1.202
6. Door-to-door sale of securities, products and services	30.299	25.963
d) Collection and payment services	52.264	53.902
e) Other services	6.057	5.686
Total	**98.426**	**94.954**

2.2.2 attributable to insurance companies		
Service/Amount	**Total 31/12/2013**	**Total 31/12/2012**
a) Sureties received	-	-
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	391	404
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Portfolio management	391	404
3.1. own	140	71
3.2. delegated to third parties	251	333
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	17	8
e) Other services	3	2
Total	**411**	**414**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown				
Item/Income	**Total 31/12/2013**		**Total 31/12/2012**	
	Dividends	**Income from UCITS units**	**Dividends**	**Income from UCITS units**
A. Financial assets held for trading	251	2	570	-
B. Financial assets available for sale	957	-	899	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**1.208**	**2**	**1.469**	**-**

3.1.1 attributable to the banking group				
Item/Income	**Total 31/12/2013**		**Total 31/12/2012**	
	Dividends	**Income from UCITS units**	**Dividends**	**Income from UCITS units**
A. Financial assets held for trading	248	2	550	-
B. Financial assets available for sale	957	-	899	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**1.205**	**2**	**1.449**	**-**

3.1.2 attributable to insurance companies				
Item/Income	**Total 31/12/2013**		**Total 31/12/2012**	
	Dividends	**Income from UCITS units**	**Dividends**	**Income from UCITS units**
A. Financial assets held for trading	3	-	20	-
B. Financial assets available for sale	-	-	-	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**3**	**-**	**20**	**-**

Section 4 - Gains (losses) on trading activities - Item 80

4.1 Net gains/(losses) on trading activities: breakdown					
Transaction/Income component	**Capital gains (A)**	**Trading profits (B)**	**Capital losses (C)**	**Trading losses (D)**	**Net gains/(losses) [(A+B)-(C+D)]**
1. Financial assets held for trading	**2.336**	**32.157**	**2.533**	**12.192**	**19.768**
1.1 Debt securities	1.868	31.809	2.313	11.527	19.837
1.2 Equity securities	79	289	26	665	(323)
1.3 UCITS units	389	42	194	-	237
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	17	-	-	17
2. Financial liabilities held for trading	**454**	**-**	**943**	**-**	**(489)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	454	-	943	-	(489)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**8.327**
4. Derivative instruments	**78.232**	**88.841**	**80.685**	**88.060**	**(3.982)**
4.1 Financial derivatives:	78.232	88.841	80.685	88.060	(3.982)
- On debt securities and interest rates	78.219	83.275	80.685	84.066	(3.257)
- On equity securities and share indices	13	5.562	-	3.991	1.584
- On currencies and gold	X	X	X	X	(2.310)
- Others	-	4	-	3	1
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**81.022**	**120.998**	**84.161**	**100.252**	**23.624**

4.1.1 attributable to the banking group					
Transaction / Income component	**Capital gains (A)**	**Trading profits (B)**	**Capital losses (C)**	**Trading losses (D)**	**Net gains / (losses) [(A+B)-(C+D)]**
1. Financial assets held for trading	**2.287**	**32.157**	**2.509**	**12.192**	**19.743**
1.1 Debt securities	1.868	31.809	2.313	11.527	19.837
1.2 Equity securities	30	289	2	665	(348)
1.3 UCITS units	389	42	194	-	237
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	17	-	-	17
2. Financial liabilities held for trading	**454**	**-**	**943**	**-**	**(489)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	454	-	943	-	(489)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**8.327**
4. Derivative instruments	**78.231**	**88.832**	**80.685**	**88.053**	**(3.985)**
4.1 Financial derivatives:	78.231	88.832	80.685	88.053	(3.985)
- On debt securities and interest rates	78.218	83.266	80.685	84.059	(3.260)
- On equity securities and share indices	13	5.562	-	3.991	1.584
- On currencies and gold	X	X	X	X	(2.310)
- Others	-	4	-	3	1
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**80.972**	**120.989**	**84.137**	**100.245**	**23.596**

4.1.2 attributable to insurance companies					
Transaction / Income component	**Capital gains (A)**	**Trading profits (B)**	**Capital losses (C)**	**Trading losses (D)**	**Net gains / (losses) [(A+B)-(C+D)]**
1. Financial assets held for trading	**49**	**-**	**24**	**-**	**25**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	49	-	24	-	25
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	**1**	**9**	**-**	**7**	**3**
4.1 Financial derivatives:	1	9	-	7	3
- On debt securities and interest rates	1	9	-	7	3
- On equity securities and share indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**50**	**9**	**24**	**7**	**28**

Section 5 - Net gains/(losses) on hedging activities - Item 90

5.1 Net gains/(losses) on hedging activities: breakdown		
Income component/Amount	**Total 31/12/2013**	**Total 31/12/2012**
A. Income from:		
A.1 Fair value hedging derivatives	56.625	11.657
A.2 Hedged financial assets (fair value)	-	35.184
A.3 Hedged financial liabilities (fair value)	9.731	284
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**66.356**	**47.125**
B. Expenses for:		
B.1 Fair value hedging derivatives	16.857	35.984
B.2 Hedged financial assets (fair value)	48.897	-
B.3 Hedged financial liabilities (fair value)	47	6.432
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**65.801**	**42.416**
C. Net gains/(losses) on hedging activities (A-B)	**555**	**4.709**

Section 6 - Gains (losses) from sale/repurchase - Item 100

6.1 Gains/(Losses) on sale/repurchase: breakdown						
Item/Income component	**Total 31/12/2013**			**Total 31/12/2012**		
	Gains	**Losses**	**Net gains/(losses)**	**Gains**	**Losses**	**Net gains/(losses)**
Financial assets						
1. Due from banks	18	1	17	203	1	202
2. Due from customers	359	3.052	(2.693)	572	3.009	(2.437)
3. Financial assets available for sale	12.430	2.861	9.569	18.616	13.654	4.962
3.1 Debt securities	11.616	2.861	8.755	17.745	13.654	4.091
3.2 Equity securities	679	-	679	871	-	871
3.3 UCITS units	135	-	135	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**12.807**	**5.914**	**6.893**	**19.391**	**16.664**	**2.727**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	948	-	948	470	-	470
3. Outstanding securities	921	3.384	(2.463)	1.490	1.761	(271)
Total liabilities	**1.869**	**3.384**	**(1.515)**	**1.960**	**1.761**	**199**

6.1.1 attributable to the banking group

Item/Income component	Total 31/12/2013			Total 31/12/2012		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	-	1	(1)	25	1	24
2. Due from customers	359	3.052	(2.693)	572	3.009	(2.437)
3. Financial assets available for sale	10.418	2.770	7.648	17.411	11.500	5.911
3.1 Debt securities	9.604	2.770	6.834	16.540	11.500	5.040
3.2 Equity securities	679	-	679	871	-	871
3.3 UCITS units	135	-	135	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**10.777**	**5.823**	**4.954**	**18.008**	**14.510**	**3.498**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	948	-	948	470	-	470
3. Outstanding securities	749	3.306	(2.557)	1.374	1.761	(387)
Total liabilities	**1.697**	**3.306**	**(1.609)**	**1.844**	**1.761**	**83**

6.1.2 attributable to insurance companies

Item/Income component	Total 31/12/2013			Total 31/12/2012		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	18	-	18	178	-	178
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	2.012	91	1.921	1.205	2.154	(949)
3.1 Debt securities	2.012	91	1.921	1.205	2.154	(949)
3.2 Equity securities	-	-	-	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**2.030**	**91**	**1.939**	**1.383**	**2.154**	**(771)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	172	78	94	116	-	116
Total liabilities	**172**	**78**	**94**	**116**	**-**	**116**

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	**29.349**	**5.856**	**6.355**	**4.477**	**24.373**
1.1 Debt securities	7.132	2.393	2.455	1.927	5.143
1.2 Share capital securities	2.203	1.275	235	812	2.431
1.3 UCITS units	20.014	2.188	3.665	1.738	16.799
1.4 Loans and advances	-	-	-	-	-
2. Financial liabilities	**5.760**	**3.243**	**25.190**	**3.527**	**(19.714)**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	5.760	3.243	25.190	3.527	(19.714)
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**(29)**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**35.109**	**9.099**	**31.545**	**8.004**	**4.630**

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 31/12/2013 (1)-(2)	Total 31/12/2012 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**35**	**35**	**(36)**
- Loans and advances	-	-	-	-	-	-	35	35	(36)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**(28.325)**	**(145.242)**	**(2.371)**	**13.650**	**24.063**	**-**	**-**	**(138.225)**	**(127.481)**
Purchased impaired loans	-	-	-	-	-	-	-	-	-
- Loans and advances	-	-	X	-	-	-	X	-	-
- Debt securities	-	-	X	-	-	-	X	-	-
Other loans	(28.325)	(145.242)	(2.371)	13.650	24.063	-	-	(138.225)	(127.481)
- Loans and advances	(28.325)	(145.242)	(2.371)	13.650	24.063	-	-	(138.225)	(127.481)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(28.325)**	**(145.242)**	**(2.371)**	**13.650**	**24.063**	**-**	**35**	**(138.190)**	**(127.517)**

76.1% of net value adjustments for impairment of loans refer to Banca Sella, followed by Consel with 13.4%, Biella Leasing with 9.5% and the remaining 0.9% from the other companies of the Group. Relative to Banca Sella, the process of revising the analytical measurement parameters of non-performing and watch list loans with revocation of facilities, mentioned both in the Report on Operations and in Part A – Accounting Policies of these financial statements, has had an effect on the final balances of the adjustment provisions of Banca Sella at 31/12/2013 for 1.686 million, of which non-performing 0.404 million and watch list positions revoked 1.282 million.

8.2 Net value adjustments for impairment of financial assets available for sale: breakdown

Transaction / Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2013 (1)-(2)	Total 31/12/2012 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	(12)	(250)	X	X	(262)	(589)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
F. Total	**(12)**	**(250)**	**-**	**-**	**(262)**	**(589)**

8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2013 (1)-(2)	Total 31/12/2012 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	(999)	(1.432)	-	-	-	-	489	(1.942)	(1.010)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	7
D. Other transactions	(127)	(477)	-	-	186	-	-	(418)	(781)
Total	**(1.126)**	**(1.909)**	**-**	**-**	**186**	**-**	**489**	**(2.360)**	**(1.784)**

Actions in favour of the Interbank Fund for the Protection of Deposits are considered as write downs of guarantees given, and as such the action for the requests made to the Fund by Banca Tercas as 2013 was recognised. Consequently, the total for 2012 increased, with respect to that published in the financial statements at 31 December 2012, due to the reclassification to item 190 Other operating expenses of the charges due to the Fund for the action in favour of Banca Network.

Section 9 - Net premiums - Item 150

9.1 Net premiums: breakdown

Premiums deriving from insurance activity	Direct work	Indirect work	Total 31/12/2013	Total 31/12/2012
A. Life assurance				
A.1 Gross premiums written (+)	183.955	-	183.955	201.225
A.2 Reinsurance premiums ceded (-)	(974)	X	(974)	(1.159)
A.3 Total	182.981	-	182.981	200.066
B. Non-life assurance				
B.1 Gross premiums written (+)	1.829	-	1.829	1.709
B.2 Reinsurance premiums ceded (-)	(751)	X	(751)	(705)
B.3 Change in the gross amount of the premium reserve (+/-)	5	-	5	22
B.4 Change in the reinsurers' share of premiums reserve (+/-)	(4)	-	(4)	(15)
B.5 Total	1.079	-	1.079	1.011
C. Total net premiums	**184.060**	**-**	**184.060**	**201.077**

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 31/12/2013	Total 31/12/2012
1. Net change in technical reserves	68.978	128.653
2. Incurred losses paid during the year	(270.721)	(361.129)
3. Other income/expenses from insurance operations	829	966
Total	**(200.914)**	**(231.510)**

10.2 Composition of subheading: "Net change in technical reserve"

Net change in technical reserve	Total 31/12/2013	Total 31/12/2012
1. Life assurance		
A. Actuarial reserves	14.226	85.338
A.1 Gross annual amount	14.336	85.852
A.2 (-) Reinsurers' shares	(110)	(514)
B. Other technical reserves	(96)	2.520
B.1 Gross annual amount	130	2.777
B.2 (-) Reinsurers' shares	(226)	(257)
C. Technical reserves where the investment risk is borne by the policyholders	54.826	40.738
C.1 Gross annual amount	54.826	40.738
C.2 (-) Reinsurers' shares	-	-
Total "Life assurance reserves"	**68.956**	**128.596**
2. Non-life assurance		
Change in other non-life technical reserves other than loss reserves net of reinsurance assignments	22	57

10.3 Composition of subheading: "Losses incurred in the year"		
Net change in technical reserve	**Total 31/12/2013**	**Total 31/12/2012**
Life assurance: expenses for losses, net of reinsurance assignments		
A. Amounts paid	(275.245)	(355.081)
A.1 Gross annual amount	(275.507)	(355.902)
A.2 (-) Reinsurers' shares	262	821
B. Change in the reserve for outstanding claims	4.949	(5.712)
B.1 Gross annual amount	4.654	(5.617)
B.2 (-) Reinsurers' shares	295	(95)
Total Life assurance losses	**(270.296)**	**(360.793)**
Non-life assurance: expenses for losses, net of recoveries and reinsurance assignments		
C. Amounts paid	(401)	(398)
C.1 Gross annual amount	(533)	(534)
C.2 (-) Reinsurers' shares	132	136
D. Change in recoveries net of reinsurers' shares	-	-
E. Changes in loss reserve	(24)	62
E.1 Gross annual amount	(40)	94
E.2 (-) Reinsurers' shares	16	(32)
Total Non-life assurance losses	**(425)**	**(336)**

10.4 Composition of subheading: "Other income/expenses from insurance operations"		
	Total 31/12/2013	**Total 31/12/2012**
LIFE ASSURANCE		
Income	**837**	**1.053**
- Other technical income net of reinsurance assignments	263	348
- 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	574	705
Expenses	**(206)**	**(310)**
- Other technical expenses net of reinsurance assignments	(54)	(338)
- Expenses and unrealized capital losses on investments in favour of risk-bearing policyholders	-	-
- Acquisiton fees	(23)	46
- Other acquisition expenses	(3)	(7)
- Collection fees	(126)	(11)
Total Life assurance	**631**	**743**
NON-LIFE ASSURANCE		
Income	**241**	**265**
- Other technical income net of reinsurance assignments	4	16
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	237	249
Expenses	**(43)**	**(42)**
- Other technical expenses net of reinsurance assignments	(38)	(38)
- Acquisiton fees	(39)	-
- Other acquisition expenses	-	-
- Collection fees	34	(4)
Total Non-life assurance	**198**	**223**

Section 11 - Administrative expenses - Item 180

11.1 Personnel expenses: breakdown		
Type of expense / Amount	**Total 31/12/2013**	**Total 31/12/2012**
1) Employees	212.512	215.368
a) Wages and Salaries	155.843	156.638
b) Social security contributions	39.373	40.428
c) Severance indemnities	4.022	4.083
d) Pension expenses	566	502
e) Provision for employees' severance indemnities	334	910
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	6.611	6.630
- defined contribution	6.611	6.630
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	5.763	6.177
2) Other working personnel	1.580	1.868
3) Directors andf statuory auditors	5.738	5.505
4) Non-working personnel	-	-
Total	**219.830**	**222.741**

Personnel expenses, totalling 219.8 million Euro, represents a decrease of 1.3% with respect to 2012. The decrease can mainly be traced to the 100 unit decrease in Group staff (net of the sale of the branches and Sella Bank AG, Group personnel increased in a limited manner, given the decrease of employees in Italy and the increase in the employees at the Indian branch and in the company Selir). In addition, the positive contribution obtained from the use of vacation days and banked hours which was much larger than the previous year should be noted and the impact, not seen in 2012, of the voluntary use of the solidarity fund. These benefits compensated for the increases connected to contractual salary rises and the effects of promotions and seniority rises in the context of the fixed component of the fixed cost of personnel and the increase in the variable component (premiums and VAP), connected to the overall better economic results seen in 2013, with respect to 2012.

11.1.1 attributable to the banking group		
Type of expense / Amount	**Total 31/12/2013**	**Total 31/12/2012**
1) Employees	208.872	211.769
a) Wages and Salaries	153.295	154.148
b) Social security contributions	38.736	39.791
c) Severance indemnities	4.019	4.077
d) Pension expenses	566	502
e) Provision for employees' severance indemnities	282	843
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	6.413	6.447
- defined contribution	6.413	6.447
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	5.561	5.961
2) Other working personnel	1.490	1.614
3) Directors andf statuory auditors	5.018	4.879
4) Non-working personnel	-	-
Total	**215.380**	**218.262**

11.1.2 attributable to insurance companies		
Type of expense/Amount	**Total 31/12/2013**	**Total 31/12/2012**
1) Employees	3.640	3.599
a) Wages and Salaries	2.548	2.490
b) Social security contributions	637	637
c) Severance indemnities	3	6
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	52	67
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	198	183
- defined contribution	198	183
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	202	216
2) Other working personnel	90	254
3) Directors andf statuory auditors	720	626
4) Non-working personnel	-	-
Total	**4.450**	**4.479**

11.2 Average number of employees per category		
	Total 31/12/2013	**Total 31/12/2012**
Employees:	3.811	3.929
- Executives	82	80
- Middle management	945	980
- Remaining employees	2.783	2.869
Other personnel	45	45
Total	**3.856**	**3.974**

11.2 Of witch attributable to the banking group		
	Total 31/12/2013	**Total 31/12/2012**
Employees:	3.769	3.887
- Executives	75	73
- Middle management	934	970
- Remaining employees	2.759	2.844
Other personnel	44	43
Total	**3.813**	**3.930**

11.2 Of witch attributable to insurance companies		
	Total 31/12/2013	**Total 31/12/2012**
Employees:	42	42
- Executives	7	7
- Middle management	11	10
- Remaining employees	24	25
Other personnel	1	2
Total	**43**	**44**

11.4 Other employee benefits

	Total 31/12/2013	Total 31/12/2012
Costs relating to staff exits	(7)	226
Benefits for employees' children	92	86
Benefits in kind	1.879	1.651
Insurance policies stipulated in favour of employees	2.237	2.176
Professional employee update courses	480	763
Travel costs	51	100
Others	1.031	1.175
Total	**5.763**	**6.177**

11.4 Of witch attributable to the banking group

	Total 31/12/2013	Total 31/12/2012
Costs relating to staff exits	(7)	226
Benefits for employees' children	92	86
Benefits in kind	1.878	1.651
Insurance policies stipulated in favour of employees	2.117	2.047
Professional employee update courses	465	749
Travel costs	51	94
Others	965	1.108
Total	**5.561**	**5.961**

11.4 Of witch attributable to insurance companies

	Total 31/12/2013	Total 31/12/2012
Costs relating to staff exits	-	-
Benefits for employees' children	-	-
Benefits in kind	1	-
Insurance policies stipulated in favour of employees	120	129
Professional employee update courses	15	14
Travel costs	-	6
Others	66	67
Total	**202**	**216**

11.5 Other administrative expenses: breakdown

Type of expense/Segments	Total 31/12/2013	Total 31/12/2012
Legal and notarial expenses	8.156	6.671
IT assistance and sundry advice	3.443	4.589
Leasing of electronic machines and software licences	1.300	1.275
Sundry rentals and expenses for services provided by third parties	29.821	30.483
Fees for data transmission	3.634	3.795
Postal telegraphic and telephone expenses	6.720	7.304
Travelling and transport expenses	3.870	4.540
Cleaning of premises	1.305	1.372
Surveillance and escort of valuables	2.879	3.628
Electricity and heating	5.212	5.301
Rent of premises	17.247	19.593
Sundry insurance policies	1.866	2.491
Advertising, promotion and entertainment expenses	3.019	2.223
Membership fees	1.685	1.614
Information and inspections	2.451	2.960
Other fees payable	1.645	1.728
Others	7.413	6.789
Maintenance and repair expenses	**10.252**	**9.865**
- Properties	805	482
- Movables	3.145	2.918
- Hardware and software	6.302	6.465
Indirect taxes and duties	**51.891**	**40.422**
- Stamp duty	42.077	30.403
- Substitute tax Pres. Dec. 601/73	1.553	1.458
- Property tax	1.647	1.487
- Other indirect taxes and duties	6.614	7.074
Total	**163.809**	**156.643**

The increase in administrative expenses can be almost entirely attributed to Indirect taxes which saw an increase of +11.7 million Euro, specifically in the item Stamp Duty. As originally envisaged in the Save Italy Decree, in 2013 taxes on banking products and financial instruments increased from 1 per thousand to 1.5 per thousand.

11.5 Of witch attributable to the banking group		
Type of expense/Segments	**Total 31/12/2013**	**Total 31/12/2012**
Legal and notarial expenses	8.037	6.521
IT assistance and sundry advice	3.316	4.462
Leasing of electronic machines and software licences	1.300	1.275
Sundry rentals and expenses for services provided by third parties	29.513	30.234
Fees for data transmission	3.592	3.753
Postal telegraphic and telephone expenses	6.611	7.171
Travelling and transport expenses	3.811	4.490
Cleaning of premises	1.292	1.360
Surveillance and escort of valuables	2.879	3.628
Electricity and heating	5.203	5.292
Rent of premises	16.948	19.284
Sundry insurance policies	1.839	2.467
Advertising, promotion and entertainment expenses	2.950	2.158
Membership fees	1.500	1.413
Information and inspections	2.451	2.960
Other fees payable	1.615	1.697
Others	6.970	6.425
Maintenance and repair expenses	**9.977**	**9.599**
- Properties	803	481
- Movables	3.125	2.900
- Hardware and software	6.049	6.218
Indirect taxes and duties	**51.864**	**40.350**
- Stamp duty	42.072	30.400
- Substitute tax Pres. Dec. 601/73	1.553	1.458
- Property tax	1.647	1.487
- Other indirect taxes and duties	6.592	7.005
Total	**161.668**	**154.539**

11.5 Of witch attributable to insurance companies		
Type of expense/Segments	**Total 31/12/2013**	**Total 31/12/2012**
Legal and notarial expenses	119	150
IT assistance and sundry advice	127	127
Sundry rentals and expenses for services provided by third parties	308	249
Fees for data transmission	42	42
Postal telegraphic and telephone expenses	109	133
Travelling and transport expenses	59	50
Cleaning of premises	13	12
Electricity and heating	9	9
Rent of premises	299	309
Sundry insurance policies	27	24
Advertising, promotion and entertainment expenses	69	65
Membership fees	185	201
Other fees payable	30	31
Others	443	364
Maintenance and repair expenses	**275**	**266**
- Properties	2	1
- Movables	20	18
- Hardware and software	253	247
Indirect taxes and duties	**27**	**72**
- Stamp duty	5	3
- Other indirect taxes and duties	22	69
Total	**2.141**	**2.104**

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	
	31/12/2013
Fees due for:	
- legal auditing of the accounts	460
- other auditing services	28
- tax consulting	20
- services other than auditing the accounts	49
Total	**557**

Section 12 - Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown		
	Balances 31/12/2013	**Balances 31/12/2012**
Relating to risks of legal disputes and customer complaints	3.293	4.221
Relating to operational risk	951	3.600
Relating to staff expenses	244	124
Relating to other risks	2.350	2.621
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(1.763)	(1.787)
Reattributions to Income Statement relating to operational risk	(339)	(623)
Reattributions to Income Statement relating to staff expenses	-	(14)
Reattributions to Income Statement relating to other risks	(561)	(145)
Total	**4.175**	**7.997**

12.1 Of witch attributable to the banking group		
	Balances 31/12/2013	**Balances 31/12/2012**
Relating to risks of legal disputes and customer complaints	3.293	3.962
Relating to operational risk	950	3.600
Relating to staff expenses	244	124
Relating to other risks	2.349	2.519
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(1.763)	(1.787)
Reattributions to Income Statement relating to operational risk	(339)	(623)
Reattributions to Income Statement relating to staff expenses	-	(14)
Reattributions to Income Statement relating to other risks	(561)	(145)
Total	**4.173**	**7.636**

12.1 Of witch attributable to insurance companies		
	Balances 31/12/2013	Balances 31/12/2012
Relating to risks of legal disputes and customer complaints	-	259
Relating to operational risk	1	-
Relating to staff expenses	-	-
Relating to other risks	1	102
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	-	-
Reattributions to Income Statement relating to operational risk	-	-
Reattributions to Income Statement relating to staff expenses	-	-
Reattributions to Income Statement relating to other risks	-	-
Total	**2**	**361**

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	15.061	24	-	15.085
- for business purposes	14.224	24	-	14.248
- for investment	837	-	-	837
A.2 Acquired in financial leasing	767	-	-	767
- for business purposes	767	-	-	767
- for investment	-	-	-	-
Total	**15.828**	**24**	**-**	**15.852**

13.1 Of 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	15.035	24	-	15.059
- for business purposes	14.198	24	-	14.222
- for investment	837	-	-	837
A.2 Acquired in financial leasing	767	-	-	767
- for business purposes	767	-	-	767
- for investment	-	-	-	-
Total	**15.802**	**24**	**-**	**15.826**

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	26	-	-	26
- for business purposes	26	-	-	26
- for investment	-	-	-	-
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**26**	**-**	**-**	**26**

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	13.752	-	-	13.752
- Generated internally by the company	1.796	-	-	1.796
- Others	11.956	-	-	11.956
A.2 Acquired in financial leasing	-	-	-	-
Total	**13.752**	**-**	**-**	**13.752**

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	13.436	-	-	13.436
- Generated internally by the company	1.796	-	-	1.796
- Others	11.640	-	-	11.640
A.2 Acquired in financial leasing	-	-	-	-
Total	**13.436**	**-**	**-**	**13.436**

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	316	-	-	316
- Generated internally by the company	-	-	-	-
- Others	316	-	-	316
A.2 Acquired in financial leasing	-	-	-	-
Total	**316**	**-**	**-**	**316**

Section 15 - Other operating expenses and income - Item 220

Other operating expenses and income		
	31/12/2013	**31/12/2012**
Total other operating expenses	12.210	16.552
Total other operating income	94.845	59.759
Other operating expenses and income	**82.635**	**43.207**

15.1 Other operating expenses: breakdown		
	Total 31/12/2013	**Total 31/12/2012**
Amortization of expenses for improvements on third party assets	1.631	2.252
Losses related to operational risks	3.328	6.050
Financial leasing management expenses	-	1
Advances on behalf of customers	2.147	1.785
Service renderings related to credit recovery	737	426
Return to customers of Funds-UCITS incentives (Mifid)	1.202	1.050
Others	3.165	4.988
Total	**12.210**	**16.552**

The total of Other operating expenses for 2012 saw a decrease, in that the amount of 852 thousand Euro was reclassified to item 130 d) net write-downs for impairment of other financial transactions, paid to the Interbank Fund for the Protection of Deposits for the default to of Banca Network. Also see the comment on table 8.4 in the present Part C – Income Statement.

15.1 Of witch attributable to the banking group		
	Total 31/12/2013	**Total 31/12/2012**
Amortization of expenses for improvements on third party assets	1.631	2.252
Losses related to operational risks	3.328	6.050
Financial leasing management expenses	-	1
Advances on behalf of customers	2.147	1.785
Service renderings related to credit recovery	737	426
Return to customers of Funds-UCITS incentives (Mifid)	1.202	1.050
Others	3.161	4.877
Total	**12.206**	**16.441**

15.1 Of witch attributable to insurance companies	Total 31/12/2013	Total 31/12/2012
Amortization of expenses for improvements on third party assets	-	-
Losses related to operational risks	-	-
Financial leasing management expenses	-	-
Advances on behalf of customers	-	-
Service renderings related to credit recovery	-	-
Return to customers of Funds-UCITS incentives (Mifid)	-	-
Others	4	111
Total	**4**	**111**

15.2 Other operating income: breakdown	Total 31/12/2013	Total 31/12/2012
Rents and instalments receivable	1.420	602
Charges to third parties and refunds received:	43.136	33.253
- taxes recovered	41.818	32.085
- insurance premiums and refunds	1.318	1.168
Expenses recovered and other revenues on current accounts and deposits	8.507	4.435
Income from software services	4.034	3.589
Income on insurance brokerage activities	2.025	2.510
POS fee income	5.038	3.587
Expenses and services rendered in advance on behalf of customers	999	783
Expenses recovered for services rendered in relation to credit recovery	3.704	3.434
Income from sale of business unit	19.026	-
Other income	6.956	7.566
Total	**94.845**	**59.759**

The increase in operating income can mainly be traced to the sale, by Banca Sella, of part of the distribution business unit to Cassa di Risparmio di Bolzano – Sudtiroler Sparkasse, which led to gross income of 19 million Euro. For further details on the operation, please refer to that found in the Report on Operations in these financial statements.

The sub-item taxes recovered increased by around 9.7 million Euro. In fact, as originally envisaged in the Save Italy Decree, in 2013 taxes on banking products and financial instruments increased from 1 per thousand to 1.5 per thousand.

The positive recovery of deposits and current accounts led to an increase in income of approximately 4.1 million Euro.

15.2 Of witch attributable to the banking group	Total 31/12/2013	Total 31/12/2012
Rents and instalments receivable	1.420	602
Charges to third parties and refunds received:	43.136	33.253
- taxes recovered	41.818	32.085
- insurance premiums and refunds	1.318	1.168
Expenses recovered and other revenues on current accounts and deposits	8.507	4.435
Income from software services	4.034	3.589
POS fee income	5.038	3.587
Expenses and services rendered in advance on behalf of customers	999	783
Expenses recovered for services rendered in relation to credit recovery	3.704	3.434
Income from sale of business unit	19.026	-
Other income	6.893	7.445
Total	**92.757**	**57.128**

15.2 Of witch attributable to insurance companies		
	Total 31/12/2013	**Total 31/12/2012**
Income on insurance brokerage activities	2.025	2.510
Other income	63	121
Total	**2.088**	**2.631**

Section 16 - Gains/(Losses) on equity investments - Item 240

16.1 Gains/(losses) on equity investments: breakdown		
Income components/Sectors	**Total 31/12/2013**	**Total 31/12/2012**
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	354	256
1. Revaluations	354	256
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	1
1. Devaluations	-	1
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**354**	**255**
Total	**354**	**255**

16.1 Of witch attributable to the banking group

Income components/Sectors	Total 31/12/2013	Total 31/12/2012
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	230	242
1. Revaluations	230	242
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	1
1. Devaluations	-	1
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**230**	**241**
Total	**230**	**241**

16.1 Of witch attributable to insurance companies

Income components/Sectors	Total 31/12/2013	Total 31/12/2012
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	124	14
1. Revaluations	124	14
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)	**124**	**14**
Total	**124**	**14**

Section 18 - Impairment of goodwill - Item 260

18.1 Impairment of goodwill: breakdown

	31/12/2013	31/12/2012
Impairment of goodwill	-	2.505
Total	**-**	**2.505**

Section 19 - Gains (losses) on sales of investments - Item 270

19.1 Gains/(losses) on sales of investments: breakdown

Income component/Amount	Total 31/12/2013	Total 31/12/2012
A. Properties	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Altre attività	(53)	(18)
- Gains on sales	15	17
- Losses on sales	68	35
Net gains/(losses)	**(53)**	**(18)**

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 31/12/2013	Total 31/12/2012
1. Current taxes (-)	(65.095)	(58.464)
2. Change in current taxes of previous years (+/-)	804	9.920
3. Reduction of current taxes for the year (+)	133	306
3.bis Reduction in current taxes for tax credits of Law n.214/2011 (+)	292	583
4. Change in prepaid taxes (+/-)	33.754	18.703
5. Change in deferred taxes (+/-)	(3.666)	4.079
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(33.778)	(24.873)

20.1 Of witch attributable to the banking group

Component/Amount	Total 31/12/2013	Total 31/12/2012
1. Current taxes (-)	(62.852)	(53.762)
2. Change in current taxes of previous years (+/-)	208	9.886
3. Reduction of current taxes for the year (+)	133	306
3.bis Reduction in current taxes for tax credits of Law n.214/2011 (+)	292	583
4. Change in prepaid taxes (+/-)	33.801	19.163
5. Change in deferred taxes (+/-)	(4.459)	(179)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(32.877)	(24.003)

20.1 *Of witch attributable to insurance companies*		
Component/Amount	**Total 31/12/2013**	**Total 31/12/2012**
1. Current taxes (-)	(2.243)	(4.702)
2. Change in current taxes of previous years (+/-)	596	34
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 (+/-)	(47)	(460)
5. Change in deferred taxes (+/-)	793	4.258
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(901)	(870)

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	70.824		
Nominal rate [(*)]		**33,07%**	**23.421**
Effects net of the participation exemption and dividend taxation		-6,22%	-4.407
Non-deductible interest expense (so-called Robin Hood tax)		1,78%	1.258
Change in life reserves (Legislative Decree 78/2010)		-0,08%	-58
Additional IRES year 2013 banks and finance companies (DL 133/13)		7,62%	5.400
Non-deductible provisions/costs and other		3,52%	2.493
IRES IRAP deductions from the exercise		-3,70%	-2.617
Adjusted rate		**35,99%**	**25.490**
Other changes - Irap taxable base		11,70%	8.288
Effective rate		**47,69%**	**33.778**

[(*)] *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 31/12/2013**	**Totale 31/12/2012**
1. Income	-	7.162
2. Expenses	-	(9.023)
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	1.292	-
5. Taxes and duties	-	342
Profit (loss)	**1.292**	**(1.519)**

21.2 Detail of taxes on income and on asset/liability groups held for sale		
	Balance 31/12/2013	**Balance 31/12/2012**
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 31/12/2013	Total 31/12/2012
Biella Leasing S.p.A.	6	25
Banca Patrimoni Sella & C. S.p.A.	1.293	1.495
Consel S.p.A.	322	(465)
CBA Vita S.p.A.	82	106
Sella Gestioni SGR S.p.A.	39	89
Brosel S.p.A.	11	30
Sella Bank AG	-	(91)
Altre	1.687	573
Profit for the year pertaining to minority interest	**3.446**	**1.737**

Sella Bank AG was sold on 28 February 2013, consequently it left the Banca Sella Group. For further details, please refer to the Report on Operations of these financial statements.

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	31/12/2013		31/12/2012	
	Ordinary	Other	Ordinary	Other
Profit for the period pertaining to the Parent Company *(thousands of Euro)*	34.892	-	20.967	-
Average number of shares outstanding	212.347.635	-	209.976.000	-
EPS base *(in euros)*	**0,2**	**-**	**0,1**	**-**

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 212.347.635 as:

- on 1 January 2013 there were 209.976.000 ordinary Banca Sella Holding shares in circulation;
- during the course of 2013 Banca Sella Holding issue 4.051.340 new ordinary shares;
- on 31 December 2013, Banca Sella Holding did not hold any treasury shares in its portfolio.

PART D – CONSOLIDATED COMPREHENSIVE INCOME

CONSOLIDATED COMPREHENSIVE INCOME

	Detailed statement of consolidated comprehensive income			
	Items	**Gross Amount**	**Income taxes**	**Net Amount**
10.	**Net income (loss)**	**X**	**X**	**38.338**
	Other comprehensive income (net of tax) not reattributions to income statements	**867 -**	**292**	**575**
20.	Tangible assets	(171)	72	(99)
30.	Intangible assets	-	-	-
40.	Defined benefit plans	1.038	(364)	674
50.	Non-current assets held for sale			-
60.	Share of valuation reserves connected with investments meaured with net equity method	-	-	-
	Other comprehensive income (net of tax) reattributions to income statements	**11.069**	**(4.106)**	**6.963**
70.	**Hedges of foreign investments**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	**Foreign exchange differences**	**(1.518)**	**83**	**(1.435)**
	a) fair value changes	(1.518)	83	(1.435)
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	**Cash flow hedges**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
100.	**Financial assets available for sale**	**12.628**	**(4.204)**	**8.424**
	a) fair value changes	21.212	(6.989)	14.223
	b) reversal to income statement	(5.381)	1.686	(3.695)
	- impairment losses	-	-	-
	- gain/losses from disposal	(5.381)	1.686	(3.695)
	c) other changes	(3.203)	1.099	(2.104)
110.	**Non-current assets held for sale**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
120.	**Share of valuation reserves connected with investments meaured with net equity method**	**(41)**	**15**	**(26)**
	a) fair value changes	(41)	15	(26)
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gain/losses from disposal	-	-	-
	c) other changes	-	-	-
130.	**Total other income net of tax**	**11.936**	**(4.398)**	**7.538**
140.	**Comprehensive profit (Item 10+110)**			**45.876**
150.	Total consolidated comprehensive profit pertaining to minority interest			4.284
160.	**Total consolidated comprehensive profit pertaining to the Parent Company**			**41.592**

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.

Introduction

The Banca Sella Group places great importance on the management and control of risk, as a condition to guarantee sustainable value creation in a context of controlled risk.

Risk management and control are carried out by the corporate second-level (Compliance and Risk Management) and third-level (Internal Audit) control departments. Specifically, the Parent Company's Risk Management department has the mission of actively contributing to the achievement of effective risk management and an efficient risk/return profile, through the identification, measurement and control of the First and Second Column Risks under Basel 2, operating in close connection with the management of economic and equity variables and in constant respect for adaptation to changes imposed through the regulations and in line with system best practices. The Risk Management function is distinct and independent from the corporate functions assigned to manage operating risk and reports directly to the Managing Director. The organisational structure foresees the subdivision of the Parent Company Risk Management service into several offices: Credit Risk, Market Risk, Operational Risk, Capital and Risk Integration and Internal Validation. The last is newly established, with an eye to the transfer to internal methods of measuring credit risk.

The Banca Sella Group's culture of control and risk is widespread at all levels. Corporate strategies focus on careful training work and continuous professional updating. Particular attention is paid to resources, whether directly operating as audits or in operative departments, ensuring constant professional growth through the use of external training and constant professional and regulatory updates, also through participation in inter-banking work groups.

Section 1 – Banking Group risks

1.1 Credit risks

Qualitative information

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 household 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 regard 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.

Credit risk management policies

– 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, small/medium enterprises 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.

Relative to consumer credit for leasing, credit policies begin from considerations relative to the goods or services to be financed and the types of distribution used by the dealer. Therefore, by a priori determining the types of products and services accepted and those not, an initial selection of the risks deriving from the same is carried out.

In regard to salary-backed loans and delegated payments, given the obligatory nature of insurance to complete these transactions, the assumption criteria used and the judgement expressed in regard to the third party company by the insurance companies take on a central role in selection.

– Systems of management, measurement and control

The systems for managing, measuring and controlling exposure to credit risk involve the entire loan process, including the following stages: initial proceedings, regular review, trend verification and any management of problem loans, 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 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 characterised by specific risk conditions. The activities of the Risk Management Service also include monitoring risk limits and attention thresholds in relation to credit quality and risk concentration.

As regards the assessment of the risk of default, 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 Standardised Approach, as confirmed in Bank of Italy Circular 263 of 27 December 2006, as subsequently updated. The segmentation of customers enables, amongst other aspects, the distinguishing between businesses into four different dimension classes, based on their exposure and turnover, referred to in increasing order: small business, small/medium enterprises, corporate business and large corporate business.

Each company is assigned a summary risk judgement which is attributed through the use of one of the two internal ratings model in use at the Banca Sella Group. One is for small business and small/medium businesses and the other 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 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 (financial statement data). For corporate and large corporate businesses, a real rating will be calculated for the financial statements, for each 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 financial score is also the maximum level of detail that can be obtained for the following customer categories: financial companies, leasing companies, factoring companies and holding companies. For small businesses and small and medium enterprises, certain financial indicators will be calculated that help towards the final assessment of the customer's credit rating.
- Qualitative information. For corporate and large corporate businesses, the business rating is calculated deriving from the integration of the rating of the financial statements and the qualitative component obtained by having the contract manager complete a specific questionnaire. Like the statutory accounting rating, the enterprise rating may be calculated for every corporate and large corporate borrower or potential borrower. In the case of a new customer, it is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. For small businesses and small and medium enterprises, the qualitative questionnaire is to be completed, but the information has no effect on the final judgement of the customer.
- Performance-related information (internal data of the bank and Risks Centre data). For corporate and large corporate businesses, the integration of the business rating and the behavioural component enables the determination of the overall rating, which represents the most in-depth assessment possible of the credit rating of a corporate or large corporate customer. For small businesses and small and medium enterprises, certain performance indicators will be calculated that help towards the final assessment of the customer's credit rating. The performance component can only be calculated for companies with performance data that is valued for at least three months out of a six-month time frame.

The internal rating models in existence at the 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 definitive financial statements with time validity.

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. 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 2013 work continued on assigning and updating ratings to business borrowers, further consolidating the already significant levels of coverage achieved in previous years. The work of the Ratings Committee also continued, providing both advice and making decisions and whose main functions include resolving to override the rating assessment 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 regard 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 Standardised Approach, the Group has always undertaken all the necessary organisational and methodological actions aimed at proving that its internal rating system is substantially in line with the requirements provided for in the supervisory legislation ("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 geo-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 regulatory standards on the subject of large risks and the quantification of internal capital to cover concentration risk under the terms of the Second Pillar of Basel 2, 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 supply process also involves growing decision-making limits on the basis of the amounts concerned by the loan. Individual loan applications for which total debtor exposure and that of the group of customers as may be connected with it exceeds certain thresholds, are always subject to the examination of the parent company. Exposure to concentration risk is monitored monthly on the basis of objective indicators, such as the Herfindahl index, and precise thresholds have been set to limit the overall exposure in each business sector/geographical area and dimensional class. As far as residual risk is concerned, the parent company has adopted a special process with the purpose to check the acceptability of guarantees according to each specific and general requirement prescribed by the Supervisory Authority.

At the same time as drafting the ICAAP statement (analysis of the suitability of equity in accordance with the Second Pillar of Basel 2) and therefore at least once a year, the Parent Company carries out stress tests on the consolidated loan portfolio. The stress test procedures consist of analysing the sensitivity of internal capital against the credit risk should specific negative events occur that, although extreme, are plausible (such as, for example, a deterioration in the decline rate of the loans portfolio).

With specific reference to the new Basel 3 regulations, for which the Banca Sella Group was involved in the quantitative impact study run by the Basel Committee (known as QIS), the changes envisaged in terms of credit and counterparty risk do not significantly impact the risk profile of the portfolio.

The Banca Sella Credit Control service carries out second-level control activities regarding the proper provision and management of credit in the companies of the Group.

More specifically, the service operates through:

- remote control of the correct supply of loans and management of branches in anomalous trends;
- control of the correct exercise of delegated powers;
- control of the trend of anomalies held to be most symptomatic of credit risk situations;
- control of compliance with internal regulations on the 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 trend 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 jeopardise 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: They aim to immediately identify any customer positions showing significant performance anomalies within the classifications already made by the ACR – Automatic Risk Classification procedure. They enable the following:

- definition of the severity of relations;
- setting of an intervention priority.

The 12 new classes represent the likelihood of default in the short-term. The higher the class, the more critical the customer situation. Class 12, in fact, includes all positions marked as "Subjective Watch list". The class can be viewed on the ACR risk sheet integrated into CRM.

The data are updated every week.

TABLEAU DE BORD

The tool enables the viewing of specific performance data trends with the possibility of segmenting portfolio reports on the level of the Bank, Territory, District and 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 watch list 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 article 67, paragraph 3 and article 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.

Relative to consumer credit for leasing, credit policies begin from considerations relative to the goods or services to be financed and the types of distribution used by the dealer. Therefore, by a priori determining the types of products and services accepted and those not, an initial selection of the risks deriving from the same is carried out.

Another strategic decision in regard to credit policies is the assessment of loans through data entry of the information relative to the customer, which is centralised and independent with respect to the commercial network and the adoption of a scoring system that allows for the implementation of statistically robust logics, which are exhaustive in using all available, objective and verifiable information.

Default probability scoring, combined what socio/demographic characteristics and pre-established credit parameters are used for profiling of customers already in the portfolio for the purpose of sending appropriate commercial offers (specifically in reference to personal loan products and credit cards).

In regard to salary-backed loans and delegated payments, given the obligatory nature of insurance to complete these transactions, the assumption criteria used and the judgement expressed in regard to the third party company by the insurance companies take on a central role in selection.

Elements that characterise the salary-backed loan product, in regard to corporate policies, are the obligatory nature of an evaluation of the operations taking into consideration the total exposure of the customer and the definition of a minimum threshold of the net disbursed expressed as a percentage of the base of the operation defined on the basis of the principle that salary backed loans and delegated payments must create a concrete benefit for the customer. Again in regard to salary-backed loans, we note that the company has fully implemented within its procedures the indications contained in the communication containing precautions and indications for operators.

– 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 evaluated carefully, above all with reference to customers associated with a higher probability of default.

The guarantees typically acquired by the counterparties are those typical of the banking business, mainly: personal guarantees and counterparties in the form of 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 of 27 December 2006, as subsequently updated, permits recourse to this type of valuation. To this end a database is used 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 2013, 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 Guarantee Controls Service and the Group Service Centre.

No concentration conditions were recognised for guarantee categories (in terms of credit or market risk). In particular:

- property-backed collateral: both mortgage loans and real-estate leasing transactions are mainly aimed at private customers or small-sized enterprises. This allows maintaining a high level of risk sharing;
- collateral on financial instruments and personal guarantees: despite the diversification of issuers and guarantors, we highlight that the Italian government is the issuer/guarantor towards whom the loan portfolio is most exposed.

– 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. On the other hand, Consel uses a credit bureau score model aimed at profiling its portfolio of disputed loans which, starting from the information available about the customer at the system level, defines the most appropriate action.

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 concerns Banca Sella is partly devolved to the single managers within the range of powers granted to the single CEOs of Banca Sella, whilst for the other companies, managed in outsourcing, powers are conferred to the company's individual CEOs.

The scope of the Banca Sella legal division exclusively involves the management and analytical assessment of non-performing and watch list 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 realisation 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 amortised cost the original effective rate of return is used, whereas for revocable credit lines the interest rate considered is that at the moment of default.

At the first implementation of IASs, as regards analytical assessments and the definition of the effective interest rate – seeing the objective impossibility to retrieve original rates from impaired loan accounts as no electronic format was available – the Banca Sella Group decided to use:

- the nominal rate applied at 31 December 2004 in the bank records, relatively to the individual default account: depending on the case, such rate may correspond to the rate adopted at the default, the rate deducible at the injunction or the one agreed upon with the customer with a discharge plan; however, such rates have been reduced to the rate usury limit at 31 December 2004;
- use, for all contracts that as at 31 December 2004 had a zero rate, the last rate present on the contract prior to zeroing if available; for lack of this data, the legal rate has been 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	Impaired past due exposures	Not impaired past due exposures	Other assets	Impaired	Other	
1. Financial assets held for trading	-	-	95	-	-	478.731	-	10	478.836
2. Financial assets available for sale	330	-	2.424	-	-	997.262	-	272.358	1.272.374
3. Financial assets held to maturity	-	-	-	-	-	1.011.950	-	201.319	1.213.269
4. Due from banks	-	-	-	-	-	326.747	-	11.610	338.357
5. Due from customers	307.247	227.577	26.907	84.705	117.993	7.550.897	-	209	8.315.535
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	293.505	293.505
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	16.937	-	-	16.937
Total 31/12/2013	**307.577**	**227.577**	**29.426**	**84.705**	**117.993**	**10.382.524**	**-**	**779.011**	**11.928.813**
Total 31/12/2012	**258.951**	**239.841**	**30.473**	**83.649**	**103.550**	**10.177.537**	**-**	**875.569**	**11.769.570**

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	95	-	95	X	X	478.731	478.826
2. Financial assets available for sale	2.754	-	2.754	997.262	-	997.262	1.000.016
3. Financial assets held to maturity	-	-	-	1.011.950	-	1.011.950	1.011.950
4. Due from banks	-	-	-	326.826	79	326.747	326.747
5. Due from customers	1.150.921	504.485	646.436	7.713.059	44.169	7.668.890	8.315.326
6. Financial assets at fair value through profit or loss	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	16.937	16.937
Total A	**1.153.770**	**504.485**	**649.285**	**10.049.097**	**44.248**	**10.500.517**	**11.149.802**
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	X	X	10	10
2. Financial assets available for sale	-	-	-	272.358	-	272.358	272.358
3. Financial assets held to maturity	-	-	-	201.319	-	201.319	201.319
4. Due from banks	-	-	-	11.610	-	11.610	11.610
5. Due from customers	-	-	-	209	-	209	209
6. Financial assets at fair value through profit or loss	-	-	-	X	X	293.505	293.505
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**-**	**-**	**-**	**485.496**	**-**	**779.011**	**779.011**
Total 31/12/2013	**1.153.770**	**504.485**	**649.285**	**10.534.593**	**44.248**	**11.279.528**	**11.928.813**
Total 31/12/2012	**1.085.214**	**472.300**	**612.914**	**11.200.082**	**43.426**	**11.156.656**	**11.769.570**

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	559.415	X	79	559.336
TOTAL A	**559.415**	**-**	**79**	**559.336**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	3.007	2.431	X	576
b) Others	69.327	X	-	69.327
TOTAL B	**72.334**	**2.431**	**-**	**69.903**
TOTAL A+B	**631.749**	**2.431**	**79**	**629.239**

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	750.795	443.218	X	307.577
b) Watchlist exposures	281.969	54.392	X	227.577
c) Restructured exposures	31.182	1.851	X	29.331
d) Past due exposures	89.729	5.024	X	84.705
e) Other assets	9.948.832	X	44.169	9.904.663
TOTAL A	**11.102.507**	**504.485**	**44.169**	**10.553.853**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	14.944	57	X	14.887
b) Others	852.147	X	1.341	850.806
TOTAL B	**867.091**	**57**	**1.341**	**865.693**
TOTAL (A+B)	**11.969.598**	**504.542**	**45.510**	**11.419.546**

Positions subject to collective agreements at 31/12/2013

Company	Total remaining debt at 31/12/13	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
Banca Sella	58.351	59	6	1	-

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	**660.925**	**303.478**	**31.564**	**89.110**
- of which: exposures sold but not derecognized	3.689	4.605	-	-
B. Increases	**263.213**	**320.285**	**6.281**	**93.901**
B.1 Inflows from performing loans	9.799	293.550	-	86.636
B.2 Transfers from other categories of impaired exposures	225.689	16.803	6.225	5.221
B.3 Other increases	27.725	9.932	56	2.044
C. Decreases	**173.343**	**341.794**	**6.663**	**93.282**
C.1 Outflows to performing loans	1.418	35.195	3.977	38.341
C.2 Write-offs	118.161	3.670	140	27
C.3 Collections	43.726	15.190	2.536	6.551
C.4 Realizations through sales	5.491	-	-	-
c.4 bis losses on disposal	-	-	-	-
C.5 Transfers to other categories of impaired exposures	71	215.296	-	38.571
C.6 Other decreases	4.476	72.443	10	9.792
D. Final gross exposure	**750.795**	**281.969**	**31.182**	**89.729**
- of which: exposures sold but not derecognized	5.340	615	-	-

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	**401.974**	**63.637**	**1.228**	**5.461**
- of which: exposures sold but not derecognized	1.050	1.094	-	-
B. Increases	**192.755**	**61.056**	**1.571**	**2.493**
B.1 Writedowns	138.516	44.084	1.221	1.958
B.1.bis Losses on sale	555	-	-	-
B.2 Transfers from other categories of impaired exposures	47.558	1.328	306	74
B.3 Other increases	6.126	15.644	44	461
C. Decreases	**151.511**	**70.301**	**948**	**2.930**
C.1 Writebacks on valuation	18.250	4.974	684	935
C.2 Writebacks on collection	8.794	1.005	61	162
C.2.bis Gains on sale	1.142	-	-	-
C.3 Write-offs	118.159	3.670	140	27
C.4 Transfers to other categories of impaired exposures	2	47.848	-	1.416
C.5 Other decreases	5.164	12.804	63	390
D. Final total adjustments	**443.218**	**54.392**	**1.851**	**5.024**
- of which: exposures sold but not derecognized	1.604	73	-	-

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	**267.805**	**139.637**	**2.354.381**	**87.636**	**41.893**	**72.599**	**8.164.728**	**11.128.679**
B. Derivatives	**4**	**18.352**	**3.909**	**-**	**-**	**-**	**17.981**	**40.246**
B.1 Financial derivatives	4	18.352	3.909	-	-	-	17.981	40.246
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**15**	**45**	**-**	**-**	**-**	**268.297**	**268.357**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**514.548**	**514.548**
E. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**267.809**	**158.004**	**2.358.335**	**87.636**	**41.893**	**72.599**	**8.965.554**	**11.951.830**

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 almost 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	**154.484**	**262.151**	**524.666**	**668.987**	**588.137**	**513.636**	**295.228**	**99.078**	**57.791**	**8.010.370**	**11.174.528**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10.683**	**-**	**29.563**	**40.246**
B.1 Financial derivatives	-	-	-	-	-	-	-	10.683	-	29.563	40.246
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**49.883**	**24.746**	**27.452**	**18.239**	**19.256**	**14.006**	**5.042**	**2.238**	**265**	**107.230**	**268.357**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**514.548**	**514.548**
E. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**204.367**	**286.897**	**552.118**	**687.226**	**607.393**	**527.642**	**300.270**	**111.999**	**58.056**	**8.661.711**	**11.997.679**

With regard to internal ratings, almost all banks of the Group have an internal model for assigning corporate and large corporate companies a creditworthiness rating and a model for small business and small/medium enterprises.

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/SA1 (the least risky) to C/SA9 (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)
						Credit derivatives					Guaranteed loans				
							Other derivatives								
		Real estate - Mortgages	Real estate - 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	16.785	-	413	17.109	-	-	-	-	-	-	-	-	-	-	17.522
- 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)									
						Credit derivatives					Guaranteed loans				
							Other derivatives								
	Net exposure value	Real estate - Mortgages	Real estate - 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	5.149.873	6.933.567	491.695	422.653	455.482	-	-	-	-	-	634	1.565	3.012	3.318.476	11.627.084
- of wich: impaired	429.085	652.858	48.074	1.145	15.734	-	-	-	-	-	-	800	291	1.029.266	1.748.168
1.2 Partially guaranteed	150.222	10.823	-	33.599	5.431	-	-	-	-	-	11.747	-	25	58.723	120.348
- of wich: impaired	20.473	7.498	-	1.147	283	-	-	-	-	-	79	-	25	23.864	32.896
2. Guaranteed "off balance sheet" exposure															
2.1 Totally guaranteed	144.704	15.469	-	28.331	6.556	-	-	-	-	-	-	527	95	2.101.134	2.152.112
- of wich: impaired	6.499	3.627	-	319	176	-	-	-	-	-	-	-	-	113.293	117.415
2.2 Partially guaranteed	51.351	-	-	3.040	1.196	-	-	-	-	-	-	-	-	22.372	26.608
- of wich: impaired	108	-	-	-	-	-	-	-	-	-	-	-	-	58	58

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	17	41	X	462	473	X	2	2	X	199.854	237.899	X	107.242	204.803	X
A.2 Watchlist exposures	-	-	X	4	1	X	1.353	41	X	-	-	X	178.362	40.824	X	47.858	13.526	X
A.3 Restructured exposures	-	-	X	-	-	X	2.063	16	X	-	-	X	19.511	1.334	X	7.757	501	X
A.4 Past due exposures	-	-	X	4	1	X	31	1	X	-	-	X	47.067	1.776	X	37.603	3.246	X
A.5 Other exposures	2.196.675	X	2	16.414	X	7	225.688	X	303	7.379	X	-	4.076.698	X	35.850	3.381.809	X	8.007
Total A	**2.196.675**	**-**	**2**	**16.439**	**43**	**7**	**229.597**	**531**	**303**	**7.381**	**2**	**-**	**4.521.492**	**281.833**	**35.850**	**3.582.269**	**222.076**	**8.007**
B. "Off balance sheet" exposures																		
B.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	1.943	10	X	29	-	X
B.2 Watchlist exposures	-	-	X	-	-	X	2	-	X	-	-	X	11.158	22	X	707	4	X
B.3 Other impaired assets	-	-	X	-	-	X	97	-	X	-	-	X	878	21	X	73	-	X
B.4 Other exposures	228.414	X	-	590	X	-	47.305	X	61	1.115	X	6	410.125	X	1.197	103.519	X	77
Total B	**228.414**	**-**	**-**	**590**	**-**	**-**	**47.404**	**-**	**61**	**1.115**	**-**	**6**	**424.104**	**53**	**1.197**	**104.328**	**4**	**77**
Total (A+B) 31/12/2013	**2.425.089**	**-**	**2**	**17.029**	**43**	**7**	**277.001**	**531**	**364**	**8.496**	**2**	**6**	**4.945.596**	**281.886**	**37.047**	**3.686.597**	**222.080**	**8.084**
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**

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	307.249	(442.966)	321	(173)	6	(11)	-	-	1	(68)
A.2 Watchlist exposures	226.806	(54.233)	771	(158)	-	-	-	-	-	(1)
A.3 Restructured exposures	29.304	(1.851)	-	-	-	-	-	-	27	-
A.4 Past due exposures	84.479	(5.019)	218	(4)	8	(1)	-	-	-	-
A.5 Other transactions	9.739.602	(43.950)	149.164	(158)	4.761	(16)	640	(1)	10.496	(44)
TOTAL A	**10.387.440**	**(548.019)**	**150.474**	**(493)**	**4.775**	**(28)**	**640**	**(1)**	**10.524**	**(113)**
B. Off balance sheet exposures										
B.1 Non-performing exposures	1.972	(10)	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	11.867	(26)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	1.040	(21)	8	-	-	-	-	-	-	-
B.4 Other exposures	762.705	(1.340)	1.777	-	164	(1)	-	-	26.422	-
TOTAL B	**777.584**	**(1.397)**	**1.785**	**-**	**164**	**(1)**	**-**	**-**	**26.422**	**-**
TOTAL (A+B) 31/12/2013	**11.165.024**	**(549.416)**	**152.259**	**(493)**	**4.939**	**(29)**	**640**	**(1)**	**36.946**	**(113)**
TOTAL (A+B) 31/12/2012	**10.834.647**	**(516.129)**	**296.099**	**(1.349)**	**9.768**	**(42)**	**1.063**	**(6)**	**12.592**	**(79)**

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	131.297	(161.700)	55.817	(64.385)	42.284	(70.084)	77.851	(146.797)
A.2 Watchlist exposures	87.004	(24.033)	43.200	(8.421)	47.233	(9.293)	49.369	(12.486)
A.3 Restructured exposures	23.148	(1.545)	3.483	(179)	170	(6)	2.503	(121)
A.4 Past due exposures	36.895	(1.772)	10.965	(486)	11.908	(815)	24.711	(1.946)
A.5 Other transactions	3.840.626	(21.530)	957.409	(6.795)	3.323.321	(6.036)	1.618.246	(9.589)
TOTAL A	**4.118.970**	**(210.580)**	**1.070.874**	**(80.266)**	**3.424.916**	**(86.234)**	**1.772.680**	**(170.939)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	1.146	(7)	105	(1)	682	(2)	39	-
B.2 Watchlist exposures	5.420	(14)	777	(3)	1.650	-	4.020	(9)
B.3 Other impaired assets	857	(20)	17	-	96	(1)	70	-
B.4 Other exposures	338.679	(842)	37.680	(122)	309.715	(181)	76.631	(195)
TOTAL B	**346.102**	**(883)**	**38.579**	**(126)**	**312.143**	**(184)**	**80.760**	**(204)**
TOTAL (A+B) 31/12/2013	**4.465.072**	**(211.463)**	**1.109.453**	**(80.392)**	**3.737.059**	**(86.418)**	**1.853.440**	**(171.143)**
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)**

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	364.380	(56)	180.886	(22)	2.597	(1)	3.247	-	8.226	-
TOTAL A	**364.380**	**(56)**	**180.886**	**(22)**	**2.597**	**(1)**	**3.247**	**-**	**8.226**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	576	(2.431)	-	-	-	-	-	-	-	-
B.4 Other exposures	31.575	-	29.752	-	1.566	-	-	-	2.607	-
TOTAL B	**32.151**	**(2.431)**	**29.752**	**-**	**1.566**	**-**	**-**	**-**	**2.607**	**-**
TOTAL (A+B) 31/12/2013	**396.531**	**(2.487)**	**210.638**	**(22)**	**4.163**	**(1)**	**3.247**	**-**	**10.833**	**-**
TOTAL (A+B) 31/12/2012	**395.221**	**(4)**	**202.276**	**(46)**	**4.733**	**(1)**	**3.011**	**-**	**60.959**	**-**

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	191.633	(2)	45.802	(52)	120.357	(1)	6.588	(1)
TOTAL A	**191.633**	**(2)**	**45.802**	**(52)**	**120.357**	**(1)**	**6.588**	**(1)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	576	(2.431)	-	-
B.4 Other exposures	11.816	-	282	-	19.477	-	-	-
TOTAL B	**11.816**	**-**	**282**	**-**	**20.053**	**(2.431)**	**-**	**-**
TOTAL (A+B) 31/12/2013	**203.449**	**(2)**	**46.084**	**(52)**	**140.410**	**(2.432)**	**6.588**	**(1)**
TOTAL (A+B) 31/12/2012	**156.496**	**(2)**	**27.360**	**-**	**203.846**	**(2)**	**7.519**	**-**

B.4 Large risks	
Amount	
- *non weighted*	2.245.584
- *weighted*	-
Number	1

C. Securitization transactions and asset transfers

Securitisation transactions in which the originator bank subscribes at the time of issue all the relevant resulting liabilities (e.g. ABS securities, loans in the "warehousing" stage) from the vehicle company are not subject to identification in this Part. In the case in which, subsequent to the operation, the originator bank partially or totally transfers said liabilities, the operation is identified in this Part.

C.1 Securitisation transactions

Qualitative information

Beginning in financial year 2000 the Bank has carried out five securitisation transactions of a traditional kind.

Two of these, concluded before 1 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 1 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 securitisation 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, 8 January 2009 and 9 January 2012, Banca Sella S.p.A. completed three securitisation 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 securitisation 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 securitisations. The securities are still held by the same. In addition, in regard to the securitisations 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.

On 22 April 2013, Consel completed its first securitisation of pecuniary loans.

A brief account of the securitisation transactions is provided below.

Banca Sella S.p.A. securitisation of performing loans – financial year 2005

The transaction was completed at two subsequent moments: on 4 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) - Baa1 for the class B securities – Baa3 for the class C securities. The class D securities are not listed, have no ratings and were entirely subscribed by Banca Sella S.p.A.

At 31 December 2013 the Class A-B-C notes earned interest of around 0.3 million Euro. Class D notes earned interest of 0.8 million Euro in 2013.

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 the collections of the performing pecuniary loans made during the reference quarter. During the course of the year, the servicing fees collected by Banca Sella S.p.A. were around 0.06 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.

Consel S.p.A. securitisation of pecuniary loans – 2013

In April of 2013, a securitisation operation was carried out, which involved two stages.

On 25 February 2013, Consel S.p.A. A. transferred without recourse to Monviso 2013 S.r.l., a SPV securitisation company established pursuant to Law 130/99 exclusively dedicated to the Operation, a portfolio of pecuniary loans to ordinary customers deriving from performing consumer loan contracts, identifiable in blocks pursuant to and in accordance with the combined provisions of articles 1 and 4 of the Law on Securitisation of Loans and article 58 of the Consolidated Banking Act.

On the basis of the portfolio as determined at 21 February 2013, 152,103 positions were identified for a total of 561,066,026.93 (including capital, interest and expenses), including the transfer payment. All the loans transferred were fixed rate.

Together with the Loans subject to transfer, the Buyer also received, pursuant to article 1263 of the Civil Code and without the need for any formality or annotation, as envisaged in paragraph 3 of article 58 of the Consolidated Banking Act, referred to in article 4 of the Law on Securitisation of Loans, all the guarantees, privileges and pre-emption rights supporting said rights and Loans, all the other accessories relative to the same, as well as any and all other rights and requests (including for damages), substantial or legal claim or dispute inherent or in any case accessory to said rights and loans and to their exercising in compliance with that envisaged in the Loan Contracts and all the other deeds and agreements connected to the same and/or pursuant to the applicable law, as well as any other right of Consel in regard to the same and any other sum due to the suppliers of the goods or services financed pursuant to said Loan Contracts pursuant to article 125-*quinquies*, paragraph 2 of the Consolidated Banking Act.

At the same time the Transfer Contract was signed, the Buyer assigned a specific task to the Originator, through the servicing contract, pursuant to the Law on Securitisation of Loans, so that in its name and on its account, as the "subject assigned to collect the loans transferred," it acted to collect and recover the sums owed in relation to the Loans. Due to this contract, Consel will continue to administer the transferred portfolio, maintaining full and direct commercial contract with the customers and the debtors transferred will continue to pay to Consel all sums owed in relation to said Loans in the forms envisaged in the relative Loan Contracts or under the law and from any additional information that may be communicated to the transferred debtors.

The vehicle company financed the payment of the purchase price for the loans through the issuing, completed on 22 April 2013, of:

- fixed rate Senior securities (class A), at 1.85% annually, in the amount of 347.9 million Euro, with a rating of AA+ assigned by Standard & Poor's and a rating of AA from DBRS. The senior securities were listed on the Luxembourg Stock Market;
- Junior securities (class J), in the amount of 221.6 million Euro (of which 8,383,973.07 as Cash Reserve and 50,000 Euro as Retention Amount) not rated and not listed.

The senior securities issued were:

- placed on the primary market for an amount equal to 154.7 million. Of the tranche placed, 54% was purchased by Asset Management companies, 45% by Banks and 1% by SGR. In terms of geographic distribution, 51% is in Germany, 20% in France and 29% in Italy;
- an amount equal to 20 million was placed with institutional investors on the secondary market;
- the remaining part was subscribed by the Originator who used them as collateral for financing operations with the ECB, in virtue of the eligibility characteristics of the securities.

The Junior securities were fully subscribed by the Originator.

The Operation allowed the company to reduce the cost of debt and to contribute to diversification of its financing sources, a guideline of the company's industrial plan.

With the goal of continuing to diversify its sources of funding, the Company has planned a new securitisation operation for 2014, relative to a portfolio of performing consumer loans for a total amount of between 300 and 400 million Euro.

The operation, the completion of which is foreseen by the end of the first half of 2014, will have a structure similar to that of the operation carried out in 2013, and may include a revolving period of one year, during which additional loans selected according to predetermined criteria can be purchased using the income coming from the transferred loans.

In fact the positive conditions of the financial markets are supporting the recovery of the securitisation market at the Italian level as well, where placement represents a useful method for obtaining term funding, at costs that are general lower than those for unsecured forms of financing.

C.1*bis* Other self-securitisation operations not under quantitative information

a) Banca Sella S.p.A. securitisation 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 mortgage-backed loans 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) - Baa1 for the class B securities – Baa3 for the class C securities. The same securities also had ratings from Standard & Poor's as follows: 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 were not listed and had no ratings.

The total amount of the notes was subscribed by Banca Sella S.p.A.

At 31 December 2013,the Class A-B-C notes earned interest of around 1.0 million Euro. On the other hand, the Class D notes earned interest of 0.3 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 quarterly, equivalent to 0.45% of the amount of the collections of the performing pecuniary loans made during the reference quarter. At 31 December 2013, the servicing fees collected by Banca Sella S.p.A. were approximately 0.078 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.

b) Banca Sella S.p.A. securitisation 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 8 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 mortgage-backed loans 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) - Baa1 for the class B securities – Baa3 for the class C securities. The same securities also had ratings from Standard & Poor's as follows: 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 were not listed and had no ratings.

The total amount of the notes was subscribed by Banca Sella S.p.A.

At 31 December 2013,the Class A-B-C notes earned interest of around 1.4 million Euro. Class D notes earned interest of 0.9 million Euro in 2013.

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 on a half-yearly basis, equivalent to 0.45% of the amount of the collections of the performing pecuniary loans made during the reference period. At 31 December 2013, the servicing fees collected by Banca Sella S.p.A. were approximately 0.077 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.

c) 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 mortgage-backed loans 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 2013, the Class A1 and A2 notes earned interest of about 6.1 million Euro. The Class D notes earned interest in FY 2013 of 5.4 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 quarterly, equivalent to 0.45% of the amount of collections of the performing pecuniary loans made during the reference quarter. At 31 December 2013, the servicing fees collected by Banca Sella S.p.A. were approximately 0.2 million Euro.

Quantitative information

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	-	-	-	-	-	933	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	115.453	-	8.009	3.500	224.167	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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	**115.453**	**-**	**8.009**	**-**	**225.100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Mars 2600 S.r.l.																		
- Performing loans	22.740	-	8.009	-	3.500	-	-	-	-	-	-	-	-	-	-	-	-	-
C.2 Monviso 2013 S.r.l.																		
- Crediti al consumo Performing	92.713	-	-	-	221.600	-	-	-	-	-	-	-	-	-	-	-	-	-

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 31/12/2013	Total 31/12/2012
1. Cash exposure							
- " Senior"	-	-	-	-	-	**-**	**768**
- " 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	1.028	-
2. Watchlist exposures	1.281	-
3. Restructured exposures	140	-
4. Past due exposures	2.908	-
5. Other assets	408.486	-
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 - Monviso 2013 Srl	Milano	0%
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
Consel S.p.A.	**Moviso S.r.l.**	3.777	346.399	-	237.785	-	0	-	-	-	-
Banca Sella S.p.A.	**Mars 2600 Srl**	1.580	62.087	409	14.247	0	1	-	-	-	-

C.2 Sale transactions

The disclosure pursuant to this part regards all the sale transactions (including securitisation operations).

A. financial assets sold but not fully derecognised

Qualitative information

The "financial assets sold but not fully derecognised" refer to repurchase agreements with the counterpart Cassa Compensazione e Garanzia with underlying Italian government securities.

Quantitative information

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	2013	2012
A. Cash assets																				
1. Debt securities	12.040	-	-	-	-	-	33.069	-	-	5.408	-	-	-	-	-	-	-	-	50.517	114.856
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	413.843	-	-	413.843	76.222
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2013	**12.040**	**-**	**-**	**-**	**-**	**-**	**33.069**	**-**	**-**	**5.408**	**-**	**-**	**-**	**-**	**-**	**413.843**	**-**	**-**	**464.360**	
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.357	-	-	5.357	
Total 31/12/2012	**-**	**-**	**-**	**-**	**-**	**-**	**77.366**	**-**	**-**	**37.490**	**-**	**-**	**-**	**-**	**-**	**76.222**	**-**	**-**		**191.078**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.546	-	-		1.546

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	12.012	-	32.997	5.471	1.547	-	52.027
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 31/12/2013	**12.012**	**-**	**32.997**	**5.471**	**1.547**	**-**	**52.027**
Total 31/12/2012	**-**	**-**	**76.774**	**38.158**	**1.921**	**-**	**116.853**

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	31/12/2013	31/12/2012
A. Cash assets														
1. Debt securities	12.040	-	-	-	33.069	-	5.408	-	-	-	-	-	50.517	114.856
2. Share capital securities	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instrumen	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total assets	**12.040**	**-**	**-**	**-**	**33.069**	**-**	**5.408**	**-**	**-**	**-**	**-**	**-**	**50.517**	**114.856**
C. Associated liabilities														
1. Due from customers	12.012	-	-	-	32.997	-	5.471	-	1.547	-	-	-	X	X
2. Due from banks	-	-	-	-	-	-	-	-	-	-	-	-	X	X
3. Outstanding securities	-	-	-	-	-	-	-	-	-	-	-	-	X	X
Total liabilities	**12.012**	**-**	**-**	**-**	**32.997**	**-**	**5.471**	**-**	**1.547**	**-**	**-**	**-**	**X**	**X**
Net value (31/12/2013)	**28**	**-**	**-**	**-**	**72**	**-**	**- 63**	**-**	**- 1.547**	**-**	**-**	**-**	**(1.510)**	**X**
Net value (31/12/2012)	**-**	**-**	**-**	**-**	**592**	**-**	**(668)**	**-**	**(1.921)**	**-**	**-**	**-**	**-**	**(1.997)**

Key:
A = financial assets sold and fully recognized
B = Financial assets sold and partially recognized

1.2 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 exclusively the financial instruments (assets and liabilities) falling within the "regulatory trading book", as defined in the provision on market risk regulatory reporting (see 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). As a consequence, operations are excluded that are recognised in the trading portfolio (for example, credits or derivatives separated from assets or liabilities carried at the amortised cost, securities issued), but that do not fall under the above definition of regulatory capital. These operations are included in the information regarding the "banking book".

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 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 maximise 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.

At the same time as drafting the ICAAP statement (analysis of the suitability of equity in accordance with the Second Pillar of Basel 2) and therefore at least once a year, the Parent Company carries out stress tests on the trading book for regulatory purposes. The stress test procedures consist of analysing the sensitivity of internal capital against the market risk should specific negative events occur that, although extreme, are plausible (such as, for example, a deterioration in the creditworthiness of the issuers of the securities in the portfolio).

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 "standardised 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 "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

As permitted by the second update of 21 January 2014 to Circular 262/2005, this table was not prepared in that in the Notes an analysis of the sensitivity to interest-rate risk is provided on the basis of internal models or other methodologies.

2. Regulatory trading book: distribution of exposures in equity securities and equity indices by main quotation market countries

The compilation of this Table was not considered necessary in that the “total exposure of the trading portfolio for regulatory purposes of the Banca Sella Group for equity securities and stock indexes totals approximately 207,000 Euro and is concentrated entirely in 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 1.45 year while the sensitivity, estimated on a parallel movement of +100 basis points of the interest rate curve is about 20.13 million Euro (about 1.45% 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[1]
Market risk VaR (time horizon 3 months – confidence interval 99%)

[1] It refers to components Held For Trading (HFT) and Available For Sale (AFS) securities portfolio of property.

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 31.12.2013

Trading Book - Finance Area

Time horizon 10 day, confidence interval 99%

at		31 Dec 13			30 Jun 13		
		VaR Average	VaR Minimum	VaR Maximum	VaR Average	VaR Minimum	VaR Maximum
Risk Type							
Fixed Income	€	788.150	197.251	2.594.297	777.215	197.251	2.594.297
Foreign Exchange	€	1.172	203	6.004	1.343	322	6.004
Equities	€	147	-	24.540	-	-	-
Equity Derivatives	€	64.859	-	313.342	103.577	-	313.342
Derivatives OTC	€	858	858	858	858	858	858
Treasury	€	17.899	2.517	46.486	25.882	9.052	46.486
Total VaR[(b)]	€	**873.086**	**200.830**	**2.985.528**	**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

The banking book consists of all the financial instruments (assets and liabilities) not included in the trading portfolio, pursuant to section 2.1.

Qualitative information

A. Interest-rate risk and price risk: general aspects, management processes 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 (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 items, while strategic and management choices are aimed at minimising the volatility of the total economic value when the rate structure changes.

The Banca Sella Group carries out stress tests to measure and control interest-rate risk for the banking book at least once a year, at the time the ICAAP Report is prepared. The variables used for the stress tests can be taken from external valuations (e.g. forecasts provided by ABI) or prepared internally with the assistance of the Group's Financial Analysis service. Stress tests may envisage parallel and immediate shock situations on the rate curve, impacts that may exceed 200 basis points, and non-parallel shock situations that are structural in terms of interest rates.

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

As permitted by the second update of 21 January 2014 to Circular 262/2005, this table was not prepared in that in the Notes an analysis of the sensitivity to interest-rate risk is provided on the basis of internal models or other methodologies.

2. Banking book: internal models and other methods used for sensitivity analysis

Internal interest-rate risk management and audit processes are based on an organisational 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 organisation 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, as subsequently amended, 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 -25 basis points (lowering, compatible with the constraint of a non-negativity of rates).

The sensitivity analysis figures at 31.12.2013 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 / -25 bps	56.07	1,057.8	5.3%

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

All the assets and liabilities (both on and "off-balance-sheet") in currencies fall under this risk profile, including operations in Euro indexed to the performance of currency exchange rates. Operations in gold are considered as similar to currency operations.

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.

Quantitative information

1. Distribution by currency of denomination of assets, liabilities and derivatives						
Item	Currencies					
	US Dollar	Swiss Franc	Australian dollar	British pound	Japanese Yen	Other currencies
A. Financial assets	**28.988**	**33.173**	**3.817**	**3.457**	**1.953**	**8.058**
A.1 Debt securities	63	-	2	-	-	-
A.2 Equity securities	2	1	-	2	-	-
A.3 Loans and advances to banks	12.792	3.271	168	2.762	441	5.949
A.4 Loans and advances to customers	16.131	8.567	3.647	693	1.512	2.109
A.5 Other financial assets	-	21.334	-	-	-	-
B. Other assets	**1.859**	**981**	**130**	**836**	**92**	**2.930**
C. Financial liabilities	**164.204**	**9.045**	**6.147**	**3.988**	**2.204**	**5.462**
C.1 Due to banks	225	37	143	-	1.619	281
C.2 Due to customers	163.979	9.008	6.004	3.988	585	5.181
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**27**	**4**	**4**	**3**	**-**	**945**
E. Financial derivatives	**134.829**	**(24.688)**	**2.162**	**626**	**163**	**218**
- Options	-	-	-	-	-	65
+ Long positions	36.917	1.468	3.980	5.117	-	1.670
+ Short positions	36.917	1.468	3.980	5.117	-	1.605
- Others	134.829	(24.688)	2.162	626	163	153
+ Long positions	261.713	12.387	9.174	4.042	4.227	11.496
+ Short positions	126.884	37.075	7.012	3.416	4.064	11.343
Total assets	**329.477**	**48.009**	**17.101**	**13.452**	**6.272**	**24.154**
Total liabilities	**328.032**	**47.592**	**17.143**	**12.524**	**6.268**	**19.355**
Imbalance (+/-)	**1.445**	**417**	**(42)**	**928**	**4**	**4.799**

1.2.4 - Derivative instruments

The following tables within the financial and credit derivatives traded on an autonomous (ie stand-alone) and derivatives embedded in structured instruments. With regard to the latter exception those incorporated by structured products classified in the trading portfolio for supervisory purposes supervisory treated on the basis of a series of positions of sensitivity on relevant risk factors.

A. Financial derivatives

A.1 Regulatory trading book: notional end-of-period and average amounts

Ulderlying assets/Type of derivatives	Total 31/12/2013		Total 31/12/2012	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	898.236	49.300	737.592	30.300
a) Options	81.334	-	81.349	-
b) Swap	816.902	-	656.243	-
c) Forward	-	-	-	-
d) Futures	-	49.300	-	30.300
e) Others	-	-	-	-
2. Equity securities and equity indices	-	6.246	-	5.635
a) Options	-	2.835	-	2.835
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	3.411	-	2.800
e) Others	-	-	-	-
3. Currencies and gold	478.081	-	369.740	-
a) Options	198.121	-	133.542	-
b) Swap	65.692	-	80.669	-
c) Forward	214.268	-	155.529	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**1.376.317**	**55.546**	**1.107.332**	**35.935**
Average amounts	**1.582.377**	**45.741**	**1.640.071**	**34.518**

A.2 Banking book: notional end-of-period and average amounts

A.2.1 For hedging

Ulderlying assets/Type of derivatives	Total 31/12/2013		Total 31/12/2012	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	1.332.080	-	1.746.939	-
a) Options	-	-	-	-
b) Swap	1.332.080	-	1.746.939	-
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	**1.332.080**	**-**	**1.746.939**	**-**
Average amounts	**1.615.505**	**-**	**1.823.633**	**-**

A.2.2 Other derivatives

Ulderlying assets/Type of derivatives	Total 31/12/2013		Total 31/12/2012	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	3.214.985	-	3.315.378	-
a) Options	3.214.985	-	3.315.378	-
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	25.436	-	33.712	-
a) Options	25.436	-	25.452	-
b) Swap	-	-	6.315	-
c) Forward	-	-	1.945	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**3.240.421**	**-**	**3.349.090**	**-**
Average amounts	**3.652.059**	**-**	**3.025.104**	**-**

A.3 Financial derivatives: positive fair value - breakdown by products

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2013		Total 31/12/2012	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	12.211	33	14.224	20
a) Options	2.949	33	1.953	20
b) Interest rate swap	7.677	-	10.959	-
c) Cross currency swap	5	-	83	-
d) Equity swap	-	-	-	-
e) Forward	823	-	591	-
f) Futures	-	-	-	-
g) Others	757	-	638	-
B. Banking book - hedging	16.937	-	28.530	-
a) Options	-	-	-	-
b) Interest rate swap	16.937	-	28.530	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	11.065	-	5.713	-
a) Options	11.065	-	5.702	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	11	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**40.213**	**33**	**48.467**	**20**

A.4 Financial derivatives: negative fair value - breakdown by products

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2013		Total 31/12/2012	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	12.797	-	14.059	-
a) Options	2.843	-	1.911	-
b) Interest rate swap	7.600	-	10.669	-
c) Cross currency swap	99	-	134	-
d) Equity swap	-	-	-	-
e) Forward	1.729	-	566	-
f) Futures	-	-	-	-
g) Others	526	-	779	-
B. Banking book - hedging	114.608	-	165.738	-
a) Options	-	-	-	-
b) Interest rate swap	114.608	-	165.738	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	13.142	-	9.540	-
a) Options	13.142	-	9.379	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	161	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**140.547**	**-**	**189.337**	**-**

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	-	-	-	9.477	5.000	131.514	4.471
- positive fair value	-	-	-	2.932	-	4.463	94
- negative fair value	-	-	-	-	201	530	71
- future exposure	-	-	-	49	25	682	13
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	11.493	-	26.669	3.112	-	161.709	30.628
- positive fair value	-	-	108	4	-	2.544	598
- negative fair value	246	-	306	24	-	1.160	124
- future exposure	117	-	271	31	-	4.503	1.287
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 Over the counter financial derivatives: regulatory trading book - notional values, gross positive and negative fair value by counterparts - contracts covered by netting agreements

Contracts covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	-	678.208	69.564	-	-	-
- positive fair value	-	-	652	216	-	-	-
- negative fair value	-	-	1.602	5.766	-	-	-
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	244.472	-	-	-	-
- positive fair value	-	-	600	-	-	-	-
- negative fair value	-	-	2.767	-	-	-	-
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 Over the counter financial derivatives: banking book - notional values, gross positive and negative fair value by counterparts - contracts not covered by netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	281	-	3.861	-	1.070.070	1.745.448
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	12	-	-	247	12.699
- future exposure	-	-	-	-	-	-	-
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	-	-	-	4.091	4.387
- positive fair value	-	-	-	-	-	49	40
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	311	337
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 Over the counter financial derivatives: banking book - notional values, gross positive and negative fair value by counterparts - contracts covered by netting agreements

Contracts covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	-	1.727.405	-	-	-	-
- positive fair value	-	-	27.913	-	-	-	-
- negative fair value	-	-	114.705	-	-	-	-
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	16.958	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	87	-	-	-	-
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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	**1.101.554**	**156.547**	**118.216**	**1.376.317**
A.1 Financial derivatives on debt securities and interest rates	626.737	153.283	118.216	898.236
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	474.817	3.264	-	478.081
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book	**449.899**	**1.001.867**	**3.120.735**	**4.572.501**
B.1 Financial derivatives on debt securities and interest rates	424.463	1.001.867	3.120.735	4.547.065
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	25.436	-	-	25.436
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2013	**1.551.453**	**1.158.414**	**3.238.951**	**5.948.818**
Total 31/12/2012	**1.419.542**	**1.357.365**	**3.426.454**	**6.203.361**

B. Credit derivatives

At 31 December 2013 and during the year, the Bank did not have any operations of this type.

C. Financial and credit derivatives

This table was not completed in that not operations of this type existed. In fact, the second update to Circular 262/2005 envisages that the table include both the financial derivatives indicated in tables A.6 and A.8 and the credit derivatives reported in table B.5.

1.3 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 the inability to raise funds (funding liquidity risk) or by the presence of asset liquidity limits (market liquidity risk)[2].

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.

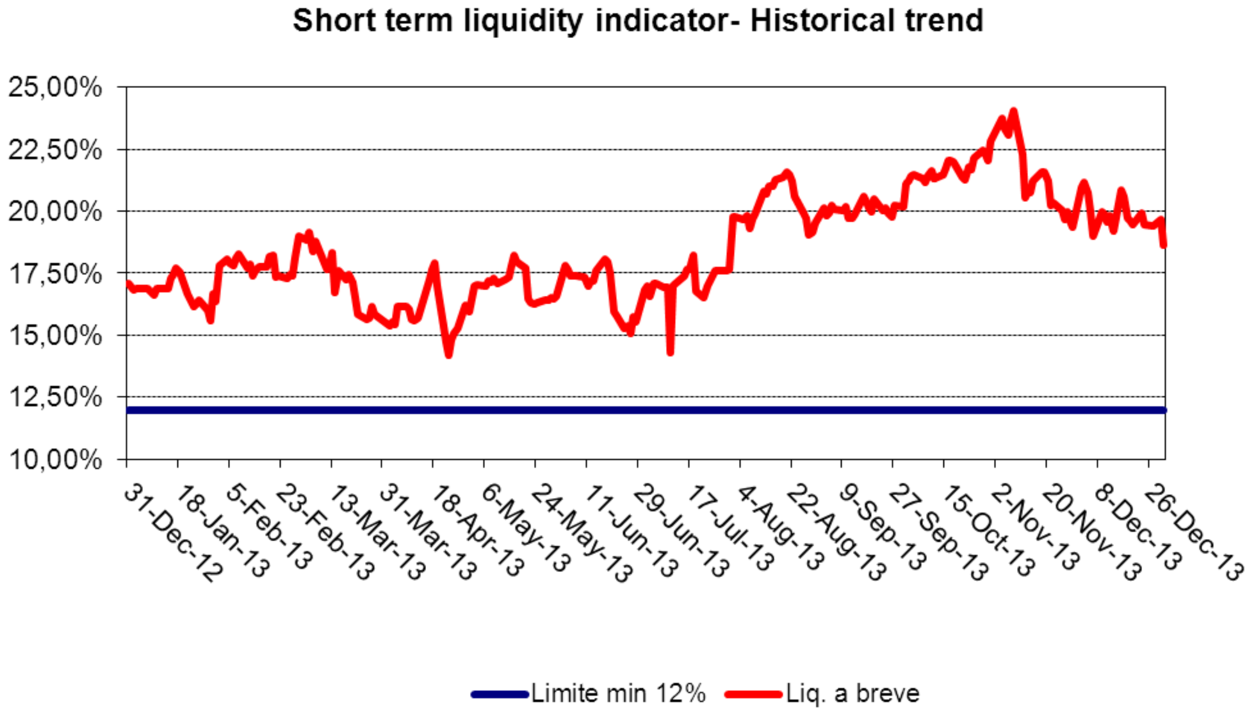
The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short- and medium/long-term systemic and specific liquidity.

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 said indicator was prudentially established at 12%. The effective level of the indicator was always over this threshold during the course of the year, testifying to the fact that the liquidity reserves are sufficient to account for the commitments made, even under conditions of stress.

This indicator, a management one, is calculated daily by the Parent Company Risk Management Service.

[2] Bank of Italy Circular No. 263/2006 and subsequent updates, Title III, Chap.1, Annex A

Banca Sella Group short-term liquidity indicator trend



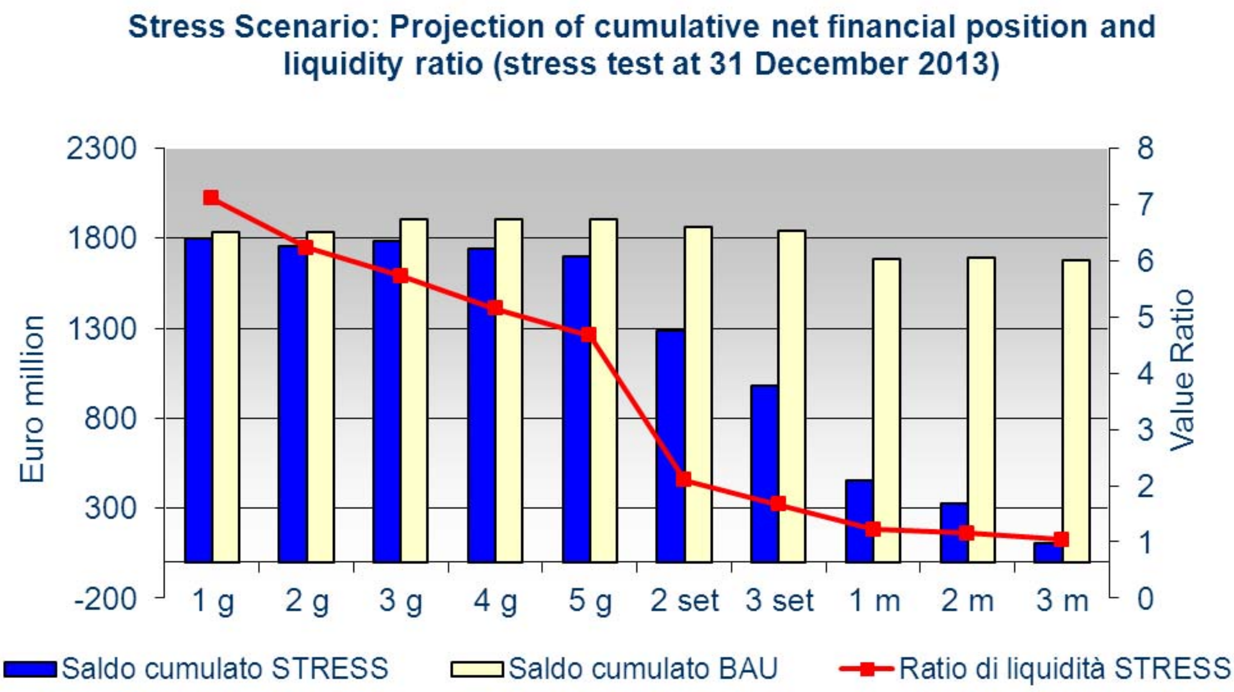
In addition to the information provided by liquidity indicators, the Risk Management service of Banca Sella Holding and the Finance Department of the Banca Sella Group are responsible for carrying out stress analyses on the liquidity reserve of the Group itself.

The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[3], 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 realised 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.

[3] A Maturity Ladder is the projection of the net financial position over time



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.

In the light of Basel 3, for internal purposes the Group monitors the performance of the LCR (liquidity coverage ratio) and NSFR (net stable funding ratio) indicators, refining and constantly updating the calculation rules, in accordance with the indications provided in the regulations. At the end of 2013, the two indicators were amply greater than that currently envisaged in Basel 3.

Qualitative information

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	**1.230.001**	**190.723**	**118.261**	**219.363**	**773.604**	**609.157**	**953.498**	**4.179.928**	**2.993.087**	**52.515**
A.1 Government securities	464	496	543	159	35.089	27.582	240.235	1.238.252	672.935	-
A.2 Other debt securities	2.484	322	1.775	15.652	12.230	35.238	66.872	136.316	20.806	-
A.3 UCITS units	15.490	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	1.211.563	189.905	115.943	203.552	726.285	546.337	646.391	2.805.360	2.299.346	52.515
- Banks	231.117	510	1	18	7.306	358	-	5.000	-	52.442
- Customers	980.446	189.395	115.942	203.534	718.979	545.979	646.391	2.800.360	2.299.346	73
Cash liabilities	**7.168.090**	**55.993**	**409.236**	**159.713**	**525.601**	**397.647**	**339.893**	**1.324.550**	**269.831**	**703**
B.1 Deposits and current accounts	7.051.030	24.908	46.485	98.054	291.427	243.002	177.719	93.640	10.966	703
- Banks	156.997	-	1	-	-	-	-	2.212	9.733	-
- Customers	6.894.033	24.908	46.484	98.054	291.427	243.002	177.719	91.428	1.233	703
B.2 Debt securities	99	242	10.295	8.173	143.943	32.641	114.745	483.178	206.739	-
B.3 Other liabilities	116.961	30.843	352.456	53.486	90.231	122.004	47.429	747.732	52.126	-
Off balance sheet transactions	**147.390**	**42.345**	**59.116**	**43.529**	**74.904**	**(36.168)**	**6.009**	**(45.110)**	**(33.640)**	**(2.711)**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(236.678)	(4.695)	(11.166)	(21.566)	(54.339)	(45.595)	(83.224)	(108.213)	-
- Short positions	-	274.921	63.836	55.884	58.438	29.482	30.281	77.718	109.480	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(39.628)	(9)	-	-	(2.989)	-	-	(568)	-	-
- Short positions	162.485	283	-	-	1.465	13	17	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	(176.605)	(472)	(25)	(1.189)	(614)	(21.866)	(3.067)	(39.059)	(34.911)	(2.711)
- Short positions	201.138	4.300	-	-	40.170	10.538	24.373	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	4	-	23	4	-
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: 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	**862**	**-**	**185**	**7**	**4.700**	**1.430**	**2.457**	**184**	**200**	**1.308**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	862	-	185	7	4.700	1.430	2.457	184	200	1.308
- Banks	860	-	-	-	-	-	2.413	-	-	-
- Customers	2	-	185	7	4.700	1.430	44	184	200	1.308
Cash liabilities	**7.853**	**-**	**-**	**-**	**552**	**202**	**434**	**-**	**-**	**-**
B.1 Deposits and current accounts	7.757	-	-	-	552	202	434	-	-	-
- Banks	37	-	-	-	-	-	-	-	-	-
- Customers	7.720	-	-	-	552	202	434	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	96	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(1)**	**10.618**	**16.292**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(10.165)	-	-	-	(358)	(1.109)	-	-	-
- Short positions	-	20.783	16.292	-	-	358	1.109	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(1)	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
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: US Dollar										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**18.021**	**1.287**	**1.954**	**3.019**	**5.143**	**471**	**13**	**45**	**4**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	1.269	-	-	-	-	-	13	45	4	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	16.752	1.287	1.954	3.019	5.143	471	-	-	-	-
- Banks	12.404	-	-	-	-	-	-	-	-	-
- Customers	4.348	1.287	1.954	3.019	5.143	471	-	-	-	-
Cash liabilities	**105.320**	**680**	**567**	**889**	**16.844**	**23.806**	**15.372**	**-**	**-**	**-**
B.1 Deposits and current accounts	104.282	680	567	889	16.844	23.806	15.372	-	-	-
- Banks	225	-	-	-	-	-	-	-	-	-
- Customers	104.057	680	567	889	16.844	23.806	15.372	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1.038	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(140)**	**(17.536)**	**(78.292)**	**(41.133)**	**(37.025)**	**16.296**	**7.566**	**366**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(71.039)	(82.017)	(49.060)	(52.407)	(14.754)	(18.701)	(541)	(871)	-
- Short positions	-	53.503	3.725	7.927	15.382	31.050	26.267	907	871	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(617)	-	-	-	-	-	-	-	-	-
- Short positions	477	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
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	**2.098**	**-**	**-**	**1.201**	**161**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	2.098	-	-	1.201	161	-	-	-	-	-
- Banks	1.566	-	-	1.200	-	-	-	-	-	-
- Customers	532	-	-	1	161	-	-	-	-	-
Cash liabilities	**2.910**	**-**	**143**	**-**	**182**	**265**	**480**	**-**	**-**	**-**
B.1 Deposits and current accounts	2.622	-	143	-	182	265	480	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	2.622	-	143	-	182	265	480	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	288	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**(864)**	**-**	**-**	**-**	**120**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(4.042)	-	(1.007)	(1.599)	(1.878)	(634)	-	-	-
- Short positions	-	3.178	-	1.007	1.599	1.998	634	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
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: 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	**298**	**90**	**295**	**2.441**	**676**	**2**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	2	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	298	90	295	2.441	676	-	-	-	-	-
- Banks	137	-	-	-	-	-	-	-	-	-
- Customers	161	90	295	2.441	676	-	-	-	-	-
Cash liabilities	**4.136**	**-**	**-**	**-**	**318**	**-**	**1.600**	**-**	**-**	**-**
B.1 Deposits and current accounts	4.089	-	-	-	318	-	1.600	-	-	-
- Banks	140	-	-	-	-	-	-	-	-	-
- Customers	3.949	-	-	-	318	-	1.600	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	47	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(61)**	**(3.849)**	**-**	**-**	**34**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(7.864)	(649)	(1.396)	(370)	(311)	(1.919)	(352)	-	-
- Short positions	-	4.015	649	1.396	404	311	1.919	352	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(73)	-	-	-	-	-	-	-	-	-
- Short positions	12	-	-	-	-	-	-	-	-	-
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	**1.112**	**24**	**-**	**138**	**38**	**650**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	1.112	24	-	138	38	650	-	-	-	-
- Banks	302	-	-	138	-	-	-	-	-	-
- Customers	810	24	-	-	38	650	-	-	-	-
Cash liabilities	**1.858**	**346**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	1.738	346	-	-	-	-	-	-	-	-
- Banks	1.273	346	-	-	-	-	-	-	-	-
- Customers	465	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	120	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(2)**	**40**	**3.456**	**(3.455)**	**(240)**	**-**	**(69)**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(282)	(5)	(3.455)	(384)	(33)	(69)	-	-	-
- Short positions	-	322	3.461	-	144	33	-	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(2)	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
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: 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	**6.882**	**-**	**10**	**-**	**15**	**1.187**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	6.882	-	10	-	15	1.187	-	-	-	-
- Banks	5.956	-	-	-	-	-	-	-	-	-
- Customers	926	-	10	-	15	1.187	-	-	-	-
Cash liabilities	**5.203**	**-**	**-**	**82**	**8**	**-**	**152**	**-**	**-**	**-**
B.1 Deposits and current accounts	3.354	-	-	82	8	-	152	-	-	-
- Banks	273	-	-	-	-	-	-	-	-	-
- Customers	3.081	-	-	82	8	-	152	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1.849	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**(26)**	**(811)**	**4**	**28**	**-**	**(7)**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(9.394)	-	(2.227)	(2)	(539)	(694)	-	(48)	-
- Short positions	-	8.583	4	2.255	2	532	694	-	48	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	(63)	-	-	-	-	-	-	-	-	-
- Short positions	37	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

2. Information on the activities committed registered in balance

Type	committed		not committed		Total 31/12/2013
	BV	FV	BV	FV	
1. Cash and available liquidity	-	X	130.621	X	130.621
2. Debt securities	650.610	667.354	1.828.419	1.867.088	2.479.029
3. Equity securities	-	-	45.849	45.849	45.849
4. Loans and advanced	1.048.249	X	7.696.784	X	8.745.033
5. Other financial assets	-	X	142.764	X	142.764
6. Other not financial assets	-	X	687.437	X	687.437
Total 31/12/2013	**1.698.859**	**667.354**	**10.531.874**	**1.912.937**	**12.230.733**

Key
BV = book value
FV = fair value

3. Information on the activities committed not registered in balance

Type	Committed	Not committed	Total 31/12/2013
1. Financial assets	771.663	295.901	1.067.564
- Securities	771.663	295.901	1.067.564
- Other	-	-	-
2. Not financial assets	-	-	-
Total 31/12/2013	**771.663**	**295.901**	**1.067.564**

For the derogation regarding comparative information, please refer to Part A – Accounting Policies – Section 5 Other Aspects, in these financial statements.

1.4 Operational risks

Qualitative information

A. General aspects, management processes and methods for measuring operational risk

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes. Operational risk includes legal risk, but does not include strategic and reputational risks.

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 and the income statement (net banking income);
- mitigation and control organisational structures;
- operational risk exposure assessment;
- output and tools to assist in managing operational risk.

The data collection activity allows collecting the necessary information to assess the operational risk exposure of the Group as a whole and individual Companies. In addition, the data collection activity allows to promptly inform the Risk Management 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 carried out periodically 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 companies in the Group;
- operating risk loss data from external sources (DIPO – Italian Operational Loss Database, joined by the Banca Sella Group)[4];
- 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[5].

The Control Cycle is an internal process that has been effectively adopted by the entire Group for several years for the processing of anomalies and removing the effects and the causes that generated them. This process, through the use of a specific software application, presides over the work of surveying, monitoring and managing all the anomalous events that occur in all the Group companies, so as to facilitate the consequent follow-up activities.

The beforehand and after the fact organisational protections, established to mitigate and control operational risk, make it possible to monitor and limit the occurrence of operational risk events and their associated losses. In fact, effective organisational protections allow for timely identification of any inefficiencies and the establishment of appropriate mitigation strategies.

[4] DIPO information also allow comparing internal operating loss data and system operating loss data (DIPO – Italian Operational Loss Database).

[5] 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.

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 "alarm bells" (automatic processing and/or KRIs relative to accounting, movement of accounts, use of products and access to services with the goal of identifying and/or preventing possible operational anomalies, generated by subjects external and/or internal to the company).

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 intercepting symptoms of process vulnerability in advance and having an immediate perception of the areas most greatly exposed to risks, during the year end to end mapping of business processes was carried out[6]. These activities foresee that the process be grouped into macro-processes, and then further into macro-classes, and the assignment of an operating risk rating is envisaged not only for the individual process, but also for the higher level groups, with a view to providing an overview of the areas of intervention under the scope of the entire process chain and planning action to reduce comprehensive exposure to operating risk.

In addition, the activities carried out by the Banca Sella "Controls and Follow Up" function also contribute to the mitigation of operational risk, aimed at maintaining adequate supervision over operational risk control. The activities carried out by this service consist in targeted and second-level controls over the activities carried out by Banca Sella and, through outsourcing contracts, the Group's companies.

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organisation, 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 ensure an assessment of the performance of the management of operational risk, the Risk Management service produces regular summary and detailed statements which summarise for each Group company and the Group as a whole, the degree of risk assumed in relation to:

- anomalous events and operating losses reported in the Audit 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 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.

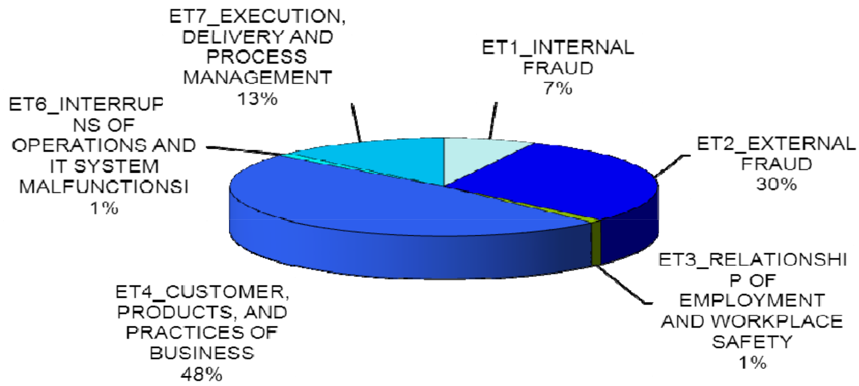
For the purposes of calculation of the capital requirement to cover exposure to operational risk, the Basic Indicator Approach (BIA) is used. In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net banking income available a regulatory ratio of 15%.

Quantitative information

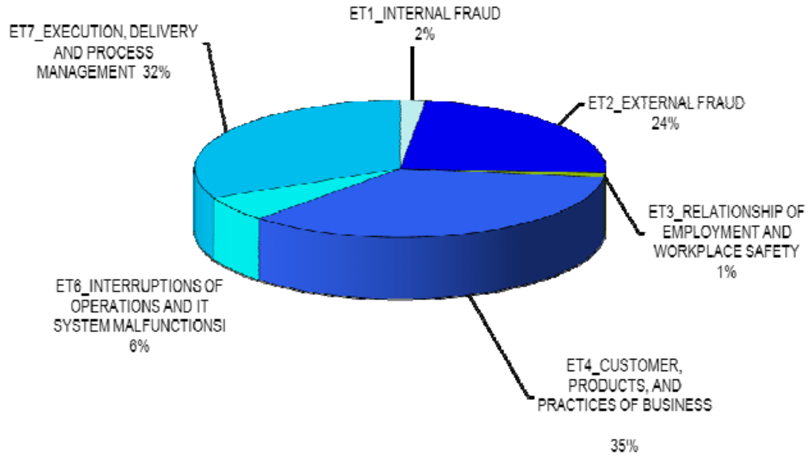
The graphs below, resulting from the processing of the information contained in the Group's Loss Data Collection illustrate the operating loss data relevant to the period 01/01/2013-31/12/2013, classified by type of event according to Basel 2 and subdivided in terms of impact and frequency.

[6] 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.

Banca Sella Group
breakdown of gross losses



Banca Sella Group
breakdown 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 to 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.

2.1 Insurance risks

Qualitative information

The Group has a management risk system that is proportionate to the size, nature and complexity of the activities carried out, which makes it possible to understand the nature and origin of the most significant risks, meaning risks for which the consequences could undermine the solvency of the company or constitute a serious obstacle to the achievement of company objectives, as well as evaluating the potential effects of the same.

The risk management function, also making use of the experience of the Parent Company's risk management function, participates in the categorisation of risks, definition of the methods use to measure them and the identification of operational limits. In addition, the function defines the procedure used to verify respect for said limits in a timely manner, ensures immediate notification of any anomalies found in operations and prepares reporting for Top Management and the Board of Directors providing the results of the controls carried out.

Risk measurement – stress testing analysis

The risk analysis process adopted by the Group includes, in addition to qualitative assessment, an annual measurement of capital absorbed by the various types of risk, mainly through the use of stress testing methods.

The method of risk measurement adopted for stress-testing analysis foresees the use of a Value at Risk (VaR) approach, which quantifies the potential loss over a one-year time horizon with a confidence interval of 99.5%.

The shock hypotheses used are similar to those adopted for the most recent quantitative impact studies in the Solvency II context. This approach is applied to each risk in the scope of measurement. Specifically, for each risk, the shock is applied to the fair value (or economic value) of assets and liabilities, and the risk valorised as the difference of the net asset value (NAV) in the shock scenario (with confidence at 99.5%), with respect to that in the central scenario.

Evaluation of the technical reserves and financial liabilities is based on best estimate criteria with explicit determination of the risk margin and the methods used for aggregation at the Group level is based on the consolidation method.

Risks are structure into modules and sub-modules and aggregated using correlation matrices. The risk modules considered are:

- Insurance risk, life and damages segment;
- Market risk;
- Counterpart risk;
- Operating risk.

For each module, the risk sub-modules that make them up are commented on and their contribution to the measurement of the module as a whole. The results of the stress test for the individual risk modules, gross of tax benefits and existing diversification effects, are recognised as a percentage with respect to the Group's NAV which, at 31/12/2013, came to 57.6 million. As a whole, taking into account tax benefits and the effects of diversification, capital absorbed in regard to risks is equal to 59% of the Group's net asset value. Approximately 50% of this risk is due to counterpart risk generated by exposure to banks in the banking group.

Note that own funds amount to a total of 64.2 million, also including subordinate liabilities.

Insurance risk, life and damages segment

Insurance risk in the life segment groups together demographic risks (mortality, longevity and invalidity risks), variations in portfolio management costs (expense risk) and of early maturity for the policy portfolio (buyout risk).

To control insurance risk, the Companies of the Group place particular attention to determining the pure premiums for life insurance rates, adopting prudent hypotheses in terms of demographic tables and any financial guarantees that may be provided. The rates are periodically updated to take into account financial and demographic changes.

For the pre-existing portfolio, additional reserves are allocated, when appropriate, that cover any negative changes with respect to the hypotheses used at the time the rates were set.

The international accounting principles envisage that companies evaluate the adequacy of their insurance liabilities, recognising any insufficiency in the income statement. To that end, the liability adequacy test verifies that the reserves are adequate to cover future cash flows relative to insurance or financial contracts with income participation. From the analysis carried out, congruence of insurance liabilities was found.

Mortality Risk

The Group's Companies implement a risk assumption policy that varies depending on the type of premium. Special attention is paid when opening temporary polices payable on death, for which the existing procedures differentiate between the assumption methods based on the amount of capital being insured and the age of the insured individual. With reference to amounts insured in the case of death, the Group's Companies make use of reinsurance coverage in line with the nature of the products sold and adopt retention levels that are more than adequate for their equity structure.

In stress test analyses, liabilities are recalculated using demographic tables with increased probability of death.

Longevity Risk

In reference to longevity risk, to which only the Parent Company is exposed, we note that, for some years now, new capital contracts with income participation options foresee the conversion to the conditions in effect at the time the option is exercised, limiting the risk connected to the progressive elongation of the duration of human life. For existing portfolio contracts, with guaranteed income coefficients calculated on the basis of non-updated demographic information, the Parent Company has appropriately added to its reserves.

In stress test analyses, liabilities are recalculated using demographic tables with decreased probability of death.

Buyout risks

Buyout risk is associated with the possibility of losses to the portfolio due to changes in the buyout rate with respect to expected rates.

Buyout phenomena is constantly monitored in order to highlight any anomalous trends with respect to the past that could impact the forecasts for future development of the Group companies' activities.

In the stress test analysis, liabilities are recalculated as a function of stressed buyout rates, considering the worst among the three following scenarios: permanent increase, permanent decrease, and instantaneous increase in buyout rates.

Expense risk

Expense risk is associated with the possibility that management expenses for the policy portfolio undergo an increase with respect to that expected. Similarly to buyout risk, the trends for contract management expenses are monitored, also in order to determine the need to allocate an additional reserve.

Stress test analyses envisage recalculation of liabilities as a function of a hypothesised increase in future expenses (differentiated between recurring and one-off expenses), and the relative inflationary component.

Catastrophic risk

Catastrophic risk is associated with the possibility that a catastrophic event leads to a sudden increase in the payment of sums to insured parties.

In stress test analyses, liabilities are recalculated using an instantaneous increase in the mortality of the insured population.

Insurance risk, damages segment

In the damages segment, the Parent Company sells almost exclusively health policies. The assumptions adopted for these policies place particular attention on these types of risk, as for long-term care policies, with which the market has less experience.

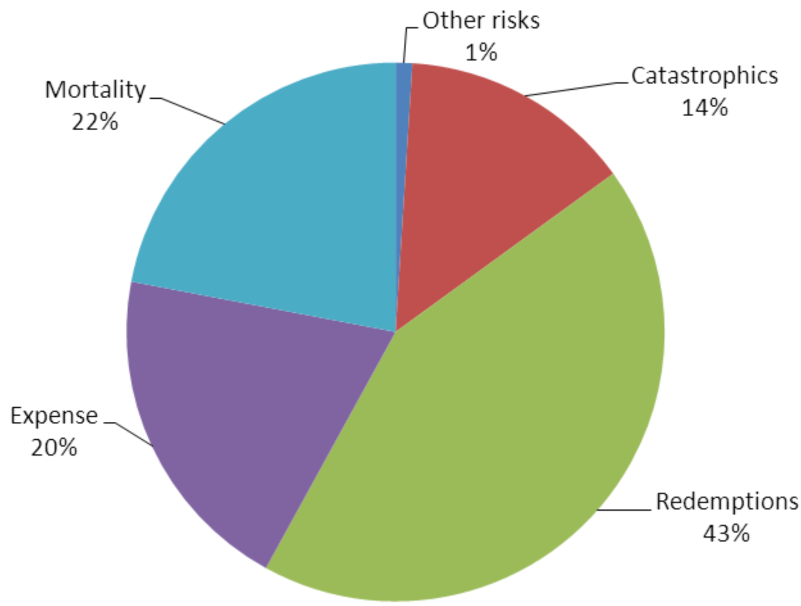
In order to maintain exposure levels that are appropriate for its equity structure, the Company makes use of reinsurance coverage, both proportional and non-proportional. The process of determining rates, additionally, considers technical information, generally agreed upon with the reference reinsurer, increased by appropriate safety loads.

The results of the stress test analyses confirm the irrelevance of this type of risk for the Group's business.

Results of stress test analyses for insurance risks

Globally, insurance risk represents 16% of net asset value, gross of tax effects and diversification between various risk modules.

Within this risk, the individual risk sub-modules are divided as follows, implicitly considering the benefit of diversification:



Financial risk

Qualitative information

Market risks

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 own portfolio and the investments allocated to cover the reserves.

Risk management activities relative to the Group's investments are aimed at the identification, assessment and control of market risks, in addition to providing assistance in the definition of methodological guidelines for the creation of models to measure and control these risks.

Management and control of market risks is based on qualitative and quantitative limits for investments in each type of financial instrument.

Management of the securities portfolio is mainly carried out within the individual Companies of the Group, also with the assistance of professional external advisers. The investment policy is focussed on optimising management results and reducing the volatility of the same, as well as the degree of liquidity of the investments, taking into account the requirements of asset liability management. In particular, for insurance products with minimum guaranteed yields, the temporal non-correlation between liabilities to insured parties (reserves) and the assets hedging them is monitored.

The Group pays particular attention to the liquidity level of its investments, defining specific controls and checks in regard to funding liquidity risk, or the inability to obtain the necessary funds to meet payment commitments, and to market liquidity risk, or the presence of asset liquidity limits.

Interest-rate risk

To illustrate the Group's exposure to interest-rate risk, the bond portfolio was divided based on maturity, with the exclusion of investments connected to index and unit-linked policies where the risk is borne by the insured parties. The table below shows that this portfolio is 57% invested in securities with maturity of less than 5 years and 91% invested in securities with maturity of less than 10 years.

Bond portfogliobroken down by maturity

(euro thousand)

Maturity	Security AFS	Security FV	Security HTM	Loans security	Total	% on total
within 1 year	18.969	266	0	0	19.235	4%
between 1 and 3 years	66.121	31	75.992	7.354	149.497	29%
between 3 and 5 years	112.978	3	14.377	0	127.358	25%
between 5 and 10 years	61.977	0	110.951	2.315	175.243	34%
between 10 and 15 years	20.156	0	0	0	20.156	4%
top of 15 years	24.095	0	0	0	24.095	5%
Total	304.296	300	201.320	9.669	515.584	100%

Analysis of interest-rate risk is carried out for all asset and liability elements with a value exposed to interest-rate risk, that is changes in the rate structure, and implicitly takes into account liquidity risk. Specifically, the elements that are most exposed to the risk in question are, in terms of assets, fixed-rate bonds, and in terms of liabilities, financial statement items whose value is determined as a function of future cash flows.

The measurement method foresees a recalculation of the value of assets and liabilities using the worst of two different scenarios: parallel increasing and decreasing shocks of 75 basis points on the forward reference interest-rate structure.

Stock market risk

The Parent Company's stock exposure is mainly limited to strategic investments, while for the subsidiary, exposure is related to the portfolio hedging unit-linked contracts.

Stock market risk is analysed for all assets and liabilities whose value depends on changes in the prices on the stock market and/or changes in their volatility. A shock of 22% on the market value for all shares in the portfolio was supposed.

Spread Risk

Spread risk is the risk connected to the contractual non-fulfilment of the issuers of the financial instruments held in the portfolio. The table below shows the subdivision of the Group's bond portfolio by rating, underlying policies with performances that can be revalued and own funds:

RATING	Security AFS	Security FV	Security HTM	Loans security	Total
From AAA to AA	0%	3%	0%	0%	0%
From AA- to A-	2%	83%	0%	0%	1%
From BBB+ to BBB-	93%	8%	100%	100%	96%
From BB+ to B-	5%	6%	0%	0%	3%
CCC+	0%	0%	0%	0%	0%
D	0%	0%	0%	0%	0%
	100%	100%	100%	100%	100%

The risk analysis in question is carried out for assets and liabilities whose value is affected by changes in the credit spread or the ratings of their issuers.

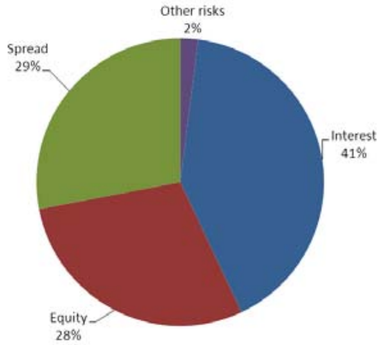
The measurement is based on a factorial model, that varies based on the different types of investments, which makes it possible to quantify the risk deriving from both a ratings downgrading and an increase in the credit spread.

Concentration, exchange-rate and real-estate risk

These risks constitute a marginal component of the market risk to which the Group is exposed, specifically 2.5%. In more detail, concentration, exchange-rate and real-estate risk are quantified using the methods and shock hypotheses envisaged in the most recent quantitative impact studies in the context of Solvency II.

Results of stress test analyses for market risk

Globally, market risk represents 21% of net asset value, gross of tax effects and diversification between various risk modules. Within this risk, the individual risk sub-modules are divided as follows, implicitly considering the benefit of diversification:



Counterpart Risk

Counterpart risk is connected to the contractual non-fulfilment of reinsurers, intermediaries and other counterparts. The table below indicates the reinsurers with which the Group is exposed and their relative ratings:

REINSURER	Mody's rating	S&P rating	Fitch rating	exposure at 31/12/2013 (euro)	exposure at 31/12/2013 (% on total)	maximum exposure (euro)
Swiss reinsurance company	A1	AA-	A+	273.844	6,79%	10.000.000
Score gòlobal life (rating parent scor SE)	A1	A+	A+	880.802	21,83%	10.000.000
Hannover A.G.		AA-	A+	640.309	15,87%	10.000.000
Cardiff (rating parent BNP Paribas)	A2	A+	A+	2.240.533	55,52%	10.000.000
Total				4.035.488	100,00%	

On the other hand, in reference to other counterparts, the banking groups to which banks belong must be indicated, in which current accounts and ordinary deposits are held.

Evaluation of counterpart risk is done by applying the methods and shock hypotheses used for the most recent quantitative impact studies in the context of Solvency II, which consider exposures to counterparts based on whether they are rated or not rated.

In both cases, the measurement is based on a factorial approach which uses, in the first case, the loss-given-default and the probability of the counterpart failing, while the second case uses the total value of exposures.

From the analysis carried out, market risk represents 52% of net asset value, gross of tax effects and diversification between various risk sub-modules. This is almost entirely generated from the above mentioned exposures to banks belonging to banking groups and hence the underlying risk of non-fulfilment is held to be substantially mitigated.

2.2 Other Risks

Operating risk

The Group identifies and monitors the risk of suffering losses deriving from the inadequacy or failure of processes, human resources and internal systems, or from external events.

To that end, the same procedure adopted by the Banca Sella Group (the "Audit Cycle") is used to list and monitor anomalous events connected to operating losses, claims, inspection and compliance findings, poor service and malfunctions. Anomalies inserted in the Audit Cycle platform, assigned to the operating unit which generated them, are subject to monitoring until they are definitively resolved.

The Group has developed an approach to operating risk management based on the mapping of all company processes, self-assessment of operating risk connected to the same (risk self assessment) and the identification of actions aimed at mitigating the same.

Both summary and detailed reports are sent periodically to Top Management and the Board of Directors of the Companies in the Group, which highlight prejudicial events, operating losses inserted in the Audit Control database, the result of line controls, and the summary indicator of operating risk.

Evaluation of operating risk is done by applying a factorial approach that considers the amount of technical reserves and the premiums subscribed during the course of the last two years. From the analysis carried out, operating risk represents 13% of the Group's net asset value, gross of tax effects.

Other risks: reputation, non-compliance and contagion

The Group is also exposed to other risks. Special organisational controls are envisaged for the monitoring, management and mitigation of these, including:

- reputation risk, connected to the possibility of a deterioration in the corporate image following, for example, an increase win conflicts with insured parties due to low quality of the service offered, placement of inappropriate polices or the behaviour of the sales network;
- non-compliance risk, deriving from a lack of compliance with the laws, regulations, or provisions of the Supervisory Authorities or unfavourable changes to the regulatory framework;
- contagion risk, meaning the possibility that problems arising with an entity in a group to which a company belongs could spread with negative effects on the stability of the same and/or the rest of the group.

These types of risks are included, for the purposes of measurement, in the operating risk module, in that they are generated by an event which can often be traced to the same.

Section 3 – Other companies risks

Within the scope of the Banca Sella Group, there are no assets falling under "other companies".

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

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 2013 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.

Quantitative information

B.1 Consolidated equity: breakdown by type of company

	Banking group	Insurance companies	Other companies	Consolidation Eliminations and adjustments	Total
Capital	535.788	55.837	-	(444.804)	146.821
Share premiums	475.469	-	-	(326.441)	149.028
Reserves	480.087	(746)	-	(31.149)	448.192
Equity instruments	-	-	-	-	-
(Treasury shares)	-	-	-	-	-
Valuation reserves:	9.183	342	-	3.102	12.627
- Financial assets available for sale	10.149	214	-	(1.333)	9.030
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investments hedges	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange rate differences	-	-	-	(1.435)	(1.435)
- Non current assets held for sale	-	-	-	-	-
- Actuarial profits (losses) on defined benefit pension plans	(1.014)	(84)	-	-	(1.098)
- Quote of valuation reserves for minority equity interests accounted with equity method	-	212	-	3	215
- Special revaluation laws	48	-	-	5.867	5.915
Profit (loss) for the year (+/-) of the group and of third parties	71.649	3.092	-	(36.403)	38.338
Shareholders' equity	**1.572.176**	**58.525**	**-**	**(835.695)**	**795.006**

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	9.472	-	215	1	-	-	(1.333)	-	8.354	1
2. Equity securities	719	49	-	-	-	-	-	-	719	49
3. UCITS units	21	14	-	-	-	-	-	-	21	14
4. Loans and advances	-	-	-	-	-	-	-	-	-	-
31/12/2013	**10.212**	**63**	**215**	**1**	**-**	**-**	**(1.333)**	**-**	**9.094**	**64**
31/12/2012	**1.940**	**394**	**576**	**-**	**-**	**-**	**(1.516)**	**-**	**1.000**	**394**

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	**84**	**453**	**69**	**-**
2. Increases	**16.006**	**662**	**21**	**-**
2.1 Increases in fair value	15.063	662	21	-
2.2 Reversal to income statement of negative reserves	496	-	-	-
- following impairment	-	-	-	-
- following realization	496	-	-	-
2.3 Other changes	447	-	-	-
- of which: business combinations	-	-	-	-
3. Decreases	**7.737**	**445**	**83**	**-**
3.1 Reductions in fair value	1.418	98	9	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	3.768	347	74	-
3.4 Other changes	2.551	-	-	-
- of which: business combinations	-	-	-	-
4. Closing balance	**8.353**	**670**	**7**	**-**

B.4 Valuation reserves of defined benefit pension plans: annual changes	31/12/2013
1. Opening balance	**(1.772)**
2. Increases	**2.484**
2.1 Positive valutative component	2.173
2.2 New arrivals	311
3. Variazioni negative	**1.810**
3.1 Negative valutative component	18
3.2 New releases	1.792
4. Closing balance	**(1.098)**

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

Qualitative information

1. Tier 1 capital

This comprises:

- Share capital
- Share premiums
- Capital reserves
- Profit for the period

net of intangible assets, the prudential filter on changes in own credit and the negative valuation reserves on securities available for sale and 50% of investments in credit institutions, financial and insurance equal to or greater than 10% of the investee.

2. Tier 2 and Tier 3 capital

This comprises:

- Positive valuation reserves of tangible assets
- Hybrid capital instruments
- Subordinated liabilities

net of 50% of positive valuation reserves on securities available for sale and 50% of investments in credit institutions, financial and insurance equal to or greater than 10% of the investee.

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.	0,55%	Variable	1-Sep-03	1-Sep-14	Euro	24.612	23.613
Banca Sella Holding S.p.A.	0,60%	Variable	15-Jul-04	15-Jul-15	Euro	25.000	17.578
Banca Sella S.p.A.	1,33%	Variable	3-Jun-09	3-Jun-19	Euro	850	850
Banca Sella S.p.A.	1,03%	Variable	15-Jul-09	15-Jul-19	Euro	438	438
Banca Sella S.p.A.	0,93%	Variable	31-Jul-09	31-Jul-19	Euro	701	701
Banca Sella S.p.A.	0,93%	Variable	4-Sep-09	4-Dec-19	Euro	2.500	1.287
Banca Sella S.p.A.	4,08%	Fixed	4-Sep-09	4-Dec-19	Euro	1.000	763
Banca Sella S.p.A.	0,94%	Variable	10-Sep-09	10-Dec-19	Euro	10.000	8.077
Banca Sella S.p.A.	0,96%	Variable	16-Sep-09	16-Dec-19	Euro	930	560
Banca Sella S.p.A.	4,10%	Fixed	5-Oct-09	5-Jan-20	Euro	2.500	2.170
Banca Sella S.p.A.	4,10%	Fixed	15-Oct-09	15-Jan-20	Euro	5.000	3.848
Banca Sella S.p.A.	4,10%	Fixed	26-Oct-09	26-Jan-20	Euro	5.000	3.590
Banca Sella S.p.A.	4,10%	Fixed	26-Oct-09	26-Jan-20	Euro	2.500	2.264
Banca Sella S.p.A.	4,10%	Fixed	29-Oct-09	29-Jan-20	Euro	10.000	6.897
Banca Sella S.p.A.	4,10%	Fixed	23-Nov-09	23-Feb-20	Euro	5.000	3.870
Banca Sella S.p.A.	4,00%	Fixed	16-Dec-09	16-Mar-20	Euro	5.000	3.962
Total hybrid instruments (Upper Tier II)							**80.468**
Banca Sella Holding S.p.A.	1,29%	Variable	21-Jun-07	21-Jun-17	Euro	10.000	700
Banca Sella Holding S.p.A.	1,43%	Variable	15-Dec-04	15-Dec-14	Euro	50.000	9.000
Banca Sella Holding S.p.A.	1,33%	Variable	28-Nov-06	28-Nov-16	Euro	50.000	30.000
Banca Sella Holding S.p.A.	1,69%	Variable	27-Dec-07	27-Dec-17	Euro	13.900	14.850
Banca Sella Holding S.p.A.	0,54%	Variable	6-Jun-08	6-Jun-14	Euro	30.000	1.945
Banca Sella S.p.A.	0,60%	Variable	24-Jun-08	24-Jun-14	Euro	50.000	8.695
Banca Sella S.p.A.	0,69%	Variable	27-Jun-08	27-Jun-14	Euro	10.000	1.776
Banca Sella S.p.A.	5,30%	Fixed	16-Jul-08	16-Jul-15	Euro	10.000	2.392
Banca Sella S.p.A.	4,90%	Fixed	22-Sep-08	22-Sep-14	Euro	10.000	1.776
Banca Sella S.p.A.	0,64%	Variable	30-Sep-08	30-Sep-16	Euro	30.000	10.234
Banca Sella S.p.A.	0,74%	Variable	27-Oct-08	27-Oct-14	Euro	7.500	1.271
Banca Sella S.p.A.	4,00%	Fixed	15-Dec-08	15-Dec-14	Euro	2.500	455
Banca Sella S.p.A.	4,00%	Fixed	12-Jan-09	12-Jan-15	Euro	2.500	900
Banca Sella S.p.A.	3,90%	Fixed	6-Feb-09	6-Feb-15	Euro	2.500	865
Banca Sella S.p.A.	3,45%	Fixed	18-Feb-09	18-Feb-15	Euro	10.000	3.721
Banca Sella S.p.A.	3,50%	Fixed	24-Feb-09	24-Feb-15	Euro	2.500	865
Banca Sella S.p.A.	1,14%	Variable	5-Mar-09	5-Mar-15	Euro	6.000	1.972
Banca Sella S.p.A.	1,06%	Variable	16-Mar-09	16-Mar-15	Euro	20.000	6.172
Banca Sella S.p.A.	1,33%	Variable	3-Jun-09	3-Jun-19	Euro	3.450	1.250
Banca Sella S.p.A.	3,50%	Fixed	21-May-09	21-May-16	Euro	5.000	2.431
Banca Sella S.p.A.	4,55%	Fixed	21-May-09	21-May-19	Euro	1.000	700
Banca Sella S.p.A.	1,03%	Variable	15-Jul-09	15-Jul-19	Euro	1.692	1.226
Banca Sella S.p.A.	1,03%	Variable	15-Jul-09	15-Jul-19	Euro	210	170
Banca Sella S.p.A.	0,93%	Variable	31-Jul-09	31-Jul-19	Euro	1.799	324
Banca Sella S.p.A.	2,95%	Fixed	12-Oct-10	12-Oct-17	Euro	2.500	2.000
Banca Sella S.p.A.	2,50%	Variable	20-Oct-10	20-Oct-17	Euro	5.000	3.700
Banca Sella S.p.A.	3,15%	Fixed	22-Nov-10	22-Nov-17	Euro	2.500	1.600
Banca Sella S.p.A.	3,70%	Fixed	14-Jan-11	14-Jan-17	Euro	10.000	8.000
Banca Sella S.p.A.	4,65%	Fixed	15-Mar-11	15-Mar-21	Euro	10.000	7.770
Banca Sella S.p.A.	4,30%	Fixed	15-Jun-11	15-Jun-18	Euro	8.267	7.342
Banca Sella S.p.A.	5,20%	Fixed	25-Oct-11	25-Oct-17	Euro	3.000	2.024
Banca Sella S.p.A.	5,10%	Fixed	11-Nov-11	11-Nov-17	Euro	9.801	6.807
Banca Sella S.p.A.	5,75%	Fixed	12-Dec-11	12-Dec-17	Euro	20.000	14.022
Banca Sella S.p.A.	5,60%	Fixed	30-Dec-11	30-Dec-17	Euro	10.000	6.655
Banca Sella S.p.A.	5,40%	Fixed	17-Jan-12	17-Jan-18	Euro	20.000	15.493
Banca Sella S.p.A.	5,50%	Fixed	1-Feb-12	1-Feb-18	Euro	5.000	3.750
Banca Sella S.p.A.	5,00%	Fixed	14-Feb-12	14-Feb-18	Euro	15.000	12.056
Banca Sella S.p.A.	4,45%	Fixed	1-Mar-12	1-Sep-17	Euro	10.000	7.137
Banca Sella S.p.A.	4,15%	Fixed	13-Mar-12	13-Sep-17	Euro	10.000	6.587
Banca Sella S.p.A.	4,55%	Fixed	31-Aug-12	28-Feb-18	Euro	5.000	4.243
Banca Sella S.p.A.	3,50%	Fixed	15-Nov-12	15-Nov-18	Euro	10.000	8.111

Issuer	Interest rate	Interest type	Issue date	Maturity date	Currency	Original amount *(euro thousand)*	Contribution to regulatory capital *(euro thousand)*
Banca Sella S.p.A.	3,45%	Fixed	10-Dec-12	10-Dec-18	Euro	5.000	4.285
Banca Sella S.p.A.	3,25%	Fixed	7-Jan-13	7-Jan-19	Euro	15.000	11.601
Banca Sella S.p.A.	3,05%	Fixed	17-Jan-13	17-Jul-18	Euro	2.500	2.500
Banca Sella S.p.A.	3,00%	Fixed	31-Jan-13	31-Jan-19	Euro	5.000	4.300
Banca Sella S.p.A.	3,20%	Fixed	31-Jan-13	31-Jan-20	Euro	10.000	8.972
Banca Sella S.p.A.	3,15%	Fixed	22-Mar-13	22-Mar-19	Euro	15.000	13.990
Banca Sella S.p.A.	3,30%	Fixed	3-May-13	3-May-20	Euro	10.000	8.695
Banca Sella S.p.A.	3,20%	Fixed	17-May-13	17-May-20	Euro	15.000	14.238
Banca Sella S.p.A.	2,90%	Fixed	19-Aug-13	19-Aug-19	Euro	10.000	8.773
Banca Sella S.p.A.	3,10%	Fixed	4-Oct-13	4-Oct-19	Euro	5.000	4.164
Banca Sella S.p.A.	2,75%	Fixed	4-Oct-13	4-Oct-19	Euro	5.000	4.910
Banca Sella S.p.A.	3,10%	Fixed	22-Oct-13	22-Oct-19	Euro	5.000	4.756
Banca Sella S.p.A.	3,00%	Fixed	6-Nov-13	6-Nov-19	Euro	10.000	8.120
Banca Sella S.p.A.	3,00%	Fixed	13-Nov-13	13-Nov-19	Euro	7.500	7.020
Total eligible subordinated (Lower Tier II)							**327.312**
Total							**407.780**

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.

Quantitative information

	Total 12 2013	Total 12 2012
A. Tier 1 capital before application of prudential filters	**708.686**	**652.015**
B. Tier 1 capital prudential filters:	(769)	(528)
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(769)	(528)
C. Tier 1 capital including ineligible items (A + B)	**707.917**	**651.487**
D. Tier 1 capital ineligible items	32.180	16.086
E. Total Tier 1 capital (C - D)	**675.737**	**635.401**
F. Tier 2 capital before the application of prudential filters	**414.904**	**454.213**
G. Tier 2 capital prudential filters	(648)	(782)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(648)	(782)
H. Tier 2 capital including ineligible items (F + G)	**414.256**	**453.431**
I. Tier 2 capital ineligible items	32.180	16.086
L. Total Tier 2 capital (H - I)	**382.076**	**437.345**
M. Total Tier 1 and 2 capital ineligible items	-	32.606
N. Regulatory capital (E + L - M)	**1.057.813**	**1.040.140**
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N + O)	**1.057.813**	**1.040.140**

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, also for the purposes of EU regulation number 575/2013 (Basel III), in force since 1 January 2014.

2.3 Capital adequacy

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 8,42% and a ratio between total regulatory capital and risk weighted assets of 13,18%, well above the minimum requirement of 8%.

Periodically, patrimonial adequacy and respect for requested requisites is monitored by the Asset and Liability Management Committee.

Category / Amount	Non-weighted amounts		Weighted amounts/ requirements	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
A. RISK ASSETS				
A.1 Credit and counterparty risk	**11.549.920**	**11.595.241**	**6.794.364**	**7.101.877**
1. Standardized approach	11.549.920	11.594.473	6.794.364	7.101.723
2. Internal rating based approach			-	-
2.1 Basic				
2.2 Advanced				
3. Securitizations	-	768	-	154
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	x	x	**543.549**	**568.150**
B.2 Markets risks			**16.585**	**11.592**
1. Standardized approach	x	x	16.585	11.592
2. Internal models	x	x	-	-
3. Concentration risk	x	x	-	-
B.3 Operational risk			**82.127**	**81.940**
1. Basic approach	x	x	82.127	81.940
2. Standardized approach	x	x	-	-
3. Advanced approach	x	x	-	-
B.4 Other prudential requirements	x	x	-	-
B.5 Other capital requirements	x	x	-	-
B.6 TOTAL CAPITAL REQUIREMENTS	x	x	**642.261**	**661.682**
C. RISK ASSETS AND CAPITAL RATIOS	x	x		
C.1 Risk weighted assets	x	x	8.028.264	8.271.027
C.2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	x	x	8,42%	7,80%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	x	x	13,18%	12,50%

With reference to the 18 May 2010 initiative taken 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 neutralisation, for the purposes of calculating Regulatory Capital, of both capital gains and losses in regard to debt securities held in the "Assets available for sale" portfolio and limited neutralisation for securities issued by the central public entities of countries belonging to the European Union included in said portfolios, also for the purposes of EU regulation 575/2013 (Basel III), in effect as of 1 January 2014.

Section 3 – Regulatory capital and capital ratios

The solvency margin, calculated in accordance with the law, amounted to 24.478 million for life insurance. For non-life insurance, the solvency margin amounted to 2.5 million, 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 hedged by the Company's equity with an excess of 20.405 million Euro for life insurance and Capitalisation and 1.566 million for non-life insurance.

SOLVENCY MARGIN

At 31 December the solvency margin to be set up, the guarantee fund and the total components of the margin itself, separately for non-life and life insurance items, consisted of the following amounts:

(euro thousands)	**2013**
Life insurance	
Solvency margin to be set up	24.478
Guarantee fund	8.159
Margin components	44.883
Non life	
Solvency margin to be set up	2.500
Guarantee fund	2.500
Margin components	4.066

At the end of the financial year life-insurance solvency margin components amounted to 44.883 million Euro against an amount to be set up of 24.478 million; non-life solvency margin components amounted to 4.066 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)	**31/12/2013**
Required amount for adjusted solvency margin	32,491
Total components	42,648
Excess	10,157

The corrected solvency margin does not benefit from the provisions introduced by ISVAP regulation 43 of 12 July 2012.

PART G – AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

Section 1 – Operations carried out during the year

In 2013, no business combination transactions occurred.

Section 2 – Operations completed after year end

No business combination transactions occurred after the end of financial year 2013.

Section 3 – Retrospective adjustments

During 2013, as no business combination transactions occurred, there were no retrospective adjustments.

PART H – RELATED PARTY TRANSACTIONS

1. Information on directors' and managers' remuneration

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.

In light of the organizational structure of the Group, are included in the scope of "key management personnel" means the Board of Directors and members of the Executive Board of Banca Sella Holding in order to perform the duties of management, coordination and control.

Fees paid on 31 December 2013 to the above members of the Parent Company are shown in the following table:

Fees paid to managers with strategic responsibilities (*) *(amounts in euro thousands)*	
Item	**Total 31/12/2013**
a) short-term employee benefits	3.946,7
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	219,8
e) share-based payments	-
Total	**4.166,5**

(*) 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 31/12/2013**
Directors	1.961,4
Statutory Auditors	283,5
Total	**2.244,9**

2. Information on related party transactions

Transactions with related parties were carried out, as a rule, on the basis of terms equivalent to those applied for operations performed with independent third parties.

Intra-group transactions were carried out following assessments of mutual benefit, in line with market terms, with the aim of creating value within the Group.

In preparing the consolidated financial statements, transactions and existing balances with intra-group related parties are eliminated.

The table below sets out assets, liabilities, guarantees and commitments existing as of 31 December 2012 differentiated by the different types of related parties:

Related-party transactions at 31 December 2013 *(amounts in euro thousands)*			
	Subsidiaries	**Associated companies**	Directors and Managers
Loans & Receivables	-	-	5.671,94
Payables	-	351,95	4.850,70
Guarantees given	-	-	791,14
Guarantees received by the Group	-	137,31	1.115,07
Interest receivable and similar income	-	-	51,85
Interest payable and similar expense	-	-	603,92
Fee income	-	-	137,46

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.

1. Segment reporting – breakdown by business area

Gli “operating segments” individuati a livello gruppo sono i seguenti:

Commercial Banking Department

Commercial Banking Management includes organisations whose missions include the development and management of customer relations, with particular reference to governing commercial bank 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. Banca Sella falls in this category, net of the component related to services in the Payment Services and Banking Services department.

Finance Department

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.

Payment Services and Banking Services Department

The mission of the Banking Services Department is to provide the group with an adequate technical and organisational structure characterised by efficiency, excellence, innovation and the highest quality. Its task is also to provide information systems to the banks and companies of the Group in outsourcing.

Banking services also has responsibilities regarding Payment Systems business.

The group's instrumental companies fall in this operating segment (Immobiliare Lanificio M. Sella, Immobiliare Sella, Selvimm Due, Selir and Easy Nolo), as well as the parts of Banca Sella related to Payment Systems, Administration and IT.

Private Banking and Investment Services Product Companies

The Private Banking and Investment Services Product Companies comprise the entities whose business is mainly focused on the creation of products or the provision of specialist investment services.

This operating segment includes the companies Banca Patrimoni Sella & C., Family Advisory Sella Gestioni, Cba Vita, Sella Life, Brosel and Selfid and some services of Banca Sella Holding (Correspondent Bank and Trading).

Specialised Credit Companies

This operating segment includes companies that operate in the credit sector with specific reference to leasing products and consumer credit.

The companies Biella Leasing and Consel fall in this category.

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 General 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 by one business unit for 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 Report on Operations.

Where considered significant, for a better understanding of the income statement and balance sheet, the 2012 data have been recosntructed to make them comparable with these financial statements.

Below is the table on segment reporting – breakdown by business area:

Segment report statement - breakdown by business area *(amounts in euro millions)*

	Commercial Bank	Finance	Payment Systems and Banking	Private Banking Investment Services and Product Companies	Credit Specialist	Central structure	Total
INCOME STATEMENT:							
NET INTEREST INCOME (1)							
year 2013	195,8	17,3	1,8	16,0	58,0	2,3	291,2
year 2012	199,4	17,8	1,6	14,0	51,5	1,6	285,9
NET INCOME FROM SERVICES							
year 2013	131,4	13,2	39,6	52,4	17,3	0,9	254,9
year 2012	138,0	24,9	36,1	50,7	18,0	2,0	269,6
NET BANKING AND INSURANCE INCOME							
year 2013	327,2	30,5	41,4	68,4	75,3	3,2	546,1
year 2012	337,3	42,7	37,7	64,6	69,5	3,6	555,4
OPERATING COST							
year 2013	-207,3	-9,7	-31,8	-48,6	-36,8	-23,4	-357,5
year 2012	-220,5	-11,3	-33,0	-47,2	-36,1	-26,1	-374,3
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS							
year 2013	-7,2	-0,4	-17,4	-1,3	-1,5	-1,9	-29,6
year 2012	-7,6	-0,4	-17,7	-0,9	-1,5	-1,9	-30,0
OPERATING PROFIT/(LOSS)							
year 2013	120,0	20,8	9,5	19,8	38,5	-20,1	188,6
year 2012	116,8	31,4	4,7	17,5	33,4	-22,6	181,1
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES							
year 2013	-105,7	0,0	0,0	-0,2	-31,3	-0,9	-138,2
year 2012	-98,6	0,0	0,0	-0,2	-29,3	0,6	-127,5
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES							
year 2013	28,0	20,8	9,3	18,6	7,5	-21,4	62,9
year 2012	12,7	31,4	4,4	14,5	3,8	-25,8	41,0
PROFIT/(LOSS) FOR THE PERIOD (including minority interest)							
year 2013	17,4	12,6	5,0	10,4	4,4	-11,4	38,3
year 2012	8,3	21,2	2,6	10,7	1,7	-21,7	22,7
OTHER INFORMATION:							
TOTAL ASSETS (before cancellations)							
year 2013	10.140	2.259	142	2.063	2.171	1.012	
year 2012	9.999	2.209	143	2.171	2.019	1.037	
DUE FROM CUSTOMERS (before cancellations)							
year 2013	7.182	407	18	305	1.993	0	
year 2012	7.477	556	23	242	1.916	8,562	
DUE TO CUSTOMERS (before cancellations)							
year 2013	7.850	72	-1	607	36	23	
year 2012	7.764	141	0	476	10	20	
OUTSTANDING SECURITIES (before cancellations)							
year 2013	1.146	428	0	14	151	0	
year 2012	1.287	679	0	15	14	0	
NO. EMPLOYEES							
year 2013	2.352	56	854	306	328	146	4.042
year 2012	2.435	53	844	338	330	142	4.142

(1) Interest income are reported net of interest payable in the item Net interest income (IFRS 8 paragraph 23)

2. Segment reporting – breakdown by geographical area

The segment reporting by geographical areas required under IFRS 8 contains a condensed outline of 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 2013	289,7	1,5	291,2
year 2012	284,9	1,0	285,9
NET INCOME FROM SERVICES			
year 2013	253,2	1,6	254,9
year 2012	268,2	1,3	269,5
NET BANKING AND INSURANCE INCOME			
year 2013	543,0	3,2	546,1
year 2012	553,1	2,3	555,3
OPERATING COST			
year 2013	-357,1	-0,4	-357,5
year 2012	-372,3	-2,0	-374,3
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS			
year 2013	-29,0	-0,6	-29,6
year 2012	-29,7	-0,3	-30,0
OPERATING PROFIT/(LOSS)			
year 2013	185,8	2,8	188,6
year 2012	180,8	0,3	181,1
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES			
year 2013	-137,3	-0,9	-138,2
year 2012	-128,1	0,6	-127,5
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES			
year 2013	61,0	1,9	62,9
year 2012	40,4	0,5	41,0
PROFIT/(LOSS) FOR THE PERIOD			
year 2013	36,0	2,3	38,3
year 2012	24,3	-1,6	22,7
OTHER INFORMATION:			
TOTAL ASSETS (before cancellations)			
year 2013	17.108	679	
year 2012	16.727	848,9	
DUE FROM CUSTOMERS (before cancellations)			
year 2013	9.905	0	
year 2012	10.214	8,6	
DUE TO CUSTOMERS (before cancellations)			
year 2013	8.587	1	
year 2012	8.409	0,8	
OUTSTANDING SECURITIES (before cancellations)			
year 2013	1.738	0	
year 2012	1.996	0,0	
NO. EMPLOYEES			
year 2013	3.542	500	4.042
year 2012	3.654,0	488,0	4142

[1] Interest income are reported net of interest payable in the item Net interest income (IFRS 8 paragraph 23)

INDIPENDENT 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, 2013, 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, 2013.

3. In our opinion, the consolidated financial statements of Banca Sella Holding S.p.A. as of and for the year ended December 31, 2013 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, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 10, 2014

This report has been translated into the English language solely for the convenience of international readers.