GRUPPO BANCA SELLA

REPORT AND CONSOLIDATED

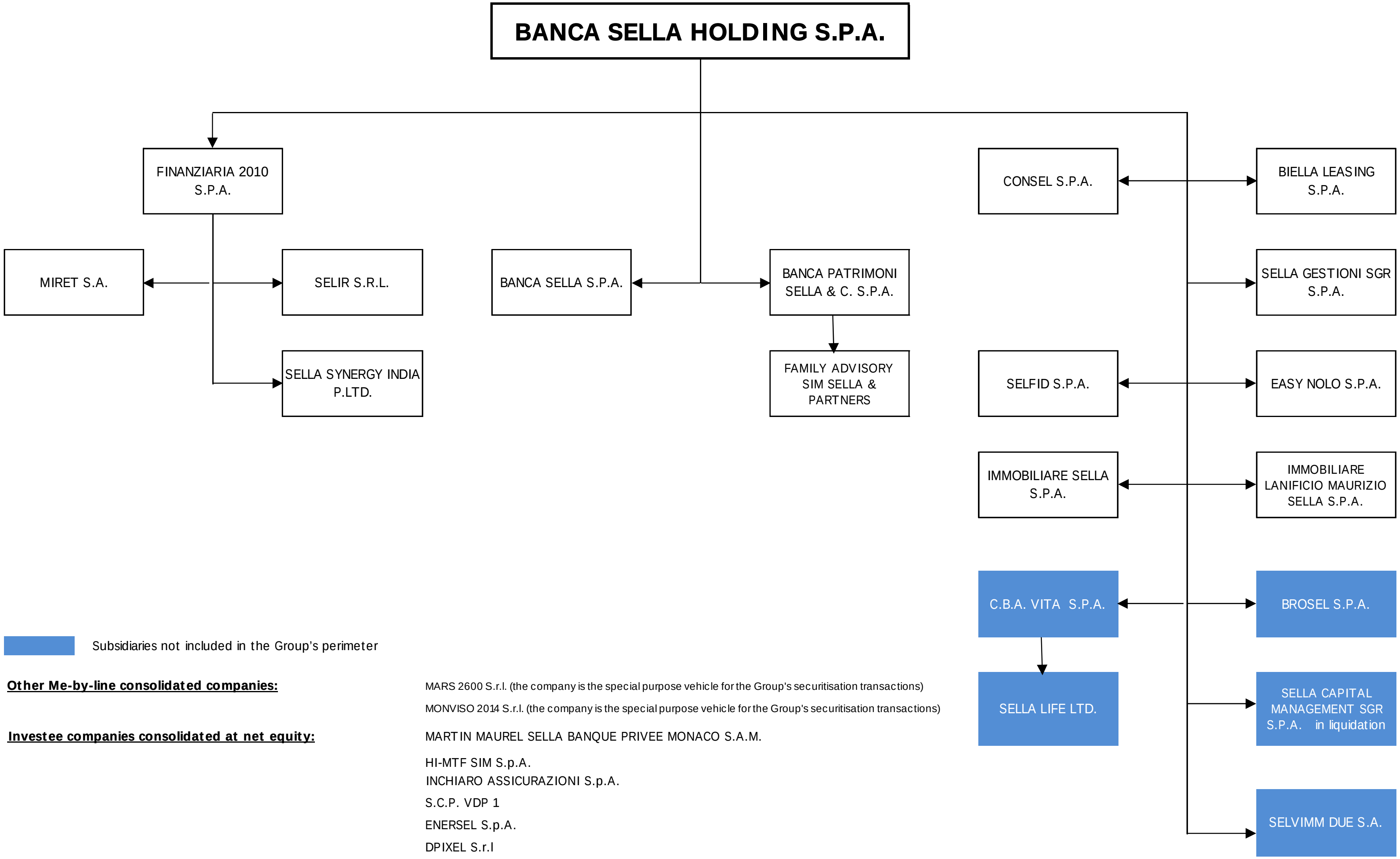
FINANCIAL STATEMENTS 2015

Drawn up by the Parent company

B A N C A S E L L A H O L D I N G

Contents

Map of the Group as December 31, 2015



Subsidiaries not included in the Group's perimeter

Other Me-by-line consolidated companies:

MARS 2600 S.r.l. (the company is the special purpose vehicle for the Group's securitisation transactions)

MONVISO 2014 S.r.l. (the company is the special purpose vehicle for the Group's securitisation transactions)

Investee companies consolidated at net equity:

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.
DPIXEL S.r.l
SYMBID ITALIA S.p.A.

Corporate Officers

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 Renzo Deaglio
“	Giovanni Petrella
“	Ernesto Rizzetti
“	Caterina Sella
“	Federico Sella
“	Giacomo Sella
“	Sebastiano Sella
“	Giovanni Zanetti

RISK COMMITTEE

Chairperson	Anna Maria Ceppi
“	Mario Renzo Deaglio
“	Giovanni Zanetti

REMUNERATION COMMITTEE

Chairman	Mario Renzo Deaglio
“	Mario Bonzano
“	Giovanni Zanetti

APPOINTMENTS COMMITTEE

Chairperson	Anna Maria Ceppi
“	Maurizio Sella
“	Giovanni Zanetti

BOARD OF STATUTORY AUDITORS

In office up to the approval of the 2017 financial statements

Chairman	Pierluigi Benigno
Regular Auditor	Gianluca Cinti
“ “	Daniele Frè
Alternate Auditor	Riccardo Foglia Taverna
“ “	Pierangelo Ogliaro

GENERAL MANAGEMENT

Director General	Pietro Sella
Co-Director General	Attilio Viola

INDEPENDENT AUDITING FIRM	Deloitte & Touche S.p.A.

Report on Consolidated Operations

Banca Sella Group – Main figures and indicators

Rating

In its credit opinion issued in January 2016, Moody's Investor Service assigned Banca Sella Holding the following ratings:

Rating - Moody's	
Long-term rating for deposits	**Baa3**
Prospects	**Negative**
Short-term rating for deposits	**P-3**
Long-term rating for non-guaranteed senior debt	**Ba3**

DBRS assigned Banca Sella Holding the following ratings, originally in July 2014 with periodic updates that are confirmed at present:

Rating - DBRS	
Long-term rating	**BBB (low)**
Short-term rating	**R-2 (low)**
Trend	**Negative**

DBRS, with a credit opinion issued in May 2015, and confirmed again after the capital increase, assigned Banca Sella the following ratings:

Rating - DBRS	
Long-term rating	**BBB (low)**
Short-term rating	**R-2 (low)**
Trend	**Negative**

Staff and branches *(year end)*

	2015	2014	2013	2012	2011	2010	2009
Employees of banking group	4,253	4,117	4,001	4,100	4,121	4,229	4,383
Insurance company employees	51	44	41	42	44	44	46
Total employees of Gruppo Banca Sella(*)	4,304	4,161	4,042	4,142	4,165	4,273	4,429
Branches in Italy and abroad	304	304	304	332	334	335	334
Financial advisers	356	331	295	292	281	295	291

(*) Employees of the bank group plus employees of insurance companies

Summary Data

Recall that, to ensure homogeneity with financial year 2014, in the tables below, asset and liabilities pertaining to the investment in CBA Vita are included in the individual items and not classified in item 150 of the assets and 310 of the income statement.

Banca Sella Group Summary data (euro millions)

BALANCE SHEET DATA	31/12/2015	31/12/2014	Changes	
			absolute	%
Total assets	13,968.2	14,257.8	(289.6)	-2.0%
Financial assets (1)	4,407.3	3,855.1	552.2	14.3%
Cash loans, exclusive of repurchase agreements receivable	7,688.3	7,996.7	(308.4)	-3.9%
repurchase agreements receivable	*347.4*	*64.7*	*282.7*	*436.7%*
Total cash loans (2)	8,035.7	8,061.4	(25.7)	-0.3%
Equity investments	17.2	15.6	1.6	10.5%
Tangible and intangible fixed assets	296.3	288.6	7.7	2.7%
Direct deposits, exclusive of repurchase agreements payable	10,174.6	10,093.0	81.6	0.8%
repurchase agreements payable	*17.8*	*40.9*	(23.1)	-56.5%
Total direct deposits (3)	10,192.4	10,133.9	58.5	0.6%
Indirect deposits (4)	16,750.5	15,663.0	1,087.5	6.9%
Total deposits	26,942.9	25,796.9	1,146.0	4.4%
Guarantees issued	211.6	248.0	(36.4)	-14.7%
Common Equity Tier 1 (CET 1)	857.4	716.2	141.3	19.7%
Additional Tier 1 capital (AT 1)	6.9	1.1	5.8	552.4%
Tier 2 (T2)	193.0	221.2	(28.2)	-12.7%
Total own funds	1,057.4	938.4	118.9	12.7%

RECLASSIFIED ECONOMIC DATA (5)	31/12/2015	31/12/2014	Changes	
			absolute	%
Net interest income (6)	254.0	290.3	(36.4)	-12.5%
Net revenues from services (7)	264.3	261.3	3.0	1.2%
Net revenues from insurance activities	17.2	12.3	4.9	40.1%
Net banking income	535.4	563.9	(28.4)	-5.0%
Operating costs net of recovery of stamp duties and other taxes (8)	(383.3)	(361.9)	(21.3)	5.9%
Operating profit/loss	152.2	201.9	(49.8)	-24.6%
Net value adjustments for impairment losses	(129.0)	(180.7)	51.7	-28.6%
Other economic items	16.9	83.8	-66.9	-79.8%
Income taxes	(8.4)	(35.2)	26.7	-76.0%
Profit (loss) for the period pertaining to Parent Company	28.5	70.5	(42.0)	-59.6%
Profit (loss) for the period pertaining to minority interests	3.1	(0.6)	3.7	-614.8%

(1) The aggregate represents the sum of the following items in the Balance Sheet Assets: item 20 "financial assets held for trading", item 30 "financial assets carried at fair value" and item 40 "financial assets available for sale";
(2) 70 represents the item of the balance sheet assets "loans to customers";
(3) The aggregate represents the sum of the following Balance Sheet liabilities items: item 20 "due to customers" and item 30 "securities in issue";
(4) The aggregate, excluding "cash" (included in direct deposits from customers), is the sum of the following items of the section "Other Information" of the Notes to the Financial Statements: "asset management", "other securities of third parties deposited (net of securities issued by companies included in consolidation)" and components relative to units in investment funds subscribed by customers and insurance funding, as indicated in the footnote to the table for management and brokering for third parties;
(5) As per items reported in the reclassified consolidated Income Statement;
(6) Aggregate not inclusive of the component relative to the insurance segment returned to the relevant item in the reclassified income statement;
(7) The aggregate represents the sum of the following items in the Reclassified Income Statement: net commissions, net income (loss) from trading and hedging activities, profit (loss) from sale or repurchase of loans, financial assets available for sale, financial assets held to maturity, and financial liabilities; the insurance component has been separated from each item;

(8) *Given by the sum of the following items: "Administrative expenses" item 180, "Value adjustments on tangible assets" item 200, "Value adjustments on intangible fixed assets", item 210 "Other operating income and expenses" item 220.*

Alternative performance indicators

PROFITABILITY RATIOS (%)	31/12/2015	31/12/2014
R.O.E. (return on equity) (1)	3.5%	9.0%
R.O.A. (return on assets) (2)	0.2%	0.5%
Net interest income (3) / Net banking income (3)	47.4%	51.5%
Net income from services (3) / Net banking income (3)	49.4%	46.3%
Net income from insurance activities (3) / Net banking and insurance income (3)	3.2%	2.2%
Cost to income (4)	70.9%	62.1%
Cost to income net of National Resolution Fund contribution (5)	69.1%	62.1%

PRODUCTIVITY RATIOS (euro millions)	31/12/2015	31/12/2014
Net banking income (3) / Average no. of employees	128.2	137.5
Operating result (3) / Average no. of employees	39.3	49.2
Cash loans (net of repurchase agreements) / Employees at year end	1,785.8	1,921.8
Direct deposits (net of repurchase agreements payable) / No. of employees at the end of the year	2,361.7	2,425.6
Direct deposits / No. of employees at year end	6,303.9	6,266.0

EQUITY AND LIQUIDITY RATIOS (%)	31/12/2015	31/12/2014
Cash loans (net of repurchase agreements) / Direct deposits (net of repurchase agreements)	75.6%	79.2%
Cash loans (net of repurchase agreements) / Total assets	55.0%	56.1%
Direct deposits (net of repurchase agreements payable) / Total assets	72.8%	70.8%
Liquidity Coverage Ratio (LCR) (6)	197.9%	180.0%
Net Stable Funding Ratio (NSFR) (7)	122.4%	116.1%

CREDIT RISK RATIOS (%)	31/12/2015	31/12/2014
Net impaired loans / Cash loans (net of repurchase agreements)	8.4%	8.7%
Net bad loans / Cash loans (net of repurchase agreements)	4.2%	3.9%
Net value adjustments to loans (8) / Cash loans (net of repurchase agreements receivable)	1.8%	2.3%
Coverage rate for impaired loans	47.7%	48.1%
Coverage rate for bad loans	60.4%	64.2%

SOLVENCY RATIOS (%)	31/12/2015	31/12/2014
CET 1 ratio	11.59%	8.95%
Tier 1 ratio	11.68%	8.96%
Total capital ratio	14.29%	11.72%

(1) Ratio between operating profit and equity, net of valuation reserves, both including minority interests;
(2) Ratio between "Net profit including minority interests" and "Total assets";
(3) As per item reported in the reclassified consolidated Income Statement;
(4) Ratio between operating costs, after deducting IRAP on personnel costs and net of losses connected to operating risks and net banking income;
(5) Cost to income calculated removing ordinary and extraordinary contributions to the Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS).
(6) LCR: minimum limit at 31.12.2015 60% (minimum limit after start-up period, 100%, as of 01 January 2018).
(7) NSFR: officially takes effect as of 01 January 2018, with a minimum limit of 100%.
(8) Obtained from the sum of items 100 a) and 130 a) in the reclassified income statement.

Macroeconomic reference scenario

World context

In 2015, the world economy as a whole continued to grow, although at a lower rate than in 2014, with wide variations between geographical areas and progressively slowing. The final projection for world growth in 2015 made by the International Monetary Fund was 3.1%, as stated in the January 2016 update, compared to 3.5% estimated in January 2015 and 3.9% estimated in January 2014.

The **United States economy**, after a first half of growth with an average rate of 2.8% year on year, showed signs of slowing in the second half, achieving 2.4% growth year on year in 2015, in line with the figure from 2014. Private consumption, with a trend that fell in particular during the final months of the year, providing the main contribution to GDP growth, supported by multiple factors: from a progressive recovery in employment conditions, although still incomplete and not accompanied by increases in hourly wages comparable to those seen prior to the crisis; further wealth accumulation, both in the real and financial components; favourable credit conditions, as well as support for purchasing power deriving from the drop in inflation (at 0.1% for all of 2015 against 1.6% in 2014), determined for the most part by the drop in oil prices. Positive contributions to growth were also provided by residential investments and public spending, after the contribution seen in 2014 of just only slightly above zero. The correction in crude oil prices, on the other hand, slowed investments in the energy sector which weighed down trends for non-residential private investments, pulling them downwards. The appreciation of the dollar and the anaemic nature of international demand led to a more significant loss of drive for exports with respect to imports, weakening net exports and therefore holding back GDP growth again in 2015. Supported by the signals coming from the labour market, with an unemployment rate that fell again during the year (at 5% in December, half of the level reached in 2009, and compatible with long-term equilibrium estimated by the Federal Reserve), in its December meeting the US central bank began normalising the official rate used in monetary policy, raising it by 25 basis points for the federal funds reference interval (brought to 0.25–0.50%) for the first time since 2006, thereby ending the zero rate policy adopted in December 2008. In addition, the Federal Reserve offered assurances regarding the fact that monetary conditions will continue to be accommodating, so as to favour both additional improvement in the labour market, where certain indicators are still far from the numbers seen prior to the recession, and a return to the medium-term inflation objective of 2%. It also added that the securities reinvestment policy about to expire will be continued until normalisation of federal fund levels is not at an advanced state. In line with these declarations, guidelines for the official rate indicate the Committee’s desire to gradually move towards raising rates, guided by progress achieved in regards to the dual mandate of supporting employment and price stability. Based on the average judgement of members of the Monetary Policy Committee, the official rate at the end of 2016 will be between 1.25% and 1.50%, or 100 basis points higher than the current level.

In the **Eurozone**, the moderate economic recovery continued in 2015, but at rhythms that as a whole slowed in the last quarters of the year, leading to an overall increase of 1.5%, compared with 0.9% in 2014. The recovery of real GDP, which returned to the values seen at the start of 2008, was above all led by internal demand: monetary conditions slowly becoming more accommodating, support for purchasing power deriving from the drop in oil prices and the gradual improvement in the labour market, while still far from pre-crisis conditions, all supported private consumption. Another sign of recovery was also seen in investments, in particular in the last quarter of the year, which nonetheless remain a good 13 percent below 2008 levels. Weakness in net exports based on the deterioration of the external situation, notable in certain significant emerging economies, represented a factor that held back growth. In terms of geographic composition, with respect to the initial phase of the recovery which saw notable differences between core and peripheral countries, the consolidation of the expansive trends seen also become more homogeneous: all the major economies in the Eurozone saw overall increases in Gross Domestic Product during the 4 quarters in question, with the exception of France, which saw zero growth between April and June. With reference to **Italy**, national accounting figures for the fourth quarter (+0.1% with respect to the third quarter 2015 and +1% with respect to fourth quarter 2014) confirmed a progressive weakening seen during the year which, nonetheless, did not impede the economy from ending 2015 with the first increase since 2011 (+0.6%, taking calendar effects into account, from -0.3% in 2014). In the last three months of the year, the contribution from domestic demand, net of inventories, remained positive (at +0.4%), thanks to the private consumption, public spending and gross fixed investments. Net exports, after having held back growth by 0.3 percent in the previous quarter, returned positive during the last quarter of the year (+0.1%). Among the Eurozone countries, in 2015 the **Greek** economy once again shrank (-0.3%, against +0.7% in 2014), working to implement a complex programme of structural reforms, which was the requirement international lenders established for granting the third aid plan for the country (€ 86 billion over 3 years), agreed upon in August. The substantial absence of pressure on the demand side, and the notable decrease in oil prices (-47% on average with respect to 2014 prices) led to an additional drop in **inflation**, from the already low levels of the previous year, with various monthly figures falling below zero when compared with the start of 2015. The annual average inflation rate was 0.0% (+0.4% in 2014) in the Eurozone and +0.1% (0.2% in 2014) in Italy. The deterioration of the inflation situation and the progressive decrease in inflation prospects, also with a medium/long-term horizon, led the European Central Bank (ECB) to adopt an even more accommodating monetary policy in 2015. At its meeting on 22 January, it announced a securities purchasing programme (Quantitative Easing - QE) which was more extensive than that presented the previous September by including, in addition to covered bonds and asset-backed securities (ABS), debt securities issued by Eurozone governments, national agencies and supranational institutions, for monthly purchases totalling € 60 billion. These purchases, which were begun on 9 March, were initially intended to continue at least through September 2016. At its last meeting in 2015, on 3 December, the European Central Bank, worried that the interventions carried out up to that point had been effective in regards to the real economy, but insufficient to sustain a recovery in inflation in terms of the medium-term objective, once again strengthened monetary stimulus. It announced a new package of expansive measures: 10 basis point reduction in the interest rate on deposits, going from -0.20% to -0.30%, while confirming the interest rate for the main refinancing operations and for marginal refinancing operations, respectively at 0.05% and 0.30%. It also extended the timeframe for monthly € 60 billion purchases of securities at least through March 2017, and in any case until inflation trends are in line with the established objective (just under 2%). In addition, reinvestment of maturing securities acquired in the context of the QE plan, until necessary and inclusion of Eurozone regional and local public administration bonds in the category of securities that can be purchased. Also at said meeting the Directive Council emphasised its willingness to act again, using all the tools available to it, and in particular taking advantage of the flexibility of the purchasing plans, which allow for adjustments in terms of size, structure and duration. This willingness was confirmed at the meeting on 10 Mach 2016, when the ECB introduced significant new stimulus measures against growth and inflation forecasts that had been lowered beyond that seen in December, aimed in particular at loosening lending conditions and thereby transmitting the multiple unconventional initiatives adopted to the real economy, with the ultimate goal of supporting the recovery in the Eurozone and accelerating a return to inflation levels of just under 2%.

In Asia, **Japan**, with high volatility in quarterly trends, oscillated both above and below zero, growing by a modest 0.5% year on year in 2015, after the 0.0% seen in 2014, and continuing the have difficulties in finding a stable path towards expansion. In fact, the solid conditions seen in the domestic labour market are having difficulties in translating to upward salary trends and consequently more vivacious consumption trends. Similarly, corporate profits are improving thanks to the significant contribution of the exchange rate and favourable oil prices, but are struggling to generate sustainable recovery in regards to the investment cycle. In regards to consumer prices, the change in the index after fresh food is removed (Central Bank figures), as well as the transitional impact of the increase in consumption taxes introduced in April 2014, remained near zero for all of 2015, affected by the trend of oil prices and substantial inertia in the recovery of components more closely linked to economic growth trends, similar to that seen in other advanced economies. During the year, the central bank confirmed its exceptionally accommodating stance in terms of monetary policy that began in April 2013, becoming even more expansive with the measures announced at the end of 2014, with the explicit intention of reaching an inflation rate of 2%.

In the **emerging economies**, despite widely varying macroeconomic conditions, 2015 saw a generalised reduction in growth rates, which in some cases involved serious recessions. In **China**, the deceleration of growth rates seen, which fell from 7.3% in 2014 to 6.9% in 2015, was limited and for the most part can be viewed within the context of the government plan to transition towards a more sustainable growth model, intended to progressively reduce certain economic sectors in favour of others. The favourable inflation situation (with a +1.4% year on year change in the consumer price index, from +2% in 2014 and with the government target at 3%) allowed monetary policy, during the delicate rebalancing stage, to continue to provide necessary support for growth. In **India**, where in 2015 domestic product grew at 7.3% year on year, based on national accounting figures, in contrast to 7.1% in 2014, with inflation confirming the downward trend begun in 2014 (going from 6.7% in 2014 to 4.9%), the central bank lowered the cost of funding by 125 basis points, announcing in December that it would continue to have an accommodating stance in terms of monetary policy. In **Russia**, gross domestic product fell by 3.7% in 2015, in comparison to the modest growth of 0.6% seen in 2014. After the peak of 16.9% seen in March 2015, inflation progressively declined to 8.1% in February 2016. The prospects for 2016 are weighed down by the drop in oil prices, the weakness of the rouble and tensions with Turkey, as well as the continued sanctions applied by the West due to involvement in the Ukraine situation. In **Brazil**, political uncertainties and the delay in the start of structural reforms have aggravated an already difficult economic situation. Gross domestic product fell by 3.8% in 2015, after the zero growth seen in the previous year. Inflation, which continues to grow despite the 250 basis point increase in the cost of funding applied by the central bank in 2015, was over 10.7% in January 2016.

The financial markets

Long-term return rates in the USA were stable overall in 2015, despite the volatility seen during the year, including moments of risk aversion and a desire for quality investments by international investors, particularly notable in the summer months, after the problems seen in significant emerging economies, above all China, and awaiting a slow and gradual normalisation of monetary policy by the Federal Reserve. Expectations for further monetary stimulus from the European Central Bank, after the announcement of the QE plan in January, led government returns to return to the levels seen at the start of 2015 by the end of the year, after the upward trends seen in spring and summer, in part affected by the fears arising at the end of 2014 in regards to the situation in Greece. The average German ten year rate was 0.54% in 2015, compared to the 1.24% average in 2014. The return on ten-year BTPs saw an average 1.70% in 2015, compared to 2.87% the previous year.

In 2015, the stock markets saw a decline of approximately 2.7% (MSCI World). During the first part of the year, the main stock markets benefited from the accommodating stance for monetary policy established by the main global central banks, subsequently undergoing a corrective phase originating from apprehensions relative to the effects of the initial increase in official rates by the US Central Bank, fears about lower growth prospects in the Chinese economy and the associated structural changes that involved sectors connected with raw materials - factors which increased the economic problems in certain emerging areas and were not entirely compensated for by the more accommodating stance taken by other large global central banks.

The Euro depreciated by around 6% in nominal effective terms during 2015, with a clear change of around 4% between the start of September and the start of December. The weakening of the single currency was particularly notable in regards to the US dollar (around 17%), reflecting growing divergences in the monetary policies followed by the Federal Reserve and the ECB.

Italian banking system

During 2015, lending activity by the Italian banking system saw a period of gradual improvement, while still far from the pre-crisis period. The drop in loans provided to business progressively slowed, benefiting from the gradual improvement in economic activity and the loosening of the conditions offered by banks. Loans to households began to grow once again, although only slowly, starting after the middle of the year. Although the level of impaired items grew again, the flow of new bad loans fell with respect to 2014, allowing for a reduction in the cost of credit. All this was reflected in the balance sheets of Italian banks, which in the first three quarters of the year saw profitability that was still weak, but recovering. The regulatory changes which applied to banks, aimed at making the financial system more resistant to crises and more stable in the future, also contributed to holding down bank profitability and the overall size of the credit system.Italian bank loans to resident private customers came to € 1,643 billion in December 2015, with an annual drop of 0.4%. Loans to non-financial companies continued to fall in 2015, although the downward trend was lower, with the final amount reaching € 793 billion at the end of December (-1.75% year on year), with varying trends by sector, size class and creditworthiness. Loans to households returned to growth in April, after three years of shrinking, reaching a final figure at the end of December of € 620 billion, with 3.9% growth, above all due to the significant increase in the stock of consumer loans.

In 2015, the deterioration of credit quality continued, although the amount of new non-performing items slowed. The volume of gross bad loans at the end of December stood at € 201 billion, up 9.4% on last year with a ratio of gross bad loans and loans of 10.5% (from 9.57% at end 2014) and a ratio of net bad loans and loans of 4.9% (from 4.6% at end 2014).

At the end of December 2015, deposits in Euro with Italian banks represented by residents' deposits and bonds, reached € 2,061 billion, a 1.2% decline on an annual basis. The drop is entirely due to the reduction in the bond component which ended the year at € 601 billion, down by 15%. Bonds which matured during the year were not replaced by similar amounts of new issues, due to the abundant availability of alternative financial instruments within the Eurosystem, the uncertain recovery of the credit cycle and finally, lower demand from customers, disoriented by insufficient communication regarding regulatory changes for resolutions and bail-ins. On the other hand, for the third consecutive year growth in current account deposits was positive, seeing an 8.4% annual increase in December, reaching € 877 billion.

In regards to amounts in the income statement, listed banking groups ended the first nine months of the year with profitability that was still limited, but improving with respect to the corresponding period the previous year. This was mainly thanks to the drop in write-downs on loans (-26%) and to a lesser extent, containment of operating expenses. Operating income was substantially stable (+0.4%), given that the weakness of net interest income (-4.5%) was compensated for by the progress seen in net commissions (+6.6%).

Strengthening of capital for Italian banks continued in 2015 and at the end of the third quarter the average CET1 ratio for the main listed Italian banking groups was 11.9%, compared to 10.8% at the end of 2014.

Liquidity

The year 2015 was characterised by consolidation of the good, and in some cases excellent, liquidity situation for the Italian banking system. This condition was favoured by the unrolling of the European Central Bank's (hereafter ECB) monetary stimulus, which starting in March began its Quantitative Easing securities purchasing programme (hereafter QE), which involved both government securities and asset backed securities and covered bonds. Also thanks to the QE stimulus, during the year access conditions to institutional funding through covered bonds or asset backed securities remained favourable. To this was added the 4-year loan at particularly favourable conditions that many Italian banks made use of in significant amounts, that was offered by the ECB through the Targeted Long Term Refinancing Operations (T-LTRO). During the second half of the year, and in particular towards the end of the year, Italian banks also saw evident tensions on credit spreads for senior unsecured bond debt and, in particular, for subordinated bonds. The phenomenon was worse for medium and small banks.

Despite these systemic tensions, the cost of customer funding still fell during the year. The unsecured interbank market continued, as in previous years, to record exchanges concentrated for shorter maturity dates (mostly overnight) and for smaller amounts.

As indicated above, the ECB continued with its stimulus actions. In addition to beginning the cited QE programme, in 2015 the ECB Directive Council extended the duration of the ON Deposit Facility by another 6 months and further reduced the rate to -0.30%.

Significant events during the year

Below are the most important events that occurred during financial year 2015 for the Banca Sella Group:

Bank of Italy Inspection

On 09 February 2015, in the context of ordinary supervisory activities, Bank of Italy began an inspection of Banca Sella Holding with the subject of: "Analysing the quality of the group's loan portfolio and the efficacy of the relative credit policies", which followed the previous inspection regarding these issues made in 2010 and the more recent general inspection in 2012. The inspection, which involved loans disbursed by Banca Sella, Banca Patrimoni Sella & C., Biella Leasing and Consel, was completed on 17 June 2015. Upon the conclusion of the inspection, relative to measurements taken at 31 December 2014 on positions subject to analytical verification, classification and expected loss differences arose, the latter already made independently during the course of 2015. In September, Banca Sella Holding received the inspection report which involved the loans issued by Banca Sella, Biella Leasing and Consel in which, in virtue of the good credit quality found and the positive profile structure as a whole, it received a "Partially Favourable" rating. Classification differences (greater bad loans) and measurement differences (greater adjustments on loans) shown with reference to 31 December 2014 were almost entirely included in the interim individual and consolidated reports at 30 June 2015.

Corporate transactions

On 26 March 2015, the merger by incorporation of the following companies into the statutory parent company Maurizio Sella S.A.p.A. took legal effect: Selim S.p.A., Finanziaria 2006 S.p.A., Sofise S.p.A. and Finanziaria 1900 S.p.A., which had an effect on the scope of consolidation considered when calculating regulatory capital and ratios.

In November 2015 a sales agreement was reached with the HDI Assicurazioni Group. They will serve as an insurance partner for the next ten years, consolidating the already solid partnership begun in 2007 through InChiaro Assicurazioni. The agreement envisages that HDI Assicurazioni will purchase the entire stock share of CBA Vita, and therefore also that of its subsidiary Sella Life, and the 49% stake held in InChiaro Assicurazioni. In addition, the agreement includes a ten year distribution agreement that makes it possible to extend the cooperation by also including the life segment. The definitive sales contract will be drafted in the first months of 2016 and the sale will be completed, which is subordinate to approval by the supervisory authorities.

In December, Consel made an agreement with Banca IFIS to sell a portfolio of impaired loans which are difficult to collect on, as they are unsecured. This portfolio, consisting of around 32,000 positions with a nominal value transferred of around 230 million, was subdivided into personal loans (66%) and loans for specific purposes (34%). Through this significant financial operation, the first of this size, Consel obtains a concrete benefit in terms of operational management of a portion of the loans portfolio. The operation is part of a framework of precise objectives, aimed at optimising the credit process to take advantage of a favourable moment on the market.

Rating

In May 2015, the international ratings agency DBRS, which as of 2014 has been joined by Moody's in assigning a rating to **Banca Sella Holding**, confirmed the rating already expressed in 2014 with an *investment grade* assessment equal to ***BBB (low)*** (also confirming the negative trend)**.** In its assessment, DBRS indicated that Banca Sella Group has a solid financial profile and capacity to diversify its business, with specific excellence in the private banking sector, payment systems and commercial bank activities, above all in the areas in which it is traditionally present. Despite the continuation of a still difficult economic situation, the Group has been recognised as having the ability to know how to diversify its business, obtaining results that are better than many of its competitors. DBRS, while noting progressive improvement of capitalisation, holds further strengthening to be necessary, while also recognising a high level of loan coverage which contributed to mitigating the effects of deterioration in credit quality caused by the economic context in which the Group operates. The solid liquidity of the Banca Sella Group was particularly appreciated.

In May 2015, **Banca Sella** requested and obtained that a rating be issued by DBRS, holding it an appropriate step in the context of the growth and development foreseen in the Strategic Plan and in line with many of its competitors. The rating was granted, and confirmed following the capital increase. Specifically: ***BBB (low)*** (with negative trend*)*, similar to that expressed for the parent company, taking into account the importance Banca Sella has within the Group.

Banca Sella capital increase and new issues

On 10 April 2015, Banca Sella presented a request for a capital increase to Bank of Italy. Follow the authorisation obtained on 24 July 2015, the extraordinary shareholders' meeting approved the operation, which had the objective of supporting growth and taking advantage of the opportunities available due to the Bank's special characteristics. Subsequently, the prospectus was submitted to Consob for approval, as this was a "general" public offering.

The maximum amount was set at € 120 million, with a share placement period between 5 October and 15 December 2015. The offer was aimed at the general public in Italy, through the two placer banks (Banca Sella and Banca Patrimoni Sella & C.). The operation ended with the full amount subscribed, equal to € 120 million, with another 3,000 new shareholders entering the shareholding structure.

Banca Sella Holding, the controlling shareholder, also participated in the operation, subscribed new shares totalling around € 13 million. A portion of this amount, around € 7 million, was subsequently transferred to adjust placement with institutional investors that indicated interest after the end of the period.

On 27 October 2015, Banca Sella issued a subordinated loan maturing in 2025, placed exclusively with institutional customers, for an amount of € 25 million, which is listed on the Luxembourg stock market.

Visa Inc and Visa Europe Merger

In November 2015 Visa Inc. and Visa Europe (in which the Bank holds minority investments) announced that an agreement had been reached for the strategic acquisition of Visa Europe by Visa Inc., aimed at creating a single company that operates both on the US and European market. The transaction involves the acquisition of Visa Europe shares by Visa Inc., leading to total potential value of € 21.2 billion: € 11.5 billion will be paid in cash, while Visa Inc. shares worth around € 5 billion will be distributed when the operation is completed. An earn-out of a maximum of € 4.7 billion will be distributed four years after the operation is completed. The transaction is subject to a series of regulatory authorisations and is planned to be completed by September 2016. At the end of December 2015, Visa released initial estimates of the proceeds accruing to the shareholders of Visa Europe. Based on this information, as a principal member, Banca Sella would receive cash of around € 32 million for the sale of its shares in Visa Europe, as well as Visa Inc. shares with a value of around € 11 million. On the basis of these assumptions, the carrying value of the minority interest was updated, and the valuation reserve was also updated.

Regulatory adjustments

On 16 November 2015, with Italian Legislative Decrees no. 180 and 181, national regulations implemented Directive 2014/59/EU (Banking Resolution and Recovery Directive, "BRRD"), creating a framework to restore and resolve credit institutions and investment companies and establishing resolution funds. In 2015, the Banca Sella Group made € 9.9 million in contributions to the resolution funds. The resolution process was introduced to reduce the risk that the cost of instability of large financial companies falls on the countries in which they work and the relative taxpayers, as had occurred in many European countries following the financial crisis originating from the failure of Lehman Brothers. In fact, in these cases governments were often forced to save large financial institutions in order to protect their depositors and avoid domino-effect repercussions that could seriously compromise the stability of the entire financial and economic situation, carrying out a **bail-out**. The "resolution process" (of which a **bail-in** is one of the possible results) is an alternative to the normal bank liquidation procedure and allows, with respect to the former, faster times and better protection of all actors involved in the crisis, including creditors and depositors. A bail-in is a tool that allows authorities[1], when resolution conditions are met, to reduce the value of shares and certain receivables, or to convert them into shares, to absorb losses and recapitalise the bank to a sufficient degree that restores adequate capitalisation and maintains trust in the market. In no case can shareholders or creditors suffer greater losses than those they would see in the case of bank liquidation following normal procedures. The rules for being subject to a bail-in follow a strict hierarchy on the basis of which a subsequent category of credits is accessed only after all the resources have been exhausted that are available in the previous category with more risk. Certain creditors of the bank are excluded from the bail-in and cannot be called on to contribute to covering crises. For example, deposits of less than € 100 thousand, protected by the Deposit Guarantee Fund, guaranteed liabilities (for example, covered bonds, guaranteed by dedicated assets) and liabilities associated with assets held on customer accounts (for example, in securities accounts and safe deposit boxes). Similarly excluded are certain operating payables such as those due to employees, trade payables, tax payables and those due to other banks maturing within the week (as including these would threaten the operation of the institute and the stability of the economic and financial system). The first called to contribute to losses and subsequent recapitalisation are therefore the owners (shareholders) and holders of other equity instruments. These will suffer a reduction in the value of the shares, possibly down to zero in the case of significant losses. Only after the entire category of equity instruments has been exhausted are creditor securities touched, starting from the subordinated category. Once this category is also exhausted, the next is bond-holders (with the exception of guaranteed bonds). Finally, in the case that the previous categories are not sufficient, the last category is that of deposits held by households and small businesses not covered by the deposit guarantee fund - that is those exceeding € 100 thousand. In this context, the Banca Sella Group continues to maintain satisfactory solidity thanks to capitalisation which is far above regulatory requirements and more than adequate with respect to problem loan levels[2], its high level of liquidity, high level of provisions covering impaired loans and above all, thanks to prudent management, always focused on achieving sustainability profitability focused on the value of the customer.

Appointments and roles

Meeting on 9 May 2015, the Shareholders' Meeting of Banca Sella Holding appointed, upon the conclusion of the three-year term, the new Board of Statutory Auditors for the Parent Company for 2015–2017.

The *Assonime* (Association for Italian joint stock companies) Directive Council, meeting on 13 May 2015, approved by acclamation to propose to the Shareholders' Meeting that Mr. Maurizio Sella serve as the Chairman of the Association for a second term of two years, which according to the Bylaws would also be the last. This is an important recognition and confirms the respect given to the Banca Sella Group, for the professionalism and seriousness it represents.

Changes to the territorial structure

In March 2015, the Banca Patrimoni Sella & C. branch in Milan, via Giulini, was transferred to Via Santa Margherita, 4, with the objective of increasing the space available to customers and moving personnel operating in Milan closer, while optimising synergy.

On 5 June 2015, the Banca Sella branches of Montecatini Terme, Bari 2 Via Tommaso Fiore, Lecce 4 Via San Cesareo and Grottaminarda were closed. These closures were aimed at, in addition to rationalising presence throughout the territory, freeing up useful professionals to enhance other local

[1] The European directive envisages the creation of a "third" authority (resolution authority), with the task of preventing and managing crises through new powers and tools. Following the Single Supervisory Mechanism system for banks, a single resolution authority has been created at the European level, as well as national resolution authorities. The role of the latter will be more significant in the case of problems within smaller intermediaries.

[2] The Banca Sella Group has a "Texas ratio" (a measure used by the US Federal Reserve to anticipate banking crises) equal to 80.3%, in line with the most solid of Italian listed banks.

branches, increasing overall efficiency and providing better and more professional service to the Bank's customers.

On 8 June 2015, the new branch of Banca Sella in Caselle Torinese opened, at the Caselle Airport, Strada San Maurizio,12–10072 – Caselle Torinese (TO).

Change in the Group structure and in equity investment

During the course of 2015, no corporate operations occurred which changed the perimeter of the Banca Sella Group. After the final rationalisation operations regarding its corporate structure, carried out in 2013 and implemented to better structure offerings of products and services, the Banca Sella Group consists of 20 companies, of which one in liquidation.

Changes in the scope of consolidation

During 2015, there were no changes in the scope of consolidation and the structure of the Banca Sella Group at 31 December 2015, 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 2015 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.	92.439%	78.720%	Capital increase offered to the general public
Brosel S.p.A	96.500%	97.400%	Purchases

Following the Banca Sella capital increase, note that the 105,263,158 shares subscribed all have "single votes", while the previous 563,193,010 shares were converted into "multiple vote" shares.

For more information on the Banca Sella capital increase, please see the previous chapter on significant events during the year.

Assets and liabilities associated with CBA Vita and Sella Life, as envisaged in accounting standard IFRS 5, were reclassified to item 150 "non-current assets and groups of assets held for sale", following the sales agreement reached with the HDI Assicurazioni Group outlined in "Significant events during the year".

Companies consolidated at net equity

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

Distribution channels and commercial model

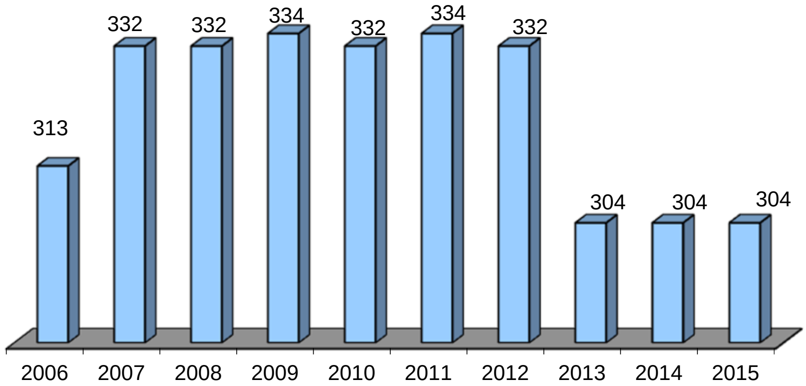
Bank branches

At the end of 2015, the Group had 304 branches, unchanged with respect to 31 December 2014.

Despite the lack of change in the final result, during the year some reorganisation was done, aimed at optimising the presence throughout the country and improving the quality of consulting provided to customers:

- the opening of the Caselle branch, at the International Sandro Pertini Airport in Caselle Torinese, with the simultaneous closure of the Montecatini Terme branch;
- the closure of the branch in Bari, via Tommaso Fiore, combined with the larger and more central branch in via Calefati;
- the closure of the branch in Lecce, via San Cesario, combined with the larger and more central branch in viale Marconi;
- the transfer of the branch in Lecce, viale de Pietro from no. 61 to no. 3, to a newer and more prestigious location, with the simultaneous opening of the first consulting office in Lecce, of significant quality, where customers, mainly business and private individuals, can find useful solutions for their business and personal needs;
- the closure of the Grottaminarda, combined with the Benevento branch, where investment and development will be focused (as the capital of the province, and with offices that were remodelled in 2014).

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



In addition to the above, the Banca Sella network area (which accounts for 96.4% of total Group branches), in order to maintain stability and management continuity, did not make any changes to the territories into which branches are classified, but only certain variations at the level of the underlying districts.

On the other hand, adoption of territorial organisation based on "unified" branches continued - unifying several nearby branches, with the objective of achieving better structured and organised branches, to increase the levels of consulting and skills available to customers.

Group bank branches

Company	Branches at 31/12/2015	Proportion (%) of total 2015	Branches at 31/12/2014	Proportion (%) of total 2014
Banks in Italy				
Banca Patrimoni Sella & C. S.p.A.	10	3.3%	10	3.3%
Banca Sella S.p.A.	293	96.4%	293	96.4%
Banca Sella Holding S.p.A.	1	0.3%	1	0.3%
Total branches in Italy	**304**	**100.0%**	**304**	**100.0%**
Total Group branches	**304**	**100.0%**	**304**	**100.7%**
Geographical distribution of Banca Sella branches				
North West (Piedmont, Aosta Valley, Lombardy, Liguria)	166	56.7%	162	55.3%
North East (Veneto, Trentino, Emilia Romagna)	28	9.6%	28	17.6%
Centre (Tuscany, Lazio, Molise, Abruzzo, Marche)	34	11.6%	35	11.9%
South and Islands (Campania, Apulia, Sicily, Sardinia)	65	22.2%	68	23.2%
Total branches	**293**	**100.0%**	**293**	**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 advisors

The sales network of Banca Patrimoni Sella & C. includes 356 financial advisors, 25 more than the 331 in the previous year, who promote and place financial products and investment services in synergy with the Group's other commercial channels.

These financial advisors are all registered with the APF (Registry of Financial Advisors) and professionally provide their activities off site. Some of them also provide their services through 10 branches and 21 financial advisor offices through Banca Patrimoni Sella & C., located throughout Italy.

Financial advisors who are also registered with the RUI (Single Register of Insurance and Reinsurance Brokers) also place financial insurance products, pure insurance products and social security products.

Payment systems agents

As of 31 December 2015, the sales network of the Banca Sella Group also included 52 Payment Systems Agents holding double mandates: agency mandates issued by the company Easy Nolo to promote the products/services typical of this company (e.g. POS hire, fidelity cards and the hiring of the Gestpay platform) and the Banca Sella Acquiring service, located throughout Italy for intermediation of cash flows relative to the acceptance of cards using international circuits.

Other channels

The Group's commercial business is carried on also:

- in the consumer credit sector, through 16 branches run by the Consel company and more than 3,500 partner sales points (POS) active in 2015 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 insurance services through 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 and represents customers with assets exceeding € 500 thousand. The total stock of the Private Banking sector of the Banca Sella Group as of 31 December 2015 amounted to approximately € 15.4 billion, with an increase of € 2.1 billion with respect to 31 December 2014.

Total net deposits for the Group's Private Banking grew by € 1.1 billion over the course of 2015, 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 and financial advisers, together with their impeccable professionalism, favours a progressive and indispensable process of moving away from individual financial instruments towards consulting and total asset assistance for customers. In addition, the service model adopted for the Group's private banking revolves 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.

In 2015, the US stock market ended with an index unchanged with respect to the previous year, while the European stock markets ended the year slightly up. On the other hand, the stock markets in emerging countries saw an overall negative trend of 17%. Fears about the slowing of the Chinese economy, the drop in the price of oil and in other raw materials negatively affected exporter countries and contributed to an increase in volatility during the second part of the year.

In this context, 59.5% of the asset mix of the customers of Banca Patrimoni Sella & C. at the end of 2015 was represented by Individual Portfolio Management and Mutual Investment Funds; for Banca Sella Private Banking it was 37.4%. In 2015, the insurance component in both banks grew by around 5%.

In 2015, deposits under advisory for Family Advisory Sim Sella & Partners amounted to € 1,200 million. This is the Family Office held 85% by Banca Patrimoni Sella & C. and 15% by the management of the same company.

In regards to economic performance, revenues from services from the Group's private banking grew by over 17% in 2015 with respect to the previous year.

Sales model

In Banca Sella, the year focused on strengthening the "integrated relationship" consulting model, that is quality consulting supported by excellent digital instruments, increasing adoption of the customer portfolio model and adding to the number of dedicated sales agents, in particular private sales agents, to further support the development of relationship models between customers and the Bank, moving from a transaction approach to a consulting approach.

The Integrated Relationship project was begun with these characteristics, with a new section developed, available to customers both through Internet Banking and on the application for mobile devices, where each customer can clearly see the sales agent who assists them and from which they will receive messages, advice and sales proposals dedicated personally to them. If desired, customers can directly follow the advice and proposals received in these messages, by using the new functions integrated into the platform and based on electronic and digital signatures.

The project has the goal of developing an even more immediate, direct and personalised relationship between the Bank and the customer, taking into account the communication methods most appreciated by the customer, selecting the most appropriate channel to meet their needs.

Biometric signatures were extended to all branches and private banking offices, which makes it possible to sign contracts and teller transactions in an entirely digital manner. The digital document is signed by the customer by signing on a special tablet that identifies the special characteristics of their handwriting (speed and pressure) and saves them, safely and in compliance with current regulations, within the digital document.

Development of the new Sales Workstation also continued, which serves as the main working environment for the network. This innovative tool, that supports and takes advantage of the new consulting service model begun through the creation of customer portfolios, was enriched and personalised in order to better implement and respond to the needs of various types of customers.

The adoption of a new geographic organisation continued, which involves the “unification” of several branches, located nearby, with the objective of creating a single structure and a single organisation, with several operating points in the area, in order to increase the level of consulting and competence offered to customers.

During 2015, the project aimed at reducing the load of administrative activities falling on the branches continued, both through optimisation of processes and innovation in solutions, as well as to an increase in operations carried out independently by customers, through electronic channels.

A project was also begun which, in 2016, will provide Banca Sella with an organisational and technical structure that will allow it to manage a network of financial advisors with agency agreements, supporting the current network of private sales agents.

In Banca Patrimoni Sella & C., customers continue to be, for the most part, private individuals who are offered personalised asset services, thanks to the excellent professional skills of relationship managers and the quality of the products offered.

In the context of this overall vision, there are certain key features that identify the business approach followed by Banca Patrimoni Sella & C.:

- offering an asset consulting service that makes it possible to identify and satisfy the long-term financial needs of customers, also through fee only pricing;
- in the managed savings sector, with particular reference to asset management services, careful and rapid updating of the array of products, with particular attention paid to changes in the market and new requests coming from customers;
- in the context of open architecture in the world of UCITS, maintaining and developing agreements with the best partners on the market;
- with any eye to protecting customer assets, selecting and making agreements with reliable partners to offer financial/insurance products and services;
- organising events and meetings with customers throughout Italy;
- continuously developing the sales network, also through the aggregation of professionals with proven experience and seniority;
- offering technologically advanced services to private customers and to relationship managers, aimed at better taking advantage of investment service offerings (i-phone, internet services, pocket banking, digital signature, web collaboration).

The services offered to customers can be summarised as follows:

- managed savings, both through the in-house asset management vehicle and through placement of UCITS with multimanager administration;
- consulting services for administered savings financial instruments, with the goal of maximising returns while taking on risk proportional to the customer's objectives, through adequate portfolio diversification;
- traditional accessory banking services, including current accounts, credit (as an accessory component with respect to core business), traditional and electronic payment systems, internet banking, telephone banking and online trading;
- insurance and social security services, through capitalisation, unit linked and multi-segment products, both developed by Group companies and external third parties;
- receipt, transmission and execution of orders given by customers, both private and institutional;
- direct services to institutional customers.

The activities performed throughout Italy by the Institutional and Large Customers Office and the performance achieved by in-house asset management have made it possible to create a positive image for Banca Patrimoni Sella & C., also in regards to other credit institutions and financial entities that have made use of the services. It has therefore become a provider of investment services for other intermediaries, both in terms of asset management and advisory (for administered assets and financial insurance), through suitable contracts.

The sales markets

The external context in 2015 saw the Italian economy reverse trend: consumption was up after several years with negative figures. In the third quarter of 2015, income available to consumer households increased by 1.3% with respect to the previous quarter and by 1.5% over the same period in 2014. Based on ISTAT data, buying power (which also considers inflation) increased by 1.4% with respect to the previous quarter and by 1.3% over the third quarter of 2014. In the first three quarters of 2015, in comparison with the same period in 2014, buying power grew by 0.9%. A recovery was also seen in the real estate market (+8.4% in the third quarter): disbursement of mortgages and loans to households grew.

In regards to employment, on an annual basis unemployment fell significantly (-14.3%, equal to -479 thousand less people searching for work), employment grew (+0.9%, equal to +206 thousand more employed people), and inactivity also grew (+1.0%, equal to +138 thousand inactive people).

The sales trends for 2015 were heavily affected by the very volatile situation on the markets due to significant international geopolitical tensions and the continuation of accommodating policies by the main international central banks. The ECB further strengthened QE, extending it at least until 2017 and brought rates on deposits even further into negative territory (-0.30%), while the Fed began a slow path towards raising rates only during the final part of the year. For the first time in history, in Italy BOT and CTZ auctions ended with negative returns.

As a consequence, the increase in the managed savings industry increased with a net balance of total deposits of around 130 billion in 2015 (in large part during the first half) and a level of equity equal to around € 1,835 billion.

During the last quarter, additional complexity was added, deriving from the partial application of the new European regulations on bank resolution to save 4 banks in Italy, which saw a reaction by investors nearing panic. This is one of the aspects that will be important to manage also and above all in 2016, given the official introduction of the Bail-In as of 1 January 2016.

Households and Private Market

The Households and Private Market represents individuals with total assets held at Banca Sella of less than € 50 thousand. The target customers served are minors, young people, families and pensioners. The segment is supervised at the commercial level by the Household and Private Sales Professionals. Organisation of the market through dedicated, non-dedicated and support household and private sales professionals continued. The foundations were also established for the innovations foreseen in the 2015–2017 strategic plan, which envisages reorganisation of markets and sales figures so as to offer ever improving consulting, as close as possible to the customer.

During the year, the household and private market saw growth in net deposits, new disbursements of loans, in interest margins, revenues from services and therefore, operating income.

The demand for consulting, relationships and personalisation increased for certain services, to which the Bank responded by continuing to have an open approach in terms of customers, placing their real needs at the centre, through a standard of offerings able to satisfy any need through:

- multichannel management, coordinated with the customer;
- the creation of ad hoc agreements and the activation of locally focussed marketing initiatives;
- the development of the online component, including through a social media presence;
- personalised promotions aimed at reinforcing geographic peculiarities in acquiring given targets.

In the context of the sales plan prepared at the beginning of 2015, certain actions were planned with a particular focus on:

- Customers;
- Loans to private individuals (mortgages and loans in particular);
- Life insurance, liability insurance and social security;
- Banking.

Significant attention was paid to updating the Family and Private Community. Worthy of particular note was the development of the role of sales agents towards proactive actions in regards to customers.

The Community is the main repository for communications, information, further learning and commercial support dedicated to the role, where the sales professional can find all the news regarding their market and all the information about the products that can satisfy their customers.

In terms of updating and developing the array of offers, the loans and mortgages offered to private individuals was reviewed. In cooperation with Banca Assicurazione, the array of products and conventions available to customers was updated.

Banking requirements were also an important focus, with the extension of services as well as the possibility of accessing the customers.

The CUSTOMER LIFECYCLE project was begun, an imaginary lifecycle that envisages specific actions in relation to where in life a customer finds themself.

Finally, the issue of integrated social security continues to be central, with focus on education and sales actions.

Professional growth was also supported through the provision of an appropriate level of training, structured along the lines of the main updates for products and offerings, in-depth education regarding loans, the digital economy, insurance certification and monthly alignments.

Businesses Market

The Businesses Market mainly includes companies with turnover exceeding € 2.5 million and/or with loans of more than € 250 thousand. The Business Sales Professional is the role of reference, assigned to monitor and develop this segment, which is strategic due to the rapid evolution of the external scenario and the growing competition that derives from globalisation.

This means the role of a business sales professional is increasingly similar to that of a financial advisor, who must understand and help the company they assist, not only in terms of the numbers seen in the corporate balance sheet, but also and above all in terms of future prospects and the dynamic evolution of the business, with a particular focus on size and capital on one hand, and on the opportunities offered by digitalisation and internationalisation, on the other.

Internationalisation remains one of the main areas of action used to support small and medium enterprises (hereafter, PME). In fact, the foreign offerings available to business customers includes foreign goods, forex risk management services, and possible insurance coverage through Brosel, the Group's brokerage company.

In regards to financial solutions for companies that operate abroad and intend to finance projects to improve competitiveness in foreign markets, the use of the "Sella Export" products was confirmed, supported by SACE guarantees.

In terms of consulting, offerings of alternatives to traditional bank loans are taking on an increasingly important role. Even if Italian companies depend on loans provided by the banking system much more than in other countries in Western Europe or in the United States, there is growing interest in finance products. To that end, Banca Sella, together with the Corporate Finance division within the banking parent company, is able to provide the necessary assistance and consulting to issue "Minibonds", a financing tool that supports business growth. Business sales professionals are supported in their consulting activities by colleagues from the Corporate Finance division and also by the Business Finance structure within Banca Sella. To that end, during the second half of 2015, the Bank placed the first minibond issued by Tundo Vincenzo S.p.A. for € 2.8 million, with a 7 year duration and interest rate of 7%. Specialists in this area can also assist companies in all extraordinary operations, from searching for financial or industrial partners to solutions for generational transfers.

During 2015, Banca Sella continued with the disbursement of ECB funds, known by the acronym L.T.R.O (targeted long-term refinancing operation) up to the total available amount of € 268 million, intended for offerings of short and medium-term products.

To meet the various needs of companies, with particular reference to new investments for growth, development and internationalisation, short-term loans were made available, with durations of up to 18 months and instalment loans of up to 48 months.

This initiative was supported by the Instrumental Goods Credit Line, also known as "New Sabatini", thanks to an agreement that allows disbursement of loans with special conditions specified in Ministerial provisions. In addition, the possibility for business customers to access EIB funds was also confirmed.

Thanks to these financial solutions, business sales professionals were able to provide adequate responses to the credit requirements of creditworthy businesses deriving, in particular, from investments for growth and development.

The attention paid to SMEs also continued to be high. The Inventories Loan is intended in particular for this category, supporting warehouse supply needs. The Salaries Loan is also used for this category, for the "13th pay cheque" in December and to support greater financial requirements connected with reduced turnover during the summer holidays.

This latter loan was also provided for financial necessities suffered by businesses to fulfil obligations to pay annual severance indemnities for employees that make use of Banca Sella Group products, thereby advancing a possible solution to an extremely current issue regarding severance indemnities in pay cheques.

This Salaries Loan, greatly appreciated by business customers, has excellent results every year and is also gaining strength outside of its traditional areas, confirming interest in a formula designed for specific needs, also in terms of repayment methods.

In addition to traditional consulting, 2015 also featured strengthening of consulting on new issues associated with digital transformation. “Digital disruption” not only characterises offerings and payment and collection tools, but also changes in company organisation, such as the use of start-ups for open innovation projects in research and development, and the use of fintech, also for investment solutions. In fact, Banca Sella, which is already a leader in e-commerce and payment systems, has also added consulting from the SellaLab (a research and development centre within the Banca Sella Group) to the array of services offered to businesses, and also opened a second SellaLab in Turin in 2015, in line with the desire to be a local bank.

In addition, 2015 saw continued sponsorship of the notable “Milano Unico” project, an international fabric fair held in Milan in February and September. This commitment testifies to the Bank’s desire to support development of the fabric industry and the excellence associated with “Made in Italy”, and also saw the presence of business sales professionals and foreign specialists, supporting the companies present who contacted the Desk or having meetings organised with the stands.

In regards to training, all business sales professionals participated in specialised events on loans, foreign issues and finance.

Affluent Market

In 2015, the Affluent Market continued to represent private customers with total assets held with Banca Sella exceeding € 50 thousand and mainly up to a maximum of € 500 thousand. The target customers served are mainly freelance professionals, entrepreneurs, families and pensioners. Affluent sales professionals and dedicated affluent sales professionals are the relevant roles.

The approach to the market is an open one in regards to customers, making available all possible channels, both traditional and online, so as to all them to freely decide the schedule and methods used to work with their consultant. At the same time, a great deal of attention was paid to proactive management of customers by the affluent sales professionals, thanks to all the tools made available and the market initiatives, which aim to offer consulting for all needs, supporting customers in financial and insurance planning throughout their life, including solutions for generational transfers.

In 2015, the Affluent Market contributed:

- to the growth of the managed savings segment within the Bank with a net balance of deposits of almost € 250 million, through the combined contribution of a) conversion of a significant portion of direct deposits b) management of the maturity of conditions, deposits and securities, and c) acquisition of new customers;
- to acquisition of new customers;
- to a drop in the cost of funding for private individuals, which saw an average rate of 0.11% for on sight deposits and a rate of 0.59% for term deposits;
- to an increase in the disbursement of loans and mortgages of over € 40 million, with associated advisory activities for protection and social security;
- a roughly +6% increase in net revenues from services in the market (around +18%) for the portfolios of “dedicated” sales professionals;
- placement of the Banca Sella capital increase for around € 22 million.

In regards to updating and developing the range of offerings, new products were released in cooperation with Group companies (CBA, Sella Gestioni, Banca Patrimoni and Sella Life), in line with requests from the market, aimed at extending the solutions that can be offered to customers and pursuing a strategy that bets heavily on open architecture.

Banking requirements were also an important focus, with the extension of services made available to customers, as well as the possibility of accessing them. The account agreement for Affluent customers continued.

Finally, the issue of digitalisation continues to be important, through which new products continue, with a targeted focus on the launch of educational and online course, but above all through the spread of the new mobile application Sella.it.

In the last quarter, as in the guidelines found in the 2015–2017 Strategic Plan, the “Affluent vs Private” project was begun, which will transfer customers with total assets held with the bank exceeding € 300 thousand and consequently will also see the movement of certain sales professionals to Banca Sella Private Banking. This project, begun at the end of the year, will have significant impacts in 2016.

Also for affluent sales professionals, professional growth was supported through providing an appropriate level of training, structured along the lines of the main updates for products and offerings, in-depth education regarding investment, regulations and tax laws, loans, the digital economy, and the plan to cover gaps identified in previous years. In addition, the external training project continued, thanks to a cooperative agreement with SDA Bocconi, that provides training by high-level instructors on specific issues and areas of interest for target customers. Finally, monthly market alignment meetings continued, with the objective of constantly sharing guidelines and strategies to be followed during the year, as well as team-building. For this purpose, there is also an internal Community reserved for affluent sales professionals.

Small Business Market

The Small Business Market serves and develops customers in the segment of artisans, shop owners, freelance professionals, companies of medium/small size and some institutional operators. The Small Business Sales Professionals work with the customers on the basis of the principles of the service model, defined within the context of the New Commercial Model.

The structure also provides indications regarding the organisation, direction and strategy for food and agricultural and renewable energy sectors, to which the agricultural specialists report, who work in synergy with the small business market professionals, the branches, and all the other commercial roles. Each Small Business Sales Professional is entrusted a number of customers that they are responsible for. The total number of Customers entrusted to the reference Sales Professionals defines the Market area.

In 2015, the number of dedicated small business sales professionals (with a customer portfolio and activities mainly focussed on their own portfolio and acquisition of new customers) increased, reaching almost 100 individuals and with prospects for additional growth in 2016.

The areas of interest for the small business market in 2015, which will continue to serve as reference points in 2016, were:

- internationalisation;
- business networks and networking;
- subsidised and guaranteed loans;
- start-ups;
- digital economy and payment systems;

2015 saw both dedicated and non-dedicated sales professionals concentrate on assisting customers relative to their portfolios and acquiring new customers. The sectors that best rewarded these development activities were: food and agriculture, “green” in the sense of energy savings and new alternative sources, and the entire segment of small artisans and independent professionals. The agriculture sector, which is supported by specialists in certain regions (with the objective of completing coverage in 2016), also achieved satisfying results, both in terms of new acquisitions and in monitoring and developing loans.

The acquisition of new POS operators improved, with the support of structured offerings.

Various sales initiatives were begun, in addition to those cited above for POS operators, there were those for *agriturismo*, owners of bed and breakfasts who were not yet Bank customers, and for owners of agricultural businesses to support PAC advances and investment initiatives. In addition, Small Business sales professionals made proposals to:

- trade associations, through the stipulation of new offers and renewal of existing agreements;

- traditional and innovative start-ups, also thanks to the creation of new products and services and through the Bank's participation in certain loan initiatives, for example Invitalia (Smart&Start);

- improve energy savings in buildings, in particular condominiums, through targeted offerings and a partnership with the Roadto2020 project, in the context of the Turin Smart City project.

Towards the end of 2015, an internal project was begun with the goal of revising the market community aimed at all small business colleagues, with an eye to social collaboration and communication, which will come to fruition during 2016. In any case, during 2015, support for the internal community continued with weekly updates on news and new sales information aimed at both dedicated and non-dedicated sales professionals.

Worthy of note were a series of events held in 2015, with the support of marketing, which took advantage of the partnership with the University of Gastronomic Science in Pollenzo, as well as that with the Roadto2020 project for energy savings in buildings, with certain services networks aimed at condominium managers, those with trade associations from Confagricoltura to Coldiretti (Creditagri), while also renewing the long-term agreement with the Association of Italian Booksellers, with whom we worked by supporting the internal training school. Also in 2015, some agreements were renewed with local regional Confidi.

Training of sales professionals continued in various areas, in particular in regards to regulations, insurance and loans, completing a specialised course held by the CUOA training school and managed savings, offering customers a series of solutions not only for the short-term, but also for the medium and long-term.

Online Bank

The Online Bank Service (hereafter OBS) develops its mission through three macro-lines:

1) definition and monitoring of the dedicated offerings for private customers who operate exclusively online (typically represented by the Websella offerings);
2) definition and monitoring of digitalisation of the multi-channel offerings, both for private customers and for business customers, with a focus on developing business with higher digital content (electronic payment systems, prioritising e-commerce and online trading), and developing independent transactions;
3) the responsibility for the Digital Branches Territory, which develops and manages customers who mainly operate digitally, and do not require a physical support branch. Digital Branches also accept and manage transactions coming from non-account holder customers (POS, e-commerce, credit cards), provide operational management for “Group Company” customers, and accept and open accounts with Banking Service customers and accept Hype customers.

To develop the first two lines, OBS makes use of 10 Digital Economy Managers (DEM), dedicated figures who answer to the Regional Managers and develop business and digital culture within the distribution network. The DEM are supported by Digital Economy Specialists (DES), non-dedicated professionals, who take action when necessary on specific issues relative to digital aspects.

The situation in 2015, relative to digitalisation in the world of finance, highlighted the constant evolution of the market towards an increased request for digital bank/customer relationship tools.

Retail customers showed a growing trend towards independent transactions using digital channels (internet banking, mobile, digital money), but with a need to maintain relationships with consultants for complex advisory issues (in particular, mortgages, investments, social security).

In this segment, the “millennials” target was strengthened: people born between the Eighties and the Aughts in the West, who favour a bank/customer relationships based on simplicity and affordability, but above all completely digital.

Business customers also increased their demand for digital services: e-commerce, electronic payment tools, services that allow companies to both increase the efficiency of financial management and offer new added value services to their customers.

The energy dedicated to the world of start-ups, in particular innovative ones, grew, which despite still difficult economic trends show constant growth both in terms of numbers and ecosystems around which these are established and develop.

For both segments, the growth of actors external to the banking world continued, so-called “Fintech”, that offers highly specialised vertical services, with low fees and fully digital. The main examples of this now well-established business include peer to peer lending or automated investment consulting services (robo-advisors).

In this scenario of continuous change, OBS has developed its own strategy, adjusting offerings and monitoring changes to remain responsive to market needs.

In regards to the WEBSELLA offerings, efforts were concentrated on monitoring pricing to ensure that it remains in line with the main competitors and allows marketing initiatives (mainly concentrated on search engine results) to achieve maximum efficacy.

In addition, work focused on enriching offerings, with the launch of the personal loan product sella.it in August 2015, which can be subscribed entirely online, through cooperation with Consel, and at particularly competitive conditions.

In terms of development of digitalisation and support for digital business, OBS involved the DES in monitoring this area.

In particular, for electronic payment systems, efforts were concentrated on sales development of value added serves (VAS), through development campaigns targeted at specific customers.

For online trading, thanks to the enrichment of the offerings with new cutting edge services, support for the most active customers remained high, which however saw effects deriving from market trends, especially in the second half which saw less favourable performance.

In the world of start-ups, a series of contacts with the main actors within the Italian ecosystem continued, with a special focus on incubators, which will be further strengthened in 2016 through a greater presence by the group in this area. Finally, work was done to create dedicated services for start-ups, which will be unique in Italy. Preparatory work was completed at the end of 2015, in view of a launch at the start of 2016.

In this area, strengthening of the connection with Sella Lab continued, to add services to those offered by the network that make Banca Sella one of the main actors in the world of start-ups and fintech.

In regards to the activities of the Digital Branches, in 2015 activities to develop digital customer business continued, made concrete through growth that exceeded forecasts, both in terms of customers and net profits, above all thanks to satisfying e-commerce growth and supervision of TOP customers, whose activities also extend to other value added services such as forex hedging activities provided by the Customer Desk service.

The Digital Branches were heavily involved in providing support to the Banking Service, which saw significant growth in new operating accounts opened (around 2,200), with the aim of offering partner customers operational bank support for their own customers.

Professional development was supported through specific training courses, aimed in particular at DES. At the end of these, participants produced 3 ideas for new products/services. One of the proposals was used as an embryo to be offered to the start-ups, referred to above.

Training activities also were aimed at customers, through classroom courses provided in cooperation with the Marketing Office and saw increasing participation and interest.

Marketing and Electronic Channels

In 2015, the Marketing service developed a customer relationship model based on the lifecycle. All campaigns to acquire and develop customer loyalty aimed at private individuals and companies were developed with an eye to this model. In regards to acquisition of new private customers, the main campaigns involved:

- Websella: around 11,000 customers acquired through an online campaign;
- Online Trading: around 1,000 customers acquired through an online campaign and educations programs/webinars.

Relative to the acquisition of new business customers, the online communication campaign for companies focused on promoting the “Gestpay” e-commerce platform, that allowed acquisition of around 2,000 new customers.

In addition, events and meetings were organised throughout Italy, in order to take advantage of opportunities provided by the market, both in terms of the digital economy, and business financing and internationalisation.

Contact Centre

The Banca Sella Contact Centre service, which offers assistance to customers for all remote channels, saw an increase in calls in 2015, rising by 4.35% with respect to 2014. The Telephone Banking service saw the percentage of transactions carried out by operators remain stable, coming to 72%. The trend for calls received by Internal Customer Assistance remained unchanged.

Starting in February 2015, when the new HYPE digital money product was launched, the Contact Centre activated a new customer care service for customers using the product, managing both the customer acceptance stage and multichannel assistance (through email, telephone and social channels).

The activities of the “Development Support” service were significant, which both centrally managed calls made by customers to the landline numbers of certain branches and contributed to the activation of new products and services requested by customers through online channels (+5.92% with respect to 2014).

Direct channels

In 2015, the Direct Channels service was responsible for numerous projects, with the objective of promoting and supporting multichannels and developing relationships with customers, strengthening and improving the services offered to them.

Mobile banking saw a 30% increase in customers using devices with respect to the previous year, at the same time the number of device transactions rose by 48% with respect to 2014.

Within the application Sella.it, improvements were made to user experience and new functions were developed, in particular:

- recognition of the Touch ID system for Apple devices;
- availability of new functions on Apple Watch;
- payment of postal bills and payment of RIBA.

Numerous actions were completed for the Home Banking platform, with the goal of increasing the functions available to customers. Among these we note in particular the possibility for customers to digitally sign contracts and revise their personal profile, through which the customer can view and change their identifying information.

On both the home and mobile banking platforms a new space was made available, in which customers can receive personalised messages, advice, reminders and sales proposals, and carry out actions directly from these messages (e.g. renewing car insurance policies about to expire).

In regards to web-marketing on Banca Sella Group websites, we note both the creation of the "Events Calendar" section, through which customers can sign up for events offered by the Banca Sella Group, and the creation of online campaigns to communicate the Websella offerings and dedicated online trading services.

Social Media Banking

In 2015, the Social Media Banking service contributed to improving the Banca Sella Group's position on websites and increasing the value of its sales offerings, strengthening brand awareness and reputation.

Monitoring of the main social networks, Facebook, Twitter and LinkedIn, was intensified, both in editorial terms and in the sense of maintaining relationships with customers and prospects within online social spaces (social caring). In particular, goals included increasing audience, improving loyalty and reducing average customer response time.

Thanks to the use of new dedicated platforms, the ability to listen to and monitor online conversations was improved.

Sella Lab

Sella Lab is an initiative to support Start-ups and SMEs which has the objective of bringing (useful/effective) innovation to the Banca Sella Group and, more generally, creating and supporting local economic development. Sella Lab 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 SME, helping them through the digital transformation process.

Sella Lab 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.

In 2015, Sella Lab reviewed 450 business plans and worked with 35 companies that already generate turnover, for a total of 178 jobs created. It began three internal projects (OpenBank, BlockchainLab and Project Corporate). In terms of digital literacy, it organised more than 41 evening events (#DIGITALDRINK + FABLAB Biella), with average participation of 78 people at each event, and a total of 1,576 people involved, which involved upselling and cross-selling activities using social and email marketing communication channels. Also in 2015, Sella Lab began the #SELLALAB Academy, payment based courses on innovation, organising a total of 22 courses, in addition to another 65 events in which it actively participated through both presence and presentations throughout Italy.

In terms of connection with the world of capital, Sella Lab assessed 84 requests relative to loans for innovative start-ups and supported the direct investment process for start-ups and funds.

Hype

Based on the evolution of the most successful digital services, Banca Sella has decided to position itself on the digital market with a new way of banking, which is different from the traditional meaning and with appropriate offerings. The new method is a “non-bank”, that is a bank that is visible only when necessary, that is in the background of the customer’s life, smarter, less formal, and simpler, where the customer experience is the central element in acquiring, retaining and satisfying said customer. It is aimed at a target audience of digital natives, as well as specific targets such as those without banks.

The offer is advertised through digital communication channels using communities and social tools, making use of certain usage models that work well with the particularities of the target customers belonging to said groups. In addition, viral mechanisms are used to engage and acquire customers.

The offer is focused on a smartphone application called HYPE, which allows a series of functions and innovative banking and payment tools to be used in real time. By way of example, these include Emoney, instant P2P money transfer, personal financial assistant, commercial deal offering and use, and one-click web payments.

In order to achieve the objectives established, in-depth work to innovate and develop new products has begun, as well as significant external communication and monitoring of physical and digital channels.

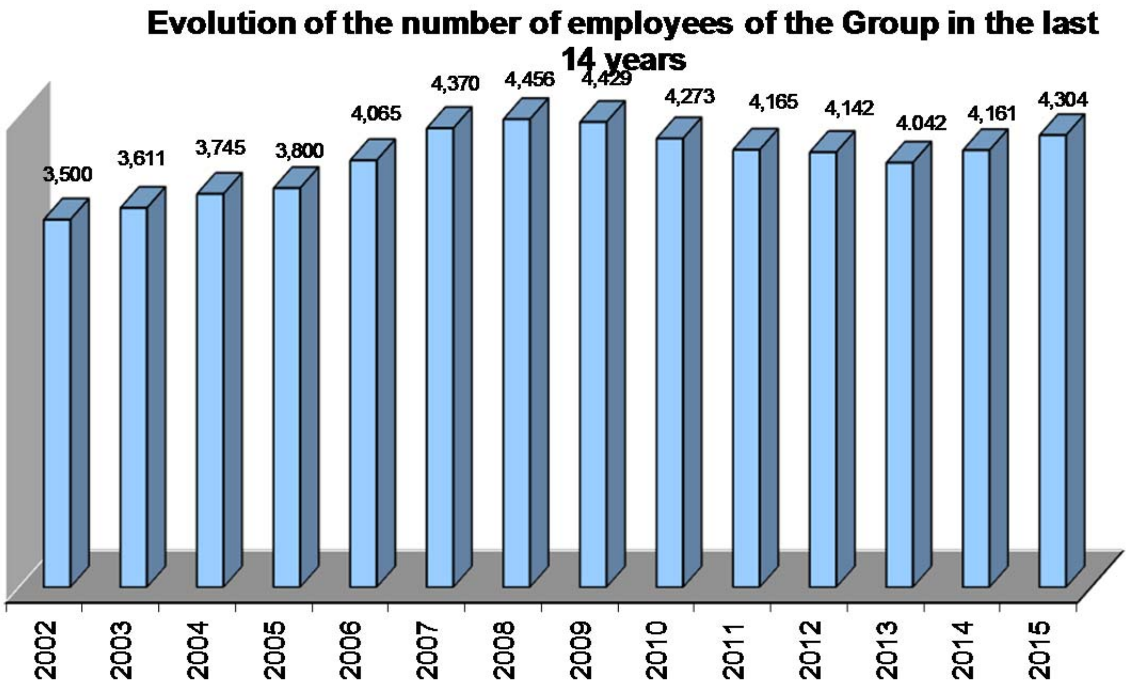
In 2016, the development of the released product will continue. At the same time, offerings for real persons will be accompanied by payment services intended for operators who will therefore have, in the context of the acquiring service, the ability to accept payments using the HYPE application.

Human Resources

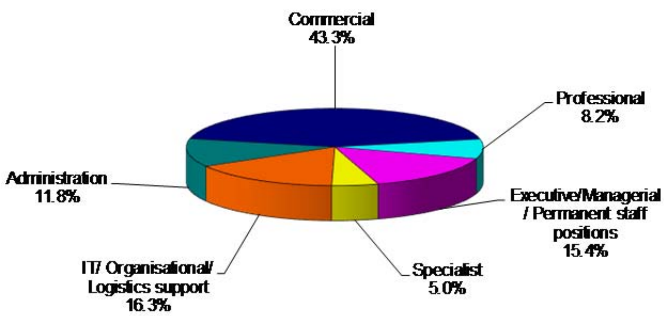
Human resources management and development

As 31 December 2015 the Banca Sella Group's staff totalled 4,304 employees, an increase of 143 with respect to the figure at the end of 2014. The personnel relating to the banking group alone (hence excluding the companies in the insurance sector) shows a number of employees at the end of the year of 4,253, an increase of 136 from 2014.

Staff was strengthened in particular in Selir (+81), in the Banca Sella Indian branch (+28) and in Banca Patrimoni Sella & C. (+26).



At the end of 2015, the average age of the Group's employees is approximately 39.83, with women representing 50.7% of the total workforce. The average age increased slightly with respect to the previous year, when the average age was 39.37, while previously women represented 50.5% 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. 2015 did not see any special corporate operations, therefore the changes in the number of employees relative to the previous year can be attributed to natural turn-over.

GROUP STAFF STRUCTURE

Company	Employees at 31/12/2015	Proportion (%) of total 2015	Employees at 31/12/2014	Proportion (%) of total 2014	Changes	
					absolute	%
Parent Company						
Banca Sella Holding S.p.A.	236	5.5%	230	5.5%	6	2.6%
Banca Sella Group banking group						
Banca Patrimoni Sella & C. S.p.A.	222	5.2%	194	4.7%	28	14.4%
Banca Sella S.p.A.	2,750	63.9%	2,750	66.1%	0	0.0%
Chennai Branch - Banca Sella	239	5.6%	213	5.1%	26	12.2%
Biella Leasing S.p.A.	65	1.5%	63	1.5%	2	3.2%
Consel S.p.A.	244	5.7%	252	6.1%	-8	-3.2%
Easy Nolo S.p.A.	1	0.0%	2	0.0%	-1	-50.0%
Family Advisory SIM S.p.A.	4	0.1%	5	0.1%	-1	-20.0%
Selir S.r.l.	440	10.2%	359	8.6%	81	22.6%
Miret S.A	2	0.0%	2	0.0%	-	0.0%
Sella Gestioni SGR S.p.A.	50	1.2%	47	1.1%	3	6.4%
Total Banca Sella Group banking group	**4,253**	**98.8%**	**4,117**	**98.9%**	**136**	**3.3%**
Average total Banca Sella Group banking group	**4,185**		**4,059**		**126**	**3.1%**
Brosel S.p.A.	20	0.5%	17	0.4%	3	17.6%
CBA Vita S.p.A.	25	0.6%	21	0.5%	4	19.0%
Sella Life Ltd	6	0.1%	6	0.1%	-	0.0%
Total Banca Sella Group civil-law group	**4,304**	**100.0%**	**4,161**	**100.0%**	**143**	**3.4%**
Average total Banca Sella Group civil-law group	**4,233**		**4,102**		**131**	**3.2%**

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 63.9% of the total excluding the Indian branch).

The Group's foreign companies (Selir in Romania, Miret in Luxembourg, Sella Life in Ireland) together account for 10.3% of the total. If the figures for Chennai Branch, Banca Sella's stable Indian organisation, are added, the percentage of the total rises to 15.9%.

Training

Again in 2015, 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;

In relation to knowledge, during the annual evaluation process each manager evaluated their employees' skills. 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 2015 involved:

- alignment, engagement and a sense of belonging to the Group: when the 2015/17 strategic plan was issued, the CEO of the parent company, together with the CEOs of the other respective companies, met with all employees over a series of more than 25 meetings, organised throughout Italy and in the foreign companies, with the objective of illustrating the most important steps within the strategic plan and responding directly to requests for clarification and more information from employees, as well as listening to ideas and any requirements that were to emerge during these meetings;

- management of relationships with businesses, for all employees operating within the credit chain; provision of the training project begun the previous year was completed, which involved assessment of knowledge in regards to three specific areas (qualitative business aspects, financial statements and economic/financial analysis, business plan and forecasts) with subsequent classroom training, differentiated by the assessment results, provided by external teachers and aimed at increasing knowledge about the areas in question;

- for the private and affluent segment, a specific training project carried out in support of the Banca Sella capital increase operation and, transversally throughout companies involved in private banking, sales training regarding Wealth Management issues that in particular affect families of entrepreneurs;

- for all employees operating in the sales network, a training course aimed at increasing knowledge about anti-money laundering and combating financing of terrorism, with particular reference to awareness regarding adequate verification and assessment of potentially anomalous transactions. The entire sales network of the Group, including agents and advisors, was given a test to verify the knowledge held, which included both a theoretical and practical section. In addition to these activities, other training projects were organised, specifically:
  - ✓ for all branch managers, courses on the process and procedure for notifying suspect transactions;
  - ✓ for all sales network employees, small single-issue courses;
  - ✓ for newly hired employees, the classroom training courses foreseen for the insertion process continued;

- for managerial and specialist roles, strengthening of English language skills: besides traditional individual and group courses managed either in-person with teachers or using multimedia platforms for interaction with teachers and management of homework and individual study, intensive courses were introduced with a 3–5 day full immersion residential format at Italian language schools and study abroad trips.

Overall, in the Group as a whole about 171 thousand hours of training were provided, of which about 44 thousand hours in the form of e-learning. The total amount of training was greater than that in the previous year (+34%), 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 interaction with the outside world. Specifically, training hours provided by internal instructors totalled 81% of all hours provided.

Training activities involved around 94% of staff (with a 16% increase with respect to the previous year) and cost around € 1 million (double the previous year).

At the end of the year 1,591 members of staff were qualified as insurance brokers, (+5% as compared with last year), of whom 0.25% were trained and certified during the year, while the remaining 99.75% consisted of individuals trained for the annual renewal of certification awarded in previous years.

As regards e-learning instruments, in 2015 the number of hours taught in virtual rooms dropped slightly over the previous year (approximately 17,813 hours, equal to 10% of the total hours delivered), as this method combines the advantages of synchronous learning with the organisational and logistical advantages of remote learning. It was used in particular to provide short training courses regularly, with the aim of encouraging the alignment, orientation and 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 “Technical Bank and European Banking Union Committee”;
- the “Technical Payment Systems and Regulations Committee”;
- the “Technical Communication Committee”;
- the working groups within the Payment Systems sector: “Commercial Revenues” and “Payments”;
- the work groups within the tax sector: “Bank investigations”, “Direct taxes”, “Indirect taxes”, “Financial taxes” and “Fatca”;
- the work groups within the Credit sector: “Consumer loans”, “Land credit and mortgage loans” and “Insurance policies”;
- the working group “Internal communication”;
- the work group “Technical Study for Security”;
- the working group “Cash management”;
- the working group “Workplace health and safety”;
- the working group “Company”;
- the working group “Credit risk” and “Geo-sectorial concentration risk”;
- the working group “Consumer Bank”;
- the working group “Compliance and Finance”;
- the working groups “Debt Capital Market” and “Equity Capital Market“;
- the working group “Trading and Markets”;
- within the ABILAB (Centre for Research and Development of Technologies for Banks, established in 2002 following an initiative of the Italian Banks Associations – ABI - with the purpose of creating a meeting point between banks and ICT Partners and to carry out research and development on innovative technologies for the management of processes, channels and bank security), the observatories: “IT architecture observatory”, “Bank Contact Center observatory” “Information Governance observatory”.

Information technology

During the year, the Information Technology department provided IT services to all the Group companies. Among the most important activities, we note constant updating of existing software applications and development of new ones for new services and products, strengthening of hardware components in relation to the Multibank IT System and the Group’s shared Data Centre infrastructure.

Activities were carried out focusing on maintaining and developing applications, with special attention paid to the flexibility of the architecture of the IT System, to increasing the knowledge of personnel, availability of analytical and programming resources, and constant recovery of both internal and external productivity of the structure.

The most significant activities carried out during the year include:

- In the context of the evolution of Data Centre infrastructure and technological infrastructure relative to individual productivity:

- ✓ renewal of the host infrastructure for the central databases, with simultaneous migration of the operating system and significant strengthening of the available computing capacity;
- ✓ renewal of the private cloud infrastructure hosting virtual environments with relative strengthening and consolidation;
- ✓ renewal of the Group's data warehouse infrastructure;
- ✓ renewal of the versions used for the Active Directory Domain and distribution software, which will also see completion of the renewal of the corporate email system and internal video communication systems during the first part of 2016;
- ✓ in the context of Green IT, virtualisation/migration continued to physical servers within the private cloud structure, achieving 86% virtualisation; this activity combined with other actions in the same area have led to energy savings for the Data Centre as well as simplification and optimisation of Disaster Recovery and Business Continuity procedures;
- ✓ extension of areas within the offices covered by the WiFi network;
- ✓ introduction of a new Mobile Device Management (MDM) solution, which allows safe access to certain corporate applications via mobile devices.

- In the context of the Application and Architecture Development:
  - ✓ infrastructure was released for the banking Application Programming Interface (API), with the release of an initial group of functions;
  - ✓ the Business Process Management (BPM) solution was released, with a review of certain pilot applications, which is also being used in the current development of the new OnBoarding and the new electronic credit line system that will be released in the initial months of 2016;
  - ✓ In regards to online trading, new functions were released for Multiday Leverage and access to CFD Forex (contracts for difference, currency trading). Additionally, the new version of the Trading Evoluta SellaExtreme5 platform was released;
  - ✓ all activities necessary to ensure compliance with regulatory changes issued during the year were completed;
  - ✓ in regards to support for sales development, extension of the sales "desktop" solution continued, aimed at the sales network and certain operating processes were reviewed and simplified;
  - ✓ infrastructure and application activities necessary for the relative PCI certification were completed for a Group company, as well as extension of services provided for alternative payments, in particular;
  - ✓ for payments, dedicated P2P infrastructure and the Hype application were released, which were gradually implemented as functions during the year;
  - ✓ in the investment services sector, the online consulting solution was completed, which allows sales managers to offer investment advice that can be subscribed to digitally by customers;
  - ✓ in relation to innovative solutions, the specific application for AppleWatch was released, and Touch ID authentication with Apple was implemented;
  - ✓ a new solution was released to disseminate banking transparency information, which led to the installation of dedicated display stands within the sales network;
  - ✓ in relation to "Mobile" solutions, the functions that customers can use through the Mobile Banking platform were increased; additionally, specific functions to use the Online Trading and Online Funds platform in the Mobile environment were released;

- ✓ reference BigData infrastructure was released to be used in the identified scenarios.

- In terms of the IT organisational structure and ICT governance:

  - ✓ continued updating of the organisational process for Software Development, aimed at increasing separation between management activities and design activities, increased efficiency and software quality and improved delivery times;

  - ✓ the constant structure of the Development team, based on requirements deriving from the demand management process, between various geographic locations, with the objective of concentrating resources, organised by subject, at a maximum of two offices, which consequently led to the reassignment of responsibilities throughout the production chain;

  - ✓ the use of pilot projects to introduce agile techniques in application development, using Scrum as the project management method;

  - ✓ the annual IT training plan was mainly focused on increasing skills in relation to architectural development, technological innovation and to support the introduction of new methods, such as Scrum;

  - ✓ assessment activities were completed in relation to measuring IT Risk for all applications in the IT system. Application of this method is now an integral part of the software development process;

  - ✓ the corporate Change Management Data Base (CMDB) was constantly updated and extended, including additional information useful to complete the Knowledge Base;

  - ✓ the infrastructure used for static controls on the quality of the application code produced was updated, introducing the Technical Dept. concept, among other things.

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.

Share capital (article *5* of the Articles of Association, fully underwritten and paid up, was € 107,013,670.00, represented by 214,027,340 shares with a nominal value of €0.50 (zero point fifty euro) 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.

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

The traditional administration system, which includes direct appointment of the body with strategic supervisory responsibilities and the body that provides control functions by the Shareholders’ Meeting, giving life to a particularly strong bond between the shareholding structure and the representatives on the corporate bodies (which also include, as foreseen in article 19 of the Articles of Association, independent directors). The situation created by the high level of homogeneity within the shareholding structure makes the bodies’ work particularly effective, as this quality means it is more simple to obtain consensus in Shareholders’ Meetings, given that it is in alignment with decisions most favourable to achieving the corporate interest. The Board of Directors has appointed a Chief Executive Officer, with managerial functions, defining the method by which these powers can be exercised, and the frequency that reports must be provided on the exercising of the powers attributed.

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

As regards administration and accounting activities connected with the preparation of 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 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.

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

For more details, please see the section below on “Internal Controls” in this Consolidated Report on Operations.

Internal controls

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

- first-level controls (or line 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 addition to line control systems, the Group has also strengthened its first level controls by creating control focused structures;
- second level controls (risk management controls) have the objective of helping to define risk measurement methods, verifying compliance with the limits assigned to various operating functions and monitoring compliance with regulations. These are assigned to structures that are outside of production, specifically Compliance, Risk Management and Anti-Money Laundering;
- finally, third level controls are aimed at identifying anomalous behaviour, violations of procedures and regulations and assessing the functionality of the overall Internal Control System; these are the specific responsibility of Internal Audit.

The corporate second and third level control functions all feature shared principles based on the Banca Sella Group Code of Ethics and Values, as well as a combination of best practices for the sector.

The Banca Sella Group internal control system has strategic importance: a culture of control and healthy and prudent risk management are of significant importance in the corporate system of values and does not only involve the company control departments, but the entire corporate structure.

The essential principles that guide the corporate control departments are independence, separation, objectivity, autonomy, integrity, privacy and competence.

These principles are outlined in the Internal Control System Regulations for the Banca Sella Group, within which the parent company Board of Directors has defined the guidelines for the Internal Control

System, guaranteeing constant compliance with the principles indicated in title IV, Chapter 3 of Circular 285 and compliance, by the company control departments, with the requirements foreseen therein. More specifically, these regulations, which are circulated to all relevant structures, define the tasks and responsibilities assigned to the various control bodies and functions, the flows of information between the various bodies/functions and with corporate bodies, as well as methods of coordination and cooperation.

Again in application of the provisions issued by the Bank of Italy in Circular 285, the primary responsibility for the implementation and operation of the control system and for healthy and prudential risk management falls to the corporate bodies of the companies within the Group (body with strategic supervision responsibilities, body with management responsibilities, body with control responsibilities), each based on their respective responsibilities, and also in line with the Group's strategies and policy in regards to controls.

The operation of the internal control system is also under the purview of the supervisory bodies pursuant to Legislative Decree 231/01, as established in the various companies and the parent company Risk Committee, as well as mechanisms with specific responsibilities in terms of control, such as the Control Committee, Credit Risk Control Committee and the Operational Risk Committee (CO.R.O):

- the **Risk Committee** provides support to the parent company Board of Directors in regards to risks and internal control systems and provides consulting, investigation and proposal services. It consists of three independent directors appointed by the parent company Board of Directors. They hold these roles until otherwise decided by the same Board of Directors. The Board also appoints the Chairman from among the three members;
- 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 which the Group is most expose to;
- The **Credit Risk Control Committee** discusses trends and forecasts for macroeconomic variables in relation to the evolution of loan risk profiles and risk metrics. The committee monitors differences between final monthly figures and expected figures relative to the Risk Appetite Framework (RAF) forecasts and for loan adjustments. It maintains a register which shows any major issues identified and responsibilities assigned, monitors respect for deadlines and the effectiveness of corrective actions for anomalies or after controls carried out pursuant to Circular 285 (former 263/2006). It plans research in regards to specific areas requiring attention and verifies whether the entities comply with the governance rules established in the Parent Company's risk management policy.
- 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.

Again in 2015, the Banca Sella Group carried out an independent assessment of the Group's capital adequacy, both in current and prospective terms, in relation to the risks assumed and assumable and company strategies, formalised in the drafting of the ICAAP report, sent to the Bank of Italy.

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

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

Finally, the Banca Sella Group drew up and published on its website, in the "Investor Relations" section, the "Basel 3, Third Pillar: Public Disclosure", in compliance with the regulatory provisions included in circular 285/2013 and the CRR.

First-level controls

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

In 2015, with an eye to efficiency and synergy, the Risk Management and Anti-Money Laundering functions within Banca Sella Holding were merged into a single entity - Risk Management and Anti-Money Laundering, reporting directly to the Chief Executive Officer.

The Risk Management function is responsible for identifying, measuring and controlling financial and non-financial risks and their relationship to capital, in line with the regulations in effect and the risk appetite defined by the body with strategic supervision responsibilities.

Its responsibilities include:

- defining governance policies through before the fact assessment of potential risks based on quantitative and qualitative measurement approaches;
- defining risk management policies;
- guaranteeing periodic monitoring of the risk profile;
- continuously implementing methods and tools to quantitatively and qualitatively measure risk exposure;
- favour the spread of a risk culture;
- coordinate the Risk Management functions within all Group companies in order to adopt homogeneous risk measurement and control methods;
- contribute to increasing the professional skills and assessing the performance of Risk Managers within Group companies.

The main activities performed during 2015 by Banca Sella Holding's Risk Management service include:

- development and maintenance of the "Control Cycle" organisational process, which governs the treatment of anomalous events and the immediate removal of the same, as well as the effects and causes which generated them;
- continuation of the activity of assigning the operational risk rating to the business processes mapped with an "end-to-end" approach;
- careful evaluation of the risks associated with new processes and services and those deriving from entry into new operating and market segments;
- evolutionary maintenance of credit risk measurement processes and procedures, including:
  - ✓ development of trend reporting and monitoring of the main variables that impact credit risk, concentration risk and residual risk;
  - ✓ analysis and investigations of specific risk profiling issues;
  - ✓ providing support for the definition of the Capital Management plan and measuring current and prospective adequacy, as well as efficient allocation on a risk adjusted return basis;
  - ✓ definition of forecast analysis methodologies, preparation of forecasts and analysis of changes when compared with final figures;
  - ✓ development of specific reporting on the cost of credit for all Group companies, aimed at analysing the variables that affect the final figure on a monthly basis;
  - ✓ methodological refinement of collective write-downs, in compliance with the IAS;

- ✓ procedures to check the admissibility requirements of credit-risk mitigation techniques;
- activation of second level controls on credit risk, pursuant to Circular 285 (formerly the 15th update to Bank of Italy Circular 263/2006);
- cooperation in defining the Risk Appetite Framework (RAF) and establishing risk objectives and operating limits;
- constant monitoring of the risk effectively taken on and its compliance with risk objectives, as well as with operating limits;
- updating of risk control and management policies;
- formulation of preventive opinions regarding the compliance of the most significant operations with the RAF;
- The assessment of the Group's capital adequacy, both in current and prospective terms, in relation to the risks assumed and assumable and company strategies, formalised in the drafting of the ICAAP report, sent to the Bank of Italy;
- improvements in managing and controlling Pillar II risks identified under the Basel 3 regulations and subject to measurement/assessment as part of the ICAAP, including in particular constant refinement of the indicators adopted to monitor liquidity risk, with an eye to alignment with the new standards proposed in Basel 3;
- continuous strengthening of the monitoring of market risks;
- preparation and publication of public disclosures ("Third Pillar") on the website in the Investor Relations section;
- gap analysis on new regulations in the area of responsibility.

During 2015, the **Risk Management** function carried out an independent assessment of the Banca Sella Group's capital adequacy, both in current and prospective terms, in relation to the risks assumed and assumable and company strategies, formalised in the drafting of the ICAAP report, sent to the Bank of Italy.

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

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

Finally, the Banca Sella Group drew up and published on its website, in the "Investor Relations" section, the "Basel 3, Third Pillar: Public Disclosure", in compliance with the regulatory provisions included in circular 285/2013 and the CRR. "

The **Risk Management** function is also responsible for monitoring the service levels of all the Group's operational structures.

The "Cruscotto dei Livelli di Servizio" (Service Level Dashboard) is an appraisal instrument to assess service levels, to allow grouping indicators according to the organisation chart of the Banca Sella Group. The dashboard also provides an overview of the impact on the service levels of 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 2015 dashboard has been adapted to keep pace with the changes in the organisation as they have come into effect during the period. The Service Level Dashboard report with the related comments is prepared during the meeting of the Board of Directors of the Parent Company, is published every month on the corporate Intranet and is available to all users for consultation.

As 31 December 2015 the Group Dashboard showed a total annual average service level of 99.966%.

There is an **Anti-Money Laundering** unit within every Group company. The parent company's Anti-Money Laundering unit coordinates the efforts of all the other anti-money laundering units within the Group.

Second-level control activities carried out during 2015 involved mainly:

- review of potentially anomalous movements made by customers, by carrying out systematic and sampling controls supported by IT extraction;
- 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.

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

The compliance process is necessary in order to:

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

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

- knowledge of the regulations;
- alert activities;
- gap analysis;
- organisational planning, successive changes, and full release of the same;
- adaptation control (with respect to deadlines);
- 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, it presents the company bodies with the report on activities, in accordance with that established by sector regulations;
- 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 in the Banca Sella Group has established a Compliance Department and/or appointed a compliance manager.

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

Internal Audit within Banca Sella Holding, the company's third level control function, consists of three offices: General Auditing, Investment Services Auditing and ICT Auditing. These offices, guided and coordinated by the Internal Audit Manager, operate with the objective of assessing the functioning and adequacy of the overall system of internal controls and providing notification of potential risks identified during their work, proposing corrective actions and verifying the effectiveness of controls consequently introduced to mitigate the same.

Internal Auditing reports structurally to the Board of Directors of the Parent Company and, when the Board is not meeting, to its Risk Committee.

The Service Manager is also responsible for coordinating the third level control functions found in other Group companies, with the aim of implementing a homogeneous structure for third level control activities and sharing the relative results, while respecting the autonomy of the individual functions.

In 2015 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 Risk 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.

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;
- performing process analyses to evaluate risk areas, the efficiency and effectiveness of audits, the operation and adequacy of organisational processes, their efficiency and suitability for the type of business of the structure/company; 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.

Solely for statistical/quantitative purposes, Internal Audit, also through the analogous service within Banca Sella, carried out the following actions:

Internal audit activity			
Audits relating to:	**2015**	**2014**	**2013**
- Areas/Services/Processes of the Parent Company Banca Sella Holding	31	25	21
- Areas/Services/Processes of Banca Sella	47	36	36
- Other Group companies and/or their Central Services/Processes	8	8	11
Total	**86**	**69**	**68**

Supervision and audit committee Lgs. Degree 231/01

The Shareholders’ Meeting for Banca Sella Holding, resolved on 29 April 2014 to assign the Board of Statutory Auditors the function of Supervisory Body as of 1 July 2014, pursuant to article 6, paragraph 4 of Legislative Decree 231/2001. The body with control functions (Board of Statutory Auditors), in line with the possibility foreseen in circular 285/2013, as subsequently updated by the Bank of Italy, generally carries out the functions of the Supervisory Body - established pursuant to Legislative Decree 231/2001, regarding corporate liability - which monitors the functioning and observance of organisational and management models that the bank creates in order to prevent crimes falling under the purview of said legislative decree.

Income Data

Reclassified income statement (euro millions)

Item	31/12/2015	31/12/2014	% change over 31/12/2014
10. Interest and similar income (1)	345.3	410.7	-15.9%
20. Interest and similar expense (1)	(92.7)	(122.3)	-24.2%
70. Dividends and similar income	1.3	2.0	-33.5%
NET INTEREST AND DIVIDENDS	**254.0**	**290.3**	**-12.5%**
40. Fee income (1)	342.9	318.7	7.6%
50. Fee expenses (1)	(114.6)	(105.3)	8.8%
80. Net gains/(losses) on trading activities (1)	27.3	26.9	1.4%
90. Net gains/(losses) on hedging activities	(0.3)	0.7	-137.8%
100. Income (losses) from sale or repurchase of:	8.9	20.3	-57.2%
a) receivables	(17.1)	(2.0)	733.6%
b) financial assets available for sale	26.3	24.3	7.1%
d) financial liabilities	(0.3)	(2.0)	-85.5%
NET REVENUES FROM SERVICES	**264.3**	**261.3**	**1.2%**
150. Net premiums	389.0	327.0	19.0%
Other costs/income pertaining to insurance activities	23.1	20.4	13.1%
110. Net gains/(losses) on financial assets and liabilities carried at fair value	1.1	1.4	-22.3%
160. Balance of other income/expenses from insurance operations	(396.0)	(336.6)	17.7%
NET INCOME FROM INSURANCE ACTIVITIES	**17.2**	**12.3**	**40.1%**
NET BANKING INCOME	**535.4**	**563.9**	**-5.0%**
180. Administrative expenses:			
a) personnel expenses	(234.7)	(225.3)	4.2%
IRAP on net personnel and seconded personnel expenses (1)	(1.1)	(7.8)	-85.9%
Total personnel and IRAP expenses	**(235.8)**	**(233.1)**	**1.2%**
b) other administrative expenses	(193.3)	(174.7)	10.7%
Recovery of stamp duty and other taxes (1)	48.2	46.6	3.4%
Total administrative expenses and recovery of taxes	**(145.1)**	**(128.1)**	**13.3%**
200. Net value adjustments on tangible assets	(16.6)	(15.7)	5.3%
210. Net value adjustments on intangible assets	(15.4)	(13.4)	14.6%
220. Other operating expenses/income (after deducting “Recovery of stamp duty and other taxes”)	29.7	28.4	4.4%
Operating expenses	**(383.2)**	**(361.9)**	**5.9%**
OPERATING PROFIT/LOSS	**152.2**	**201.9**	**-24.6%**
190. Net provisions for risks and charges	(3.8)	(9.4)	-59.8%
100. Gains on disposal of financial assets held to maturity	-	98.4	-100.0%
100. Gains on disposal of financial assets available for sale (minority interests)	24.7	-	-
130. Net value adjustments for impairment of:			
a) receivables	(129.0)	(180.7)	-28.6%
b) financial assets available for sale	(5.1)	(4.3)	19.0%
c) financial assets held to maturity	-	-	-
d) other financial transactions	(0.2)	(1.1)	-76.8%
240. Income (Losses) from equity investments	1.9	1.1	65.5%
260. Value adjustments on goodwill	(0.4)	(1.0)	-57.8%
270. Income (losses) from the disposal of investments	(0.1)	(0.0)	1,090.9%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**40.1**	**105.1**	**-61.8%**
290. Income taxes for the period on continuing operations			
(after deducting “IRAP on net personnel and seconded personnel expenses”)	(8.4)	(35.2)	-76.1%
PROFIT FROM CONTINUING OPERATIONS NET OF TAXES	**31.7**	**69.9**	**-54.6%**
310. Profit (loss) on asset disposal groups held for sale after tax	(0.1)	-	-
PROFIT (LOSS) FOR THE YEAR	**31.6**	**69.9**	**-54.7%**
330. Profit (loss) for the period pertaining to minority interests	**3.1**	**(0.6)**	**-614.7%**
340. Profit/(Loss) for the period pertaining to parent company	**28.5**	**70.5**	**-59.6%**

1) *The items in question were reclassified on the basis of more appropriate recognition criteria to represent the content of the items, based on standards of management homogeneity. The reclassifications are explained in the section below “Income statement classification criteria”.*

Income Statement Reclassification Criteria

In order to provide a more easily understandable representation of the income results, an Income Statement has been prepared using exposure 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;
- the insurance sector items have been separated from the Income Statement items and grouped under a specific item called “Other net income from insurance activities”;
- 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 item “Other operating income/expenses,” and included in item 150 b) “other administrative expenses”;
- item 100. “Profit (loss) on disposal or repurchase of c) financial assets held to maturity” which is separated from net revenues from services and inserted after operating profit (loss);
- item 100. “Profit (loss) on disposal or repurchase of b) financial assets available for sale” which is separated from “net revenues from services” and inserted after “operating profit (loss)” for the portion relative to minority shareholders.

Profitability

The banking group, headed by the parent company Banca Sella Holding, ended the 2015 financial year with an income of € 31.6 million, of which € 28.5 million pertaining to the Parent company and € 3.1 million to minority interests.

Recall that, for homogeneous comparison with financial year 2014, the economic amounts pertaining to companies in the insurance segment (C.B.A. Vita and Sella Life) are included in the individual items (except for those relative to other revenues attributable to the insurance business, as reported above), and are not classified under item 310 “Profit (loss) on assets held for sale, net of tax” as required under accounting standard IFRS 5. As a consequence, all the figures and comments relative to the reclassified income statement, shown below, contain these components.

The main factors which determined the performance in financial year 2015 (set out in the analysis of the Reclassified Income Statement) were:

- a decrease in net interest income (-12.5%), substantially due to the decrease in volumes and interest income from loans and the lack of interest income from securities held to maturity, which were disposed of in the second half of 2014, and not sufficiently compensated for by a nonetheless significant reduction in the cost of deposits;
- a satisfying increase seen in net revenues from services (+1.1%): the excellent result achieved by the net commissions component, which increased by +7% with respect to the previous year, was supported by the consistent result provided by net trading activities (+1.4%) which, despite the extremely volatile market situation, improved the result with respect to the previous year;
- the increase in the component of operating expenses (+5.9%), which saw a slight increase in staff costs, and a more significant one in administrative expenses, in relation to contributions to National Resolution Funds amounting to around € 9.9 million;
- adjustments for impairment made to loans saw a significant improvement (-28.6%), despite the item suffering from periodic adjustment of the parameters used to evaluate loans and implementation of the evidence brought to light during the Bank of Italy inspection;
- the sale of a portion of financial assets available for sale, relative to the minority investment in Istituto Centrale delle Banche Popolari, which led to capital gains of € 24.7 million;
- we also recall that 2014 was affected by the sale of the portfolio of financial assets held to maturity, which created profit before tax of around € 98.4 million.

A short description of the performance of the main companies of the Group follows (whose 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 a positive result of € 24.8 million. Thanks above all to the sale of a significant portion of the portfolio of financial assets available for sale, relative to the minority investment in ICBP, which compensated for the lower net interest income (due to lower interest income on securities following a reduction in market rates, the sale of securities held to maturity in 2014 and the drop in volumes of cash loans) and the increase in operating expenses.

The result obtained by Banca Sella for the year, the Group’s commercial bank, which mainly operates in retail activities, was € 6 million. The reduction in the cost of deposits was not sufficient to hold back the drop in net interest income due to the sale of securities held to maturity carried out in 2014, the reduction in loan volumes and the drop in market rates. Despite the 10.5% growth in net revenues from services (thanks to net commissions and the sale of a portion of the portfolio of financial assets available for sale), operating income fell by 2.8%. Operating expenses were up with respect to the previous year, mainly due to the contribution paid to the National Resolution Fund, while net write-downs on loans saw an improvement despite the adjustment of measurement parameters, also following the Bank of Italy inspection.

Banca Patrimoni Sella & C., a bank operating in the private banking sector, obtained a result of € 9 million, down with respect to the € 13 million achieved in 2014, a year that was positively influenced by the extraordinary contribution provided by the sales of own securities held to maturity. The Bank continued to invest in growing volumes and consequently margins associated with business and achieved excellent performance for customer assets.

Biella Leasing, which works in the leasing sector, ended financial year 2015 with a loss of € 4.1 million (the result in 2014 was a profit of € 2.3 million). In terms of volumes, the company saw satisfactory growth with respect to the previous year, both in terms of numbers of loans and amounts financed. Net interest income saw a significant increase: interest expense in fact benefited from the decrease in rates following a reduction in the spreads applied during the year to new infragroup loans, which was counteracted by a minimal reduction in interest income, which despite the increase in volumes suffered from the decrease in interest rates, the reduction in the spread applied to contracts stipulated (above all during the final months of 2015) and the termination of numerous contracts. Operating expenses were up, but the main determining factor behind the negative result for the year was the impact of credit risk, with a decidedly high level characterised by the continuation of sub-optimal credit quality and the revision of certain measurement parameters and credit policies, also following the Bank of Italy inspection in the spring of 2015.

Consel, which specialises in consumer loans, saw a loss of € 3.1 million, against a loss of € 27.7 million in 2014. From a sales point of view, the company saw a decrease in disbursements across all products, for a total volume of loans equal to -19% with respect to the previous year. The company was also affected by the disposal of almost all of the portfolio of impaired loans, as previously described in the section on significant events during the year.

The profits of Sella Gestioni, a company in the asset management, individual management and supplementary pensions sectors, came to € 1.8 million, with respect to the profits of € 1.1 million seen in 2014. In particular, 2015 saw overperformance commission amounting to € 0.8 million, compared to € 0.4 million in 2014. In addition, in 2015 the company benefited from greater average capital managed with respect to 2014.

In the insurance sector, C.B.A. Vita, a company specialised in the segment of life insurance policies, ended 2015 with net profits of € 2.9 million, with respect to the result of 3.7 million registered at the end of 2014. 2015 saw excellent performance in terms of deposits, with good performance from net income from investments and a very positive contribution provided by the investee InChiaro.

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]

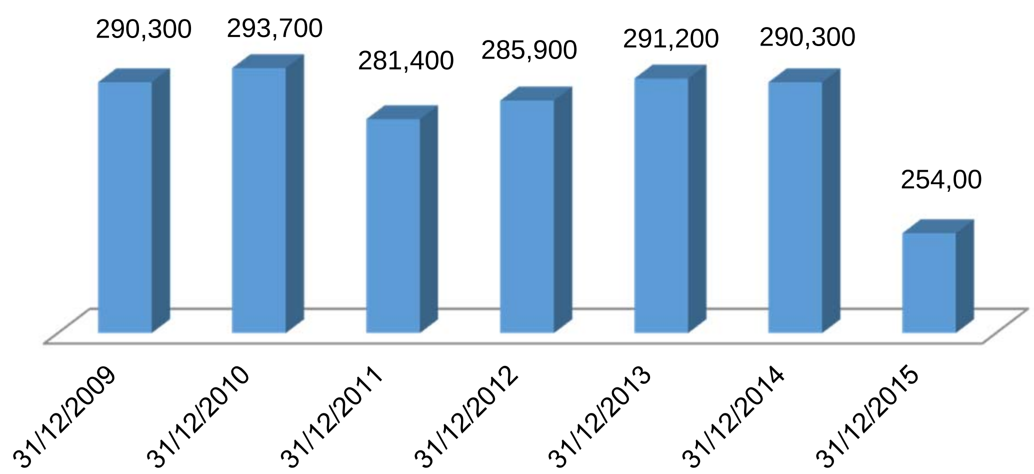
Company	31/12/2015	31/12/2014
Banca Sella Holding S.p.A.	4.0%	3.1%
Banca Patrimoni Sella & C. S.p.A.	14.2%	24.1%
Banca Sella S.p.A.	0.8%	11.7%
Biella Leasing S.p.A.	-5.9%	3.4%
Brosel S.p.A.	6.8%	6.0%
C.B.A. Vita S.p.A.	6.8%	9.0%
Consel S.p.A.	-4.3%	-27.4%
Easy Nolo S.p.A.	68.1%	53.4%
Family Advisory SIM S.p.A. Sella & Partners	64.3%	2.3%
Selfid S.p.A.	18.5%	12.0%
Selir S.r.l.	26.0%	19.8%
Sella Gestioni SGR S.p.A.	8.4%	5.1%
Sella Life Ltd.	4.6%	5.2%

(1) Ratio between “net profit” and “equity net of valuation reserves”: the impact of any capital increases carried out during the year is considered in proportion to the effective months of existence.

Net interest and dividends

Net interest income at 31 December 2015 came to € 254 million, down by € 290.3 million over 31 December 2014.

Dynamic of net interest income in recent years



Interest income comes to € 345.3 million (€ 410.7 million at the end of 2014) and reflects the continuation of the downward trend for both volumes of loans and average rates for the period ending at 31 December 2015, and the elimination of interest income from securities held to maturity, which were disposed of in the second half of 2014. Interest expense comes to € 92.7 million and shows a downward trend in terms of the cost of funding, throughout the entire year.

The item “Dividends and similar income” came to € 1.3 million, compared to € 2 million at the end of 2014.

At the end of 2015 net interest income was 47,4% of net banking income, compared to 51,5% the previous year.

Net interest income and dividends (euro millions)

Item	31/12/2015	31/12/2014	Change	
			absolute	%
Net interest with customers	261.3	275.1	(13.8)	-5.0%
- interest income	298.8	338.8	(39.9)	-11.8%
- interest expense	(37.6)	(63.7)	26.1	-41.0%
Interest income on financial assets	37.0	62.7	(25.7)	-41.0%
Interest expense on securities	(19.0)	(21.0)	2.0	-9.4%
Net interbank interest	(2.8)	(4.8)	2.0	-41.0%
- interest income	0.9	1.0	(0.1)	-8.9%
- interest expense	(3.7)	(5.8)	2.0	-35.5%
Hedging differences	(22.8)	(23.9)	1.1	-4.5%
Other net interest	(0.9)	0.2	(1.1)	-619.3%
Total net interest	**252.6**	**288.3**	**(35.7)**	**-12.4%**
Dividends and other income	1.3	2.0	(0.7)	-33.5%
Net interest income and dividends of banking group	**254.0**	**290.3**	**(36.3)**	**-12.5%**
Net interest on insurance activity	17.1	16.4	0.7	4.0%
Total net interest income	**271.1**	**306.7**	**(35.7)**	**-11.6%**

Net revenues from services

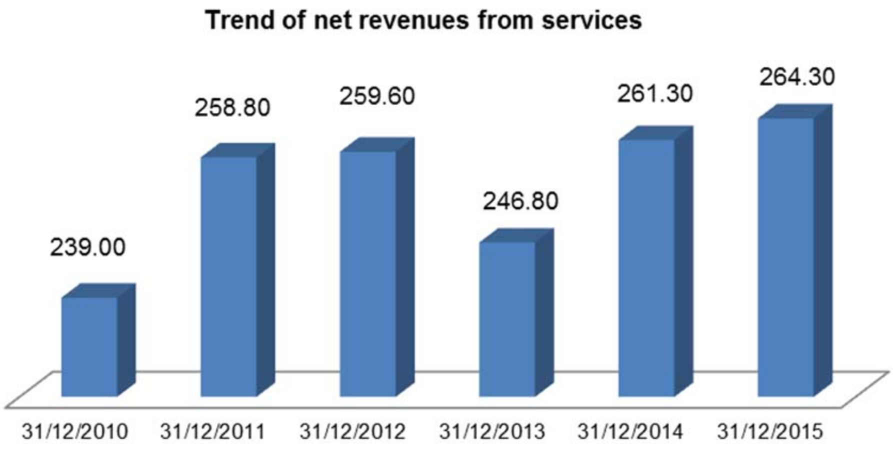
Total aggregate net income from services amounted to € 264.3 million, an improvement with respect to the previous year, in which it was € 261.3 million (1.1%). This result is due to:

- the positive trend in net commissions which, net of the insurance component, resulted in a net balance of € 228.3 million, 7% more than the € 213.4 million in 2014, mainly due to revenues connected with indirect funding and payment systems;
- substantial consistency coming from the component relating to trading activities, thanks to the result achieved in the Finance area, which came to € 27.3 million, a € 0.4 million increase with respect to 2014.

In the business segment relative to indirect funding, excellent results were seen in comparison to 2014. In particular, the fund and SICAV management, life insurance and accessory investment services did well, driven by a context that saw growing volumes and transformation into asset management products. This growth compensated for the decrease in the trading segment, above all in bonds, which saw performance heavily affected by low rates and returns close to zero.

The satisfying profitability seen in the segment was obtained thanks to excellent growth at the Group level in the stock of indirect funding, caused by both incoming flows of new customer deposits and the positive impact of securities prices connected to the good performance for stocks during the year. Average profitability for indirect funding remained substantially at the same level as in 2014, confirming the Bank's capacity to remunerate customer products and services.

In terms of the payment systems sector, which was stable overall, we note growth in the acquiring (POS), e-commerce and traditional payment system areas, thanks to increased volumes, while a decrease was seen in the card component, due to the unfavourable context in terms of consumption, which led to a decrease in transaction volumes and margins. In terms of profitability, this segment is always subject to a high degree of competition and regulatory provisions that compress margins.



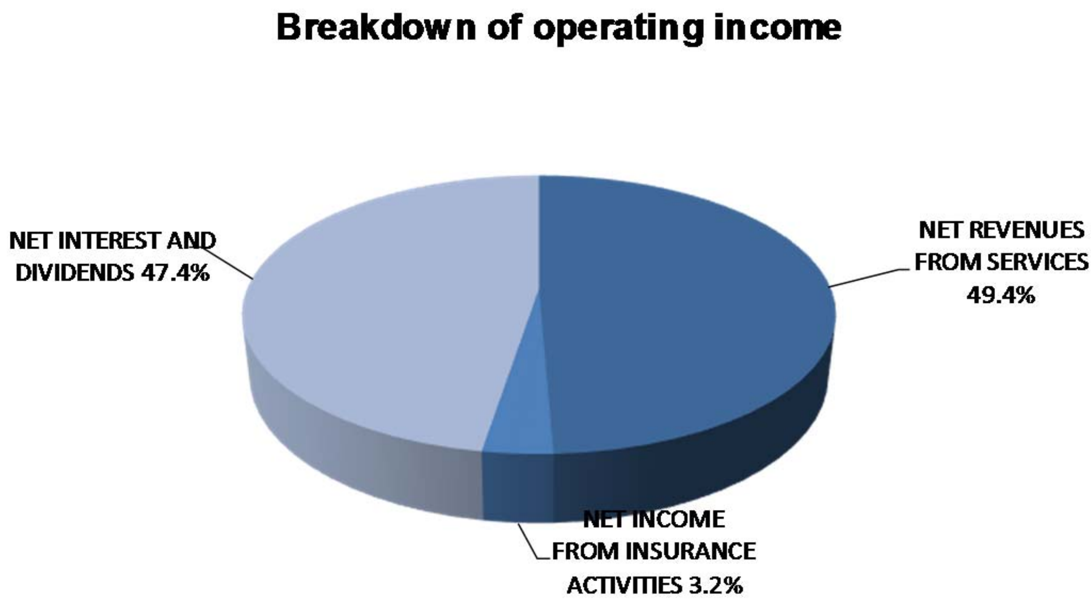
The table below summarises the components of fee and commission income and expense:

Net fees (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Change absolute	Change %
Banking and commercial business	**63.7**	**27.9%**	**55.3**	**25.5%**	**8.4**	**15.1%**
- guarantees	3.2	1.4%	0.3	0.1%	**2.9**	974.2%
- collection and payment services	60.5	26.5%	55.0	25.4%	**5.4**	9.9%
Asset management, broking and advisory service	**91.3**	**40.0%**	**83.9**	**38.6%**	**7.4**	**8.9%**
- indirect customers (asset management, custody and administration of securities, advice, broking and placement of securities	75.0	32.9%	68.7	31.7%	6.3	9.2%
- currency trading	1.8	0.8%	1.6	0.7%	0.2	14.9%
- other fees on asset asset management, broking and advisory	14.4	6.3%	13.6	6.3%	0.9	6.5%
Other net fees	**73.3**	**32.1%**	**74.2**	**34.2%**	**(0.9)**	**-1.1%**
Total net fees pertaining to the banking group	**228.3**	**100.0%**	**213.4**	**98.3%**	**15.0**	**7.0%**
Net fees on insurance activities	**5.7**	**2.4%**	**3.7**	**1.7%**	**2.0**	**55.0%**
TOTAL NET FEES	**234.0**	**100.0%**	**217.1**	**100.0%**	**17.0**	**7.8%**

Net banking income

As a consequence of the results of net interest income and net revenues from services, consolidated operating income came to € 535.4 million at 31 December 2015, compared to € 563.9 million at 31 December 2014.



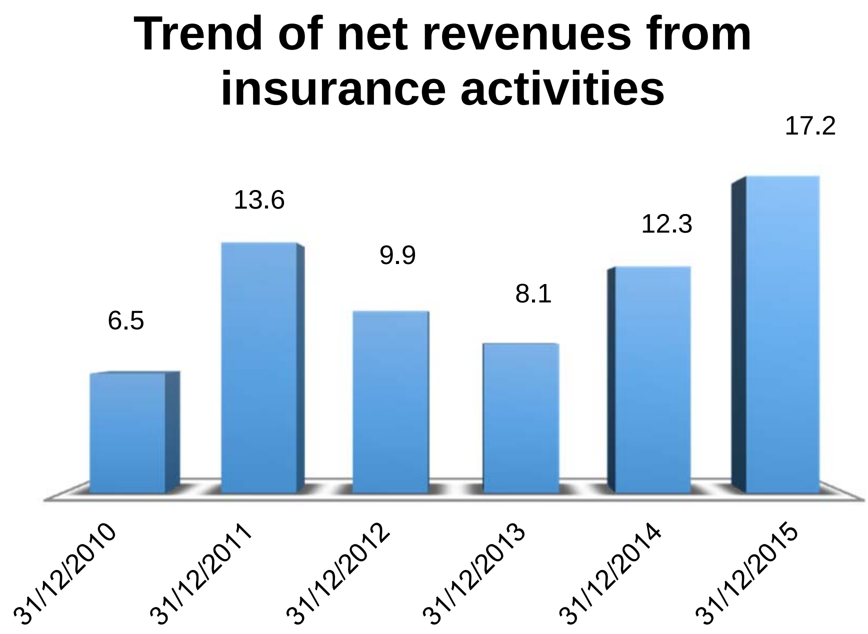
Gains/losses on the sale of financial assets available for sale

Gains on financial assets available for sale, equal to € 26 million, refer to the disposal of a portion of the relative portfolio, in line with that already carried out the previous year when profits came to € 24.3 million.

Losses on disposal of loans refers to the aforementioned disposal of almost all the impaired loan portfolio held by Consel, with an economic effect of around € 17 million.

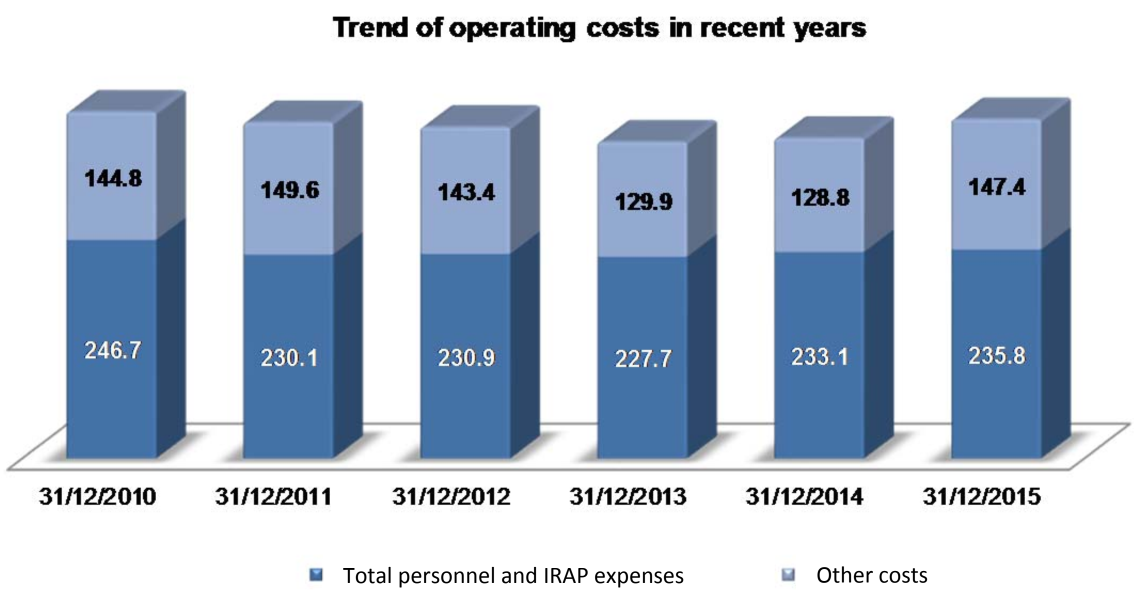
Net revenues from insurance activities

The total aggregate stood at € 17.2 million, an increase of 40.1% with respect to the € 12.3 million of the previous year. Recall that, as reported in significant events during the year, insurance assets are held for sale.



Operating expenses

The total amount of operating expenses amounted to € 383.2 million, up with respect to the end of 2014, when it was € 361.9 million.



The staff costs component amounts to € 235.8 million, inclusive of IRAP relative to the same. At 31 December 2014 the amount was 233.1. This value was affected by the increase in staff seen both in Italian and foreign companies with respect to 31 December 2014, and by the decrease in the IRAP component relative to staff costs after abolition of this tax on permanent employment contracts.

Personnel expenses (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes absolute	Changes %
Employees	226.9	96.2%	218.3	93.7%	8.6	3.9%
Directors	4.3	1.8%	4.3	1.8%	(0.1)	-1.3%
Statutory Auditors	0.7	0.3%	0.7	0.3%	-	-2.7%
Other	2.9	1.2%	2.0	0.9%	0.9	46.7%
TOTAL PERSONNEL EXPENSES	**234.7**	**99.5%**	**225.3**	**96.7%**	**9.4**	**4.2%**
IRAP on net personnel and seconded personnel expenses	1.1	0.5%	7.8	3.3%	(6.7)	-85.9%
PERSONNEL EXPENSES INCLUDING ASSOCIATED IRAP	**235.8**	**100.0%**	**233.1**	**100.0%**	**2.7**	**1.2%**

Other administrative expenses (net of recovery of indirect taxes) totalled € 145.1 million, up with respect to 31 December 2014, when they were € 128.1 million. The main reason was that Legislative Decrees no. 180 and 181 took effect on 16 November 2015, which implemented in Italian legislation Directive 2014/59/EU (Banking Resolution and Recovery Directive, “BRRD”), creating a framework to restore and resolve credit institutions and investment companies and establishing the National Resolution Fund managed by the Bank of Italy. Payment of these contributions connected to the mechanism to establish these funds were recognised in administrative expenses in the Income Statement. In 2015, these contributions amounted to around € 9.9 million for the Group, divided between the Single Resolution Fund (SRF), with € 1.9 million as the ordinary portion and € 5.8 million as the extraordinary portion, and the Deposit Guarantee Scheme (DGS), with € 2.2 million as an ordinary contribution.

Within other operating expenses, write-downs on tangible and intangible assets came to € 32 million, up from 29.1 million at 31 December 2014.

Other operating income, after deducting the recovery of indirect taxes, came to € 29.7 million, up with respect to 31 December 2014, when the amount was € 28.4 million.

Net provisions for risks and charges

Provisions for risks and charges came to € 3.8 million, compared to € 9.4 million the previous year, which saw an allocation made against an agreement for voluntary redundancy incentives. The decrease can also be attributed to lower allocations made in view of operational risks.

Gains/losses on the sale of financial assets available for sale and held to maturity

Gains on sale of financial assets available for sale, equal to € 24.7 million, include the sale of the minority investment held in the Istituto Centrale delle Banche Popolare Italiane by Banca Sella Holding. The remaining portion is relative to the disposal of debt securities within the portfolio of financial assets available for sale.

In 2014, the item Gains (losses) on disposal of financial assets held to maturity came to € 98.4 million, following the Board of Directors’ decision to dispose of the portfolio of financial assets held to maturity.

Net adjustments for impairment

Net value adjustments on loans amounted to € 129 million at the end of the year, with respect to € 180.7 million in 2014, a decrease of -28.6%. To this value must be added the loss suffered on disposals of loans equal to 17.1 million, against 2.0 million in 2014. The decrease in write-backs nonetheless was affected by periodic updating of measurement parameters and implementation of all the evidence found during the Bank of Italy inspection during the first half of 2015.

It should also be considered that Consel wrote down the cited loans disposed of during 2015, for an amount equal to € 23 million. The subsequent disposal of the same to a specialised company was done for € 17 million, thereby reducing the loss of value. Therefore, the operation carried out reinforces the correctness of the measurement criteria applied and the reliability of the accounts as a whole, in that the sales price made it possible to obtain an improvement of around € 6 million with respect to the measurement.

Due to the above, the ratio between net write-downs plus losses on disposal and cash loans went from 2.3% at 31 December 2014 to 1.9% at the end of 2015.

At 31 December 2015 the coverage ratio with reference to bad loans was 60.4%, while, at the end of 2014, it was 64.2%. The change seen during the year can substantially be attributed to the disposal of loans carried out by Consel. The coverage ratio on anomalous loans, understood as total write-downs booked on impaired cash loans over gross loans disbursed stood at 47,7%; at 31 December 2014 it was 48,1%.

Greater write-downs were also seen on financial assets available for sale, equal to € 5.1 million, with respect to € 4.3 million, mainly due to write-downs on the minority investment held in Veneto Banca and in Cassa di Risparmio di Bolzano by Banca Sella Holding.

Value adjustments on goodwill

The item included the effects of the write-down on goodwill relative to the Camastra and Naro branches acquired in 2001 by Banca Sella, from the former BCC Unione di Camastra e Naro.

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 tax amounts to € 8.4 million, compared to 35.2 million the previous year, with a 76.1% reduction with respect to a 61.8% reduction in before tax profit.

Said income taxes for the year on current operations are net of IRAP relative to staff costs, which were reclassified, increasing this component (and which saw positive effects deriving from the amendments introduced in Law 190 of 23/12/2014 regarding the deductibility of IRAP for expenses sustained in relation to employees with permanent contracts) and taxes relative to profits from groups of assets held for sale, which were inserted as an adjustment to this component.

The tax rate, net of the components indicated above, thus fell from 33.5% of the previous year to 21% in financial year 2015.

The reduction in the tax rate is due to the different impact of dividends and capital gains from disposals of investments on the before tax results, as they had the requirements set out in articles 89, paragraph 2 and 87 of Presidential Decree 917/86, making them almost entirely untaxable.

Consolidated comprehensive income

	STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME	31/12/2015	31/12/2014
10.	**Profit (Loss) for period**	**31,627**	**69,868**
	Other income components net of taxes without reversal to income statement		
40.	Defined benefit plans	1,546	(5,151)
	Other income components net of taxes with reversal to income statement		
80.	Foreign exchange gains (losses)	783	201
100.	Financial assets available for sale	31,756	12,240
110.	Non-current assets held for sale	1,151	-
120.	Share of valuation reserves in relation to investments evaluated via the equity method	(1)	702
130.	**Total of other income components after tax**	**35,235**	**7,992**
140.	**Comprehensive income (Items 10 +130)**	**66,862**	**77,860**
150.	Comprehensive consolidated income pertaining to third-parties	9,659	295
160.	**Comprehensive consolidated income pertaining to the Parent Company**	**57,203**	**77,565**

The increase in item 100. Financial assets available for sale include the effect of the fair value measurement of financial assets available for sale mainly following the revaluation of Banca Sella's investment in Visa Europe, already illustrated above in "significant events during the year".

The measurement of item 110. "non-current assets held for sale" is relative to C.B.A. Vita and Sella Life.

Balance sheet data

Recall that the assets and liabilities associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to the item 150 “non-current assets and groups of assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni. The balance sheet data indicated below therefore excludes the insurance component, as a consequence it differs from that reported previously in the summary data.

Reclassified income statement (euro millions)

Assets	31/12/2015	31/12/2014	% change over 31/12/2014
Financial assets (1)	3,017.9	3,855.1	-21.7%
Due from banks	304.0	1,209.9	-74.9%
Cash loans, exclusive of repurchase agreements receivable (2)	7,686.1	7,996.7	-3.9%
Repurchase agreements receivable	347.4	64.7	436.7%
Equity investments	11.5	15.6	-26.4%
Reinsurers’ share of technical reserves	-	3.6	-100.0%
Tangible and intangible fixed assets (3)	295.2	288.6	2.3%
Tax assets	288.6	309.9	-6.9%
Non-current assets and asset groups held for sale	1,517.2	-	0.0%
Other assets (4)	500.2	513.7	-2.6%
TOTAL ASSETS	**13,968.1**	**14,257.8**	**-2.0%**
Liabilities and Shareholders’ equity	**31/12/2015**	**31/12/2014**	**% change over 31/12/2014**
Due to banks	639.3	1,178.3	-45.8%
Direct deposits, exclusive of repurchase agreements payable (5)	10,164.7	10,093.0	0.7%
Repurchase agreements payable	17.8	40.9	-56.5%
Total direct deposits	10,182.5	10,133.9	0.5%
Financial liabilities	38.0	692.3	-94.5%
Tax liabilities (6)	38.9	123.4	-68.4%
Other liabilities (7)	428.5	458.2	-6.5%
Provisions for specific purposes (8)	82.1	89.9	-8.7%
Technical reserves	-	714.7	-100.0%
Liabilities associated to groups of assets being divested	1,516.3	-	0.0%
Shareholders’ equity (9)	1,042.5	867.2	20.2%
- pertaining to the group	831.7	774.0	7.5%
- pertaining to minority interests	210.8	93.2	126.2%
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**13,968.1**	**14,257.8**	**-2.0%**

(1) Given by the sum of the following balance sheet asset items: 20 “Financial assets held for trading”, 30 “Financial assets at fair value” and 40 “Financial assets available for sale”.
(2) Item 70 “Due from customers” in the balance sheet assets, exclusive of repurchase agreements.
(3) Given by the sum of the following balance sheet asset items: 120 “Property, plant and equipment” and 130 “Intangible assets”.
(4) Given by the sum of the following balance sheet asset items: 10 “cash and cash equivalents”, 80 “Hedging derivatives”, 90 “Value adjustment of financial assets subject to macrohedging” and 160 “Other assets”.
(5) Given by the sum of the following balance sheet liability items: 20 “Due to customers” and 30 “Securities in issue”.
(6) Given by the sum of the following balance sheet liability items: 40 “Financial liabilities held for trading” and 50 “Financial liabilities carried at fair value”.
(7) Given by the sum of the following balance sheet liability items: 60 “Hedging derivatives” and 100 “Other liabilities”.
(8) Given by the sum of the following balance sheet liability items: 110 “Employee severance indemnities” and 120 “Provisions for risks and charges”.
(9) Given by the sum of the following balance sheet liability items: 140 “Valuation reserves”, 170 “Reserves”, 180 “Share premiums”,190 “Capital” and 210 “Equity pertaining to third-parties,” and 220 “Profit for the period”.

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

In 2015 total assets decreased by 2%, reaching € 13,968.1 million, compared with € 14,257.8 million recorded at the end of 2014.

Brokering with customers saw loans, net of repurchase agreements, of € 7,686.1 million, down by 3.9% with respect to the € 7,996.7 million the previous year. Analysis of the item shows a reduction in almost all components, in particular current accounts (-15.8%), while for mortgages, which saw a very small decrease, new requests almost compensated for maturing mortgages.

The ratio between cash loans and direct deposits (net of repurchase agreements for € 17.8 million) went from 79.2% in 2014 to 75.6% in 2015, improving the already excellent liquidity level that has always been an important indicator of financial stability for the Group.

On the other hand, in regards to funding, total administered assets continued to grow, in particular for managed deposits.

Shareholder's equity, inclusive of valuation reserves, increased, settling at € 1,042.5 million (210.8 of which pertaining to minority interests), a strengthening of 20.2% with respect to the end of the previous year, in which it was 867.2 million. The capital increase operation which occurred in Banca Sella had a particularly strong effect on capital, as did the increase in revaluation reserves relative to financial assets available for sale, thanks mainly to the revaluation of the investment in Visa Europe already illustrated in "significant events during the year".

Banking business with customers - collection

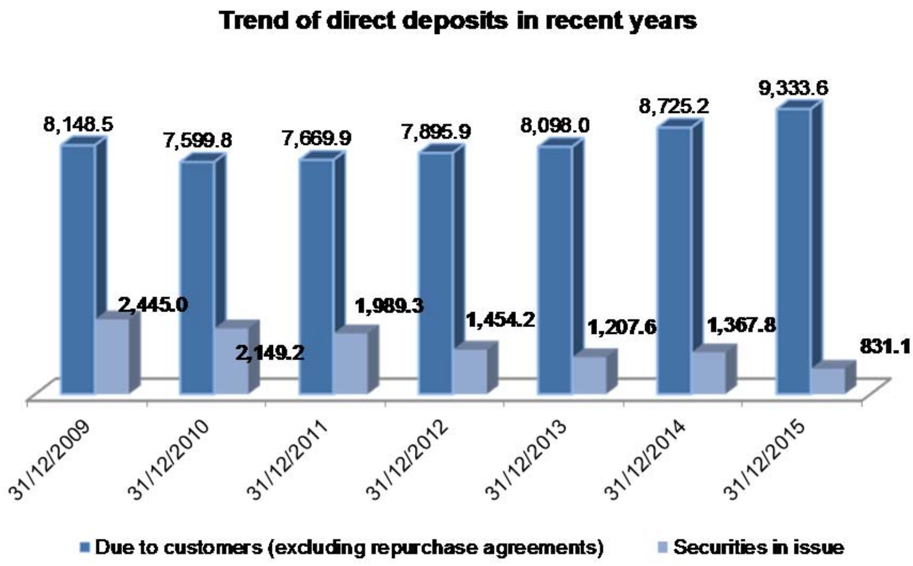
At the end of the year total deposits – consisting of all the assets administered on behalf of customers – amounted to € 26,933.1 million, up 4.4% compared with the previous year. Both the direct and indirect component had positive results. When also considering the portion relative to C.B.A. Vita, equal to around € 9.9 million in direct deposits, total deposits amount to € 26,942.9 million.

Total deposits (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes absolute	Changes %
Direct deposits (exclusive of repurchase agreements)	10,164.7	37.7%	10,093.0	38.6%	71.7	0.7%
Repurchase agreements payable	17.8	0.1%	40.9	0.2%	(23.1)	-56.5%
Indirect deposits	16,750.5	62.2%	15,663.1	61.3%	1,087.4	6.9%
Total deposits	**26,933.1**	**100.0%**	**25,796.9**	**100.0%**	**1,146.0**	**4.4%**

Direct deposits

The breakdown of direct deposits (10,164.7 exclusive of € 17.8 million in repurchase agreements) shows growth in amounts due to customers of € 9,333.6 million, recording an increase of € 608.4 million (+7%) compared with 2014, when they came to € 8,725.2 million. The most significant change within the aggregate was that relative to current accounts and demand deposits, which were up by € 468.8 million. A 39.2% decrease was seen in securities in issue, due to a lack of renewal of securities which matured during the year.

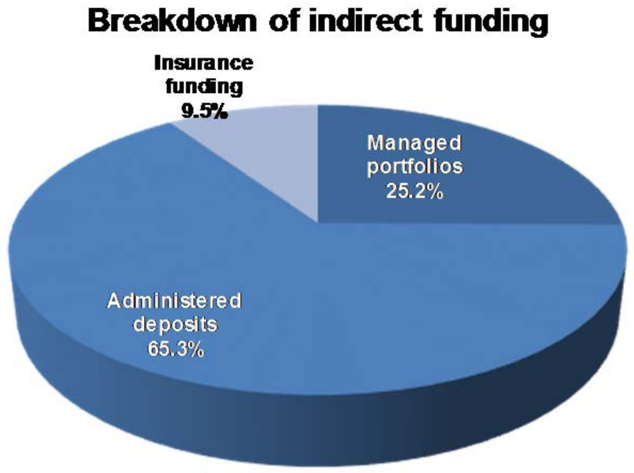


Direct deposits (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes absolute	Changes %
Due to customers (excluding repurchase agreements)	9,333.6	91.7%	8,725.2	86.1%	608.4	7.0%
- Current accounts and demand deposits	8,189.6	80.4%	7,720.8	76.2%	468.8	6.1%
- Term deposits	908.7	8.9%	815.2	8.0%	93.4	11.5%
- Other loans and advances	114.9	1.1%	55.6	0.6%	59.3	106.7%
- Other	120.5	1.2%	133.6	1.3%	(13.1)	-9.8%
Securities in issue	831.1	8.2%	1,367.8	13.5%	(536.7)	-39.2%
TOTAL DIRECT DEPOSITS	**10,164.7**	**99.8%**	**10,093.0**	**99.6%**	**71.7**	**0.7%**
Repurchase agreements payable	17.8	0.2%	40.9	0.4%	(23.1)	-56.5%
TOTAL DIRECT DEPOSITS (INCLUDING REPURCHASE AGREEMENTS)	**10,182.5**	**100.0%**	**10,133.9**	**100.0%**	**48.6**	**0.5%**
Liabilities associated to groups of assets being divested: due to customers	**9.9**	**0.0%**	**-**	**0.0%**	**9.9**	**100.0%**

Indirect deposits

Indirect funding is understood as the sum of the items “Asset Management” and “Other third party securities held in deposit (net of securities issued by companies included in consolidation)” of the “Other information” section of the Explanatory Notes to the Balance Sheet, to which was added 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 aggregate at 31 December 2015, was therefore € 16,750.5 million, an increase of 6.9% on an annual basis. The greatest contribution came from the network of financial advisors, who increased their portion to the managed total with respect to 2014, going from 16% to 19%. The contribution provided by the branches was also significant. Note that 2015 saw an increase in volatility. In fact, after reaching historic highs during the initial months of the year, in subsequent months the markets saw various corrections, which were only partially recovered.



The table below shows how in 2015, all the components of indirect deposits recorded positive dynamics. Managed portfolios, amounting to € 4,212.9 million, saw growth with respect to 2014 (+14.7%), as did the component relative to insurance funding, which at € 1,587.7 million increased by 21.4% with respect to the previous year. Assets under administration also saw positive performance, +2.5% compared with the previous year, rising from € 10,682.9 million in 2014 to € 10,950 million in 2015.

Indirect deposits (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes	
					absolute	%
Managed portfolios	4,212.9	25.2%	3,672.5	23.4%	540.4	14.7%
Assets under administration	10,950.0	65.4%	10,682.9	68.2%	267.1	2.5%
Insurance funding	1,587.7	9.5%	1,307.7	8.3%	280.0	21.4%
Total indirect deposits	**16,750.5**	**100.0%**	**15,663.1**	**100.0%**	**1,087.5**	**6.9%**

Loans

At the end of FY 2015, cash loans to ordinary customers, exclusive of repurchase agreements, came to 7,686.1 million (7,996.7 as at 31 December 2014) with a negative change of 3.9% on last year.

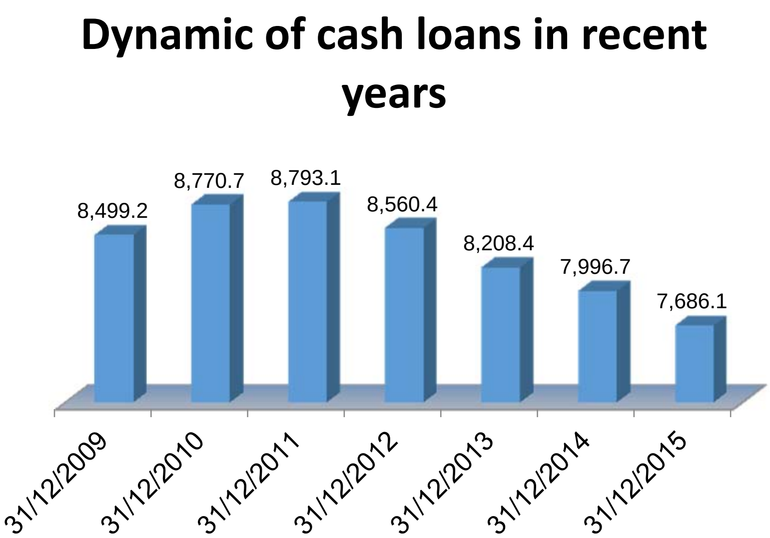
In a context that saw a generalised recovery in loan requests, the Group saw a trend that went against market performance. Nonetheless, the Bank, as noted above, maintained its support for households, offering mortgages to purchase or remodel homes, and to companies that have demonstrated appropriate economic prospects and business continuity, disbursing short-term loans to support the carrying out of current activities, and medium/long-term loans for new investments and/or to restructure short-term debt. Lending to businesses continued, provided by all Group companies that disburse credit in all its various technical forms (Banca Sella, Biella Leasing, the Group's leasing company and Consel, the Group's consumer loan company, that provides consumer loans to private individuals, and Banca Patrimoni Sella & C.).

In Banca Sella, during the course of 2015, 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.

Consel saw a 20% decrease during the period with respect to the previous year for relations in the traditional consumer loan sector (therefore net of credit cards). In regards to volumes disbursed in the consumer loan segment (therefore net of leasing), it provided total loans that were down by 18.7% with respect to the increase of 13.9% seen on the market.

Examining the main sectors in detail, we note that activities involving personal loans fell by 21.6% with respect to the previous year, with the car and motorcycle sectors also seeing an 8.7% drop, as well as other loans for specific purposes, which fell by 8.2%. In regards to credit cards, the total number of cards activated at the end of 2015 came to 81,846, of which 21,982 active, for total transactions of € 45.2 million. Salary-backed loans also saw lower disbursements with respect to 2014. Car leasing activities were also down, which based on a sales decision were limited in terms of direct development and transferred to just Biella Leasing (the specialised company within the Banca Sella Group).

Due to the complexity of the economic context, a major boost was given to the training and involvement of staff operating in the credit sector and activities concerning assessment of risk and prospective analysis of cash flows and debt sustainability, controlling credit disbursed were also of great import.



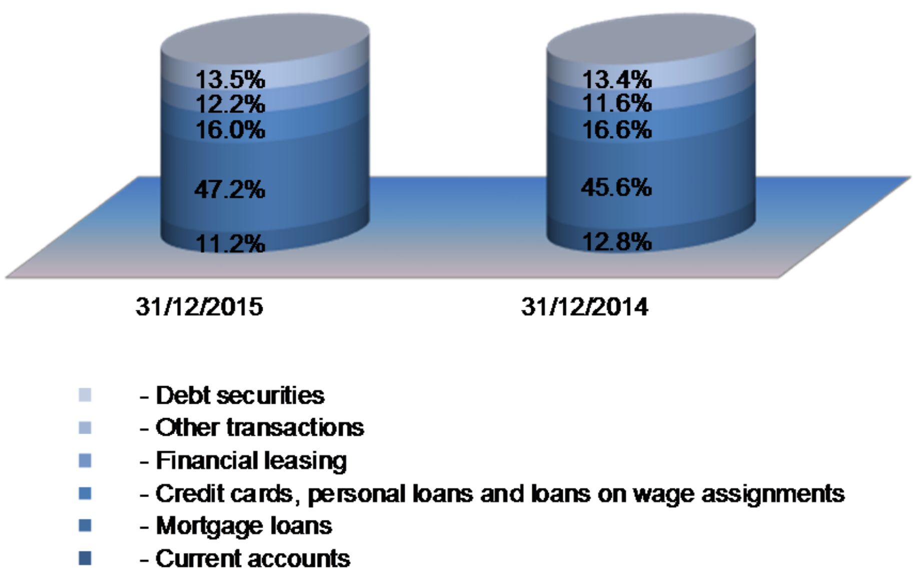
Analysing the composition of loans to customers (see the table below) we note that the amount of impaired assets fell with respect to the previous year (-7.5%), following the disposal of a significant portion of said portfolio by Consel.

Cash loans (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes	
					absolute	%
Loans to customers (excluding repurchase agreements)	**7,686.1**	**95.7%**	**7,996.7**	**99.2%**	**-310.6**	**-3.9%**
Performing	7,036.7	87.6%	7,294.8	90.5%	-258.2	-3.5%
- Current accounts	788.0	9.8%	934.8	11.6%	-146.8	-15.7%
- Mortgage loans	3,318.7	41.3%	3,325.8	41.3%	-7.1	-0.2%
- Credit cards, personal loans and loans on wage assignments	1,123.2	14.0%	1,208.5	15.0%	-85.4	-7.1%
- Financial leasing	857.2	10.7%	849.4	10.5%	7.8	0.9%
- Other transactions	949.5	11.8%	976.1	12.1%	-26.6	-2.7%
- Debt securities	0.1	0.0%	0.2	0.0%	-0.1	-43.4%
Non-performing assets	649.4	8.1%	701.9	8.7%	-52.4	-7.5%
TOTAL CASH LOANS (EXCLUDING REPURCHASE AGREEMENTS)	**7,686.1**	**95.7%**	**7,996.7**	**99.2%**	**-310.6**	**-3.9%**
Repurchase agreements	347.4	4.3%	64.7	0.8%	282.7	436.7%
TOTAL CASH LOANS	**8,033.5**	**100.0%**	**8,061.4**	**100.0%**	**-27.9**	**-0.4%**
Details for Group companies						
Banca Sella Holding	432.5	5.4%	148.9	1.9%	283.6	190.5%
Biella Leasing	936.3	11.7%	946.8	11.8%	-10.6	-1.1%
Consel	864.3	10.8%	970.0	12.0%	-105.7	-10.9%
Banca Patrimoni Sella & C.	300.4	3.7%	257.6	3.2%	42.8	16.6%
Banca Sella	5,494.6	68.4%	5,733.3	71.1%	-238.7	-4.2%
Other Group companies	5.5	0.1%	4.8	0.1%	0.7	14.2%
Total for Group companies	**8,033.5**	**100.0%**	**8,061.4**	**100.0%**	**-27.9**	**-0.4%**

The table below shows the breakdown of performing loans, excluding impaired assets.

Cash loans - breakdown



Credit quality

2015 saw the continuation of the economic crisis in the country and while there were some signs of improvement seen during the final months of the year, the effects on credit risk were significant, above all during the first part of the year, which saw stronger impacts with respect to the same period during the previous year.

In particular, there was a notable increase in new flows of impaired loans, which led to an increase in write-downs. This phenomenon improved during the year, thanks to significant credit supervision and monitoring.

Between February-June 2015, Banca Sella, Banca Sella Holding and Banca Patrimoni underwent an inspection by the Bank of Italy, which involved analysis of the quality of the loan portfolio.

Upon the conclusion of the inspection, relative to measurements taken at 31 December 2014 on positions subject to analytical verification, classification and expected loss differences arose, the latter for a total of around € 26.5 million.

Note that both the reclassifications, with the exception of specific and justified exceptions, and the write-downs, partially made independently by Banca Sella during the first months of 2015 during the inspection, were all recognised by the end of the inspection.

The changes in the valuation of sampled exposures were mainly due to deterioration in credit risk, which arose during the initial months of 2015, as mentioned above.

In particular, the elements which led to an increase in provisions were:

- classification from unlikely to pay to non-performing through application of more stringent parameters with respect to the previous classification;
- updating of appraisals of properties concerned by our mortgage guarantee;
- application of prudential haircuts on properties guaranteeing certain unlikely to pay or non-performing positions, for certain types of properties;
- presence of auctions with no bids during the half;
- admission to bankruptcy proceedings and/or revocation of admission to other similar proceedings, such as settlement agreements;
- commencing of foreclosures;
- lack of cash flow for unlikely to pay positions without revocation of credit lines and/or participation in negotiations together with the banks, with negotiations of a significant duration.

These aspects required adjusting provisions both in terms of measurement and in terms of discounting. In some cases, adjustments were more stringent with respect to the risk category in which the positions were classified, in that they better complied with the principles of prudence and risk supervision in reference to the specific situations being analysed.

In addition, the Credit Regulations were updated and, specifically, in May 2015, new and more stringent timeframes were introduced in regards to the management of unlikely to pay positions with revocation of credit lines, in order to improve monitoring and collection. This change reduced the timeframe from 12 to 6 months, starting as of June 2015, with the consequent earlier movement to non-performing of a larger number of positions compared with the previous year.

Adjustments to classification of impaired loans

The update of Circular 272 of 20/01/2015 introduced a new classification for impaired loans, eliminating the categories of watchlist and restructured loans, and introducing the category of Unlikely to pay.

It was therefore necessary to reclassify loans previously categorised as substandard and restructured loans, moving them to the new classification categories.

The following categories of impaired loans were reclassified among unlikely to pay:

- restructured (represented by restructuring in pool and objective restructured - positions that have repayment agreements solely with Banca Sella);
- subjective watchlist (positions classified as watchlist due to a judgement by the bank, with a specific resolution);
- revoked watchlist (positions classified as watchlist with credit lines revoked);
- watchlist due to group default (positions classified as impaired due to similar classification by other companies in the Banca Sella Group);
- watchlist with forbearance (forborne non-performing positions classified as watchlist at December 2014 due to measures applied due to the deterioration of the loan for which a period of 12 months of regular payment without any overdue payments exceeding 30 days had not passed).

Objective watchlist, instead, were mainly reclassified among impaired past due exposures.

Accompanying this change, in compliance with that established in the ITS (International Technical Standard) issued by the EBA (European Banking Authority), pursuant to the CRR 575/2013 issued by the European Parliament and Council, Circular 272 added to the EBA's definition regarding forbearance, referring to all those concessions granted to customers suffering financial difficulties or likely to suffer financial difficulties by entities.

This classification, in effect as of 2014, affects both positions classified among performing loans and positions classified as non-performing or impaired.

When forbearance is granted to a customer classified as non-performing, it remains in this category until the following conditions are all met simultaneously:

- a year has passed since the forbearance was granted (cure period)*;*
- there are no past-due amounts present at the end of the period referred to above;
- there are no doubts regarding repayment by the debtor. This point can be considered as satisfied when:
  - **a.** payments have been made equal to the amount of previous past-due amounts; or
  - **b.** the payment recognised in the forbearance has been made; or
  - **c.** the debtor has in any case demonstrated the capacity to meet the conditions after forbearance.

Once the period of "forborne NPE" has passed, the position will move to "forborne performing", where it remains for an additional two years before being transferred to performing with no reserves, if the following conditions are met:

- a probation period of 2 years has passed;
- regular payments for the appropriate amount of capital and interest have been made for at least one half of the probation period;
- none of the exposures associated with the debtor are past-due by over 30 days at the end of the probation period.

During the year, a series of activities have been carried out within Consel, aimed at better controlling the cost of risk and optimising management of bad loans which culminated, at the end of the year, in a significant disposal transaction involving a portfolio of unsecured impaired loans, consisting of around 32,000 positions with a nominal value in terms of capital of € 158.6 million.

This operation, which was part of a project to progressively optimise the credit process, made it possible to obtain concrete benefits in terms of the operational management of a portion of the loan portfolio.

Bad loans of the Group at 31 December 2015 totalled € 339.1 million, an increase with respect to the € 311.2 million recorded in 2014. Unlikely to pay loans at the end of the period totalled € 289.2 million, down by 18.8% compared to 2014. At 31 December 2015, total impaired loans amounted to € 649.4 million.

In December 2015, the coverage ratio referred to bad loans was 60.4%, whilst at the end of last year it was 64.2%. The change seen during the year can substantially be attributed to the aforementioned disposal of impaired loans carried out by Consel. The coverage ratio on anomalous loans, understood as total write-downs booked on impaired cash loans over gross loans disbursed stood at 47.7%; at 31 December 2014 it was 48.1%.

As shown by the table at the foot, impaired loans represent 8.1% of net loans to customers, which have slightly improved since last year, when the ratio was 8.7%.

Credit quality (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes	
					absolute	%
Loans to customers (including repurchase agreements)	**8,033.5**	**100.00%**	**8,061.4**	**100.00%**	**(27.9)**	**-0.35%**
Non-impaired loans	7,384.1	91.92%	7,359.6	91.29%	24.5	0.33%
Impaired loans	649.4	8.08%	701.9	8.71%	(52.4)	-7.47%
of which net bad loans	339.1	*4.22%*	311.2	*3.86%*	*27.9*	*8.97%*
of which unlikely to pay	289.2	*3.60%*	356.1	*4.42%*	*(66.9)*	*-18.80%*
of which expired impaired	21.1	*0.26%*	34.5	*0.43%*	*(13.4)*	*-38.83%*

Business on the interbank market

The Group's activities on the interbank market resulted in a net debtor position at the end of 2015 for € 335 million, in contrast to the positive € 32 million in 2014. We can note that the trend in these items turned around with respect to the previous year while remaining at extremely low levels compared with total assets.

Net interbank position (euro millions)

	31/12/2015	31/12/2014
Due from banks	304	1,210
Due to banks	639	1,178
Net interbank position	**(335)**	**32**

Due from banks

At 31 December 2015 loans to banks totalled € 304 million, decisively lower with respect to 2014.

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 (69.4% of the total) pertain to the Parent Company Banca Sella Holding.

Due from banks (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes	
					absolute	%
Due from central banks	**104.4**	**34.4%**	**934.8**	**77.3%**	(830)	-55.5%
Statutory reserve	104.4	34.4%	934.8	77.3%	(830)	-55.5%
Other amounts due from central banks	-	-	-	-	-	-
Due from banks	**199.5**	65.7%	**275.1**	**22.7%**	(76)	188.8%
Current accounts and demand deposits	85.8	28.2%	126.5	10.5%	(41)	170.1%
Term deposits	4.4	1.4%	6.9	0.6%	(2)	153.2%
Repurchase agreements	8.0	2.6%	10.4	0.9%	(2)	207.0%
Financial leasing	-	0.0%	-	0.0%	-	0.0%
Other loans and advances	91.4	30.1%	111.9	9.3%	(20)	225.2%
Debt securities	9.9	3.3%	19.4	1.6%	(10)	103.3%
Total	**304.0**	**100.0%**	**1,209.9**	**100.0%**	**(906)**	**0.0%**
Details for Group companies						
Banca Patrimoni Sella & C.	8.3	2.7%	6.7	0.6%	2	24.9%
Banca Sella	58.4	19.2%	52.3	4.3%	6	11.6%
Banca Sella Holding	211.0	69.4%	1,074.9	88.8%	(864)	-80.4%
CBA Vita	-	-	-	-	-	-
Biella Leasing	-	-	0.6	0.1%	(1)	-100.0%
Other Group companies	26.2	8.6%	75.4	6.2%	(49)	-65.3%
Total	**304.0**	**100.0%**	**1,209.9**	**100.0%**	**(906)**	**-209.1%**

As 31 December 2014, the compulsory reserve of Banca Sella Holding, at € 928.2 million, was based on the desire to deposit the largest portion of available cash to the treasury with the central bank, thereby limiting capital absorption, and any possible impacts on the supply of regulatory liquidity. This requirement lessened during the year and part of the liquidity generated was used in repurchase agreements, exclusively with Cassa di Compensazione e Garanzia.

Due to banks

As 31 December 2015, amounts due to banks totalled € 639.3 million, down by 45.8% compared with the previous year, in which they amounted to € 1,178.3 million.

Analysing in detail the Group companies which contributed to the composition of the item, it is also evident that most of the amounts due to banks (46.3% of the total) pertain to the Parent Company Banca Sella Holding.

Due to banks (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes	
					Absolute	%
Due to central banks	**280.5**	**43.9%**	**838.5**	**71.2%**	**(558.1)**	**-66.6%**
Due to banks	**358.8**	**56.1%**	**339.8**	**28.8%**	**19.0**	**5.6%**
Current accounts and demand deposits	145.9	22.8%	117.1	9.9%	**28.8**	24.6%
Term deposits	26.1	4.1%	21.3	1.8%	**4.8**	22.5%
Loans	185.5	29.0%	199.3	16.9%	**(13.9)**	-7.0%
Other payables	1.3	0.2%	2.1	0.2%	**(0.8)**	-35.9%
Total	**639.3**	**100.0%**	**1,178.3**	**100.0%**	**(539.0)**	**-45.8%**
Details for Group companies						
Banca Patrimoni Sella & C.	51.2	8.0%	47.3	4.0%	**3.9**	8.3%
Banca Sella	58.4	9.1%	24.6	2.1%	**33.8**	137.8%
Banca Sella Holding	296.2	46.3%	852.7	72.4%	**(556.5)**	-65.3%
Biella Leasing	152.2	23.8%	172.3	14.6%	**(20.1)**	-11.7%
Other Group companies	81.4	12.7%	81.5	6.9%	**(0.2)**	-0.2%
Total	**639.3**	**100.0%**	**1,178.3**	**100.0%**	**(539.0)**	**-45.8%**

Financial assets

The total financial assets of the Group at 31 December 2015, which came out at € 3,017.9 million, were down (21.7%) compared with the previous year, in which they were € 3,855.1 million.

Considering the figure net of financial liabilities, the aggregate decreased with respect to financial year 2014 by 5.8%.

Financial assets/liabilities of the Group (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes	
					absolute	%
Financial assets						
Financial assets held for trading	377.7	12.5%	393.1	10.2%	(15.4)	-3.9%
Financial assets carried at fair value	-	-	633.7	16.4%	(633.7)	-100.0%
Financial assets available for sale	2,640.2	87.5%	2,828.4	73.4%	(188.2)	-6.7%
Total financial assets	**3,017.9**	**100.0%**	**3,855.1**	**100.0%**	**(837.2)**	**-21.7%**
Financial liabilities						
Financial liabilities held for trading	(38.0)	100.0%	(95.5)	13.8%	57.5	-60.2%
Financial liabilities carried at fair value	-	-	(596.8)	86.2%	596.8	-100.0%
Total financial liabilities	**(38.0)**	**100.0%**	**(692.3)**	**100.0%**	**654.3**	**-94.5%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES OF THE GROUP	**2,979.9**		**3,162.8**		**(183.0)**	**-5.8%**

As can be seen in the table above, within the aggregate of financial assets and liabilities, a decrease was seen in all components held for trading. Financial assets at fair value, (entirely pertaining to the insurance companies C.B.A. Vita and Sella Life) were eliminated, as in 2015 they were classified in item 150 “non-current assets and groups of assets held for sale”. Below we analyse the individual portfolios and their performance during the year.

Financial assets/liabilities held for trading

The total at 31 December 2015 of financial assets held for trading (net of financial liabilities) was up by 14.2% compared with the previous year, amounting to € 339.7 million, against € 297.6 million recorded in 2014. The amount relative to financial assets and liabilities held for trading relative to the insurance companies came to € 23 million in 2015 and is recognised under item 150 “non-current assets and groups of assets held for sale”.

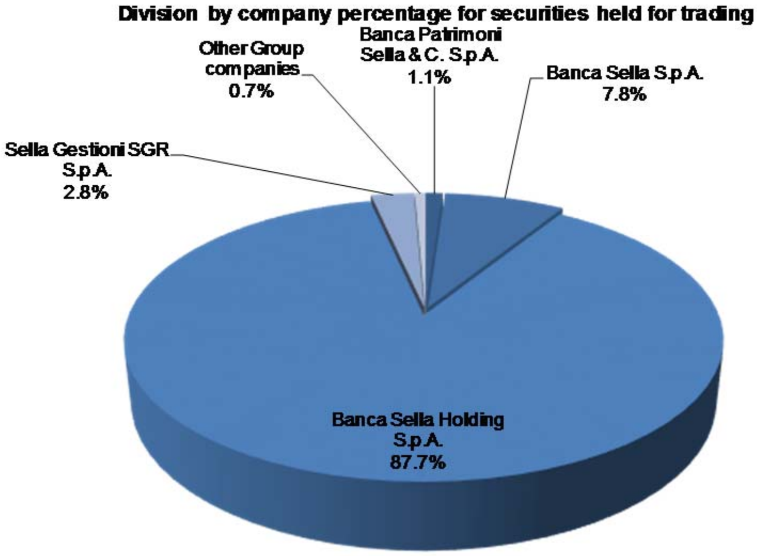
Financial assets/liabilities held for trading (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes	
					absolute	%
Cash assets/liabilities	**340.0**	**100.1%**	**297.4**	**99.9%**	**42.6**	**14.3%**
Debt securities	337.9	99.5%	343.4	115.4%	(5.5)	-1.6%
Equities	4.6	1.4%	0.5	0.2%	4.1	771.2%
UCITS units	16.6	4.9%	25.7	8.7%	(9.1)	-35.5%
Other	(19.1)	-5.6%	(72.3)	-24.3%	53.1	-73.5%
Derivative instruments	**(0.2)**	**-0.1%**	**0.2**	**0.1%**	**(0.5)**	**-202.6%**
- of which financial derivatives	(0.2)	-0.1%	0.2	0.1%	(0.5)	-202.6%
- of which credit derivatives	-	-	-	-	-	-
TOTAL NET FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	**339.7**	**100.0%**	**297.6**	**100.0%**	**42.1**	**14.2%**
Detail of trading assets for the main Group companies						
Banca Patrimoni Sella & C. S.p.A.	4.2	1.1%	18.6	4.7%	(14.4)	-76.5%
Banca Sella S.p.A.	29.4	7.8%	19.3	4.9%	10.1	58.3%
Banca Sella Holding S.p.A.	331.1	87.7%	325.0	82.7%	6.2	6.0%
C.B.A. Vita S.p.A.	-	-	10.0	2.5%	(10.0)	-100.0%
Sella Gestioni SGR S.p.A.	10.4	2.8%	10.2	2.6%	0.3	6.6%
Other Group companies	2.5	0.7%	10.0	2.5%	(7.5)	-73.8%
Total trading assets	**377.7**	**100.0%**	**393.1**	**100.0%**	**-15.4**	**-3.9%**

As can be seen from the table above, the composition of securities held for trading above all refers to the Parent Company Banca Sella Holding (for € 331.1 million) which performs the treasury service for the whole Group.

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. To confirm 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 87.7%) and Banca Sella (for 7.8%).



Financial assets available for sale

Financial assets available for sale amounted to € 2,640.2 million at the end of the year, compared to 2,828.4 million at 31 December 2014, showing a 6.7% decrease, attributable to the insurance component. In fact, the financial assets available for sale relative to the insurance segment come to € 762 million in 2015, recognised under item 150 "non-current assets and groups of assets held for sale". Considering these, the item would have increased.

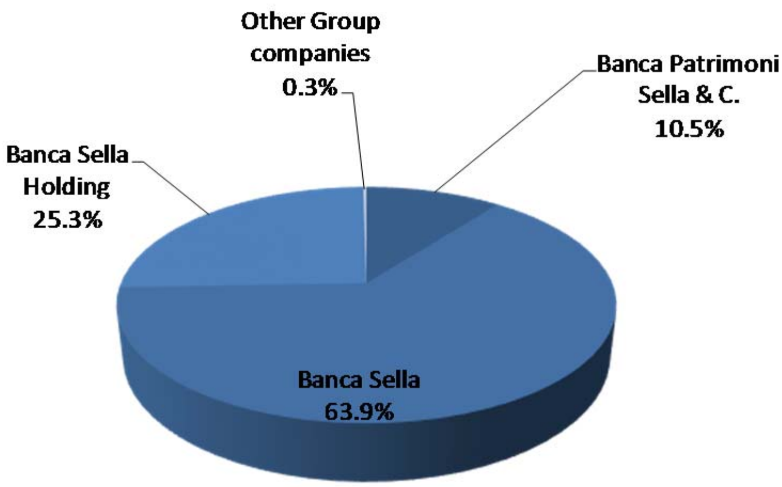
Analysing the breakdown of the aggregate, it can be seen that most of it consists of debt securities, which account for € 2,555.3 million, equal to 96.8% of the total. In 2014, they accounted for 97.5%.

Financial assets available for sale (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes	
					Absolute	%
Debt securities	2,555.3	96.8%	2,758.5	97.5%	(203)	-7.4%
Equities	75.7	2.9%	46.9	1.7%	29	61.5%
UCITS units	7.0	0.3%	20.9	0.7%	(14)	-66.3%
Loans	2.1	0.1%	2.2	0.1%	-	-1.5%
Total securities available for sale	**2,640.2**	**100.0%**	**2,828.4**	**100.0%**	**(188)**	**-6.7%**
Details for main Group companies						
Banca Patrimoni Sella & C.	277.1	10.5%	210.1	7.4%	67	31.9%
Banca Sella	1,687.9	63.9%	1,286.0	45.5%	402	31.3%
Banca Sella Holding	668.2	25.3%	704.4	24.9%	(36)	-5.1%
CBA Vita	-	-	613.9	21.7%	-614	-100.0%
Other Group companies	6.9	0.3%	14.0	0.5%	(7)	-50.9%
Total	**2,640.2**	**100.0%**	**2,828.4**	**100.0%**	**(188)**	**-6.7%**

The chart below shows that the portfolio of financial assets held for sale is held mostly (63.9% of the total) by Banca Sella, followed by Banca Sella Holding (with 25.3% of the total) and Banca Patrimoni Sella & C. (10.5% of the total).

Percentage distribution by company of financial assets available for sale



Financial assets/liabilities carried at fair value

Financial assets and liabilities 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 insurance 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.

This item was eliminated in that the assets and liabilities were classified under item 150 of the assets, for the amount of € 604.5 million.

Financial assets/liabilities carried at fair value (euro millions)

Item	31/12/2015	Proportion (%) of total	31/12/2014	Proportion (%) of total	Changes absolute	Changes %
Financial assets carried at fair value						
Debt securities	-	-	144.1	22.7%	(144.1)	-100.0%
Equities	-	-	24.4	3.8%	(24.4)	-100.0%
UCITS units	-	-	425.4	67.1%	(425.4)	-100.0%
Loans	-	-	39.8	6.3%	(39.8)	-100.0%
Total	**-**	**-**	**633.7**	**100.0%**	**(633.7)**	**-100.0%**
Financial liabilities carried at fair value						
Due to banks	-	-	-	-	-	-
Due to customers	-	-	596.8	100.0%	(596.8)	-100.0%
Securities in issue	-	-	-	-	-	-
Total	**-**	**-**	**596.8**	**100.0%**	**(596.8)**	**-100.0%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE	**-**		**36.9**		**(36.9)**	**-100.0%**
Net details for Group companies						
C.B.A. Vita S.p.A.	-		36.8		(36.8)	-100.0%
Sella Life Ltd	-		0.1		(0.1)	-100.0%
TOTAL	**-**		**36.9**		**(36.9)**	**-100.0%**

Regulatory capital

As of 1 January 2014, as envisaged in the new harmonised regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in EU Regulation 575/2013 (CRR) of 26 June 2013, which transfer the standards defined by the Basel 3 Committee to the European Union, and on the basis of Bank of Italy Circulars no. 285 and 286 and the update to Circular 154, a new classification of own funds has taken effect, consisting of:

- Common Equity Tier 1, which includes ordinary capital paid in, the relative share premium reserve, the reserves, minority interests (calculable within certain limits) and other regulatory adjustments;
- Additional Tier 1, which includes minority interests (calculable within certain limits) and other regulatory adjustments;
- Tier 2 equity, which includes subordinated loans, minority interests (calculable within certain limits) and other regulatory adjustments.

The regulatory provisions relative to own funds envisage a transition period, generally extending to 2017, during which certain elements which, when fully operational, will be fully calculable or deductible currently affect common equity Tier 1 capital only for a certain percentage. As a rule, this residual percentage with respect to that applicable is calculated/deducted from the additional Tier 1 capital (AT1) and from the Tier 2 capital (T2) or is considered among the risk-weighted assets.

Also for subordinated instruments that do not respect the requirements envisaged in the new regulatory provisions, specific transitional provisions are envisaged, aimed at the gradual exclusion of no-longer calculable instruments from own funds (over a period of 8 years).

With its communication released on 24 November 2015, the Bank of Italy, upon completing the periodic prudential review process (SREP), indicated the additional specific capital requirements with respect to the minimum capital amounts indicated in the current regulations, in proportion to risk exposure.

The Group therefore must adopt capital ratios at the consolidated level, including 2.5% as a capital conservation reserve in the amounts as follows:

- Common Equity Tier 1 ratio (CET1 ratio) of 7%, binding in the amount of 5.2% (of which 4.5% for minimum regulatory requirements and 0.7% for additional requirements determined following the SREP);
- Tier 1 ratio of 8.5%, binding in the amount of 6.9% (of which 6% for minimum regulatory requirements and 0.9% for additional requirements determined following the SREP);
- Total Capital Ratio of 10.5%, binding in the amount of 9.2% (of which 8% for minimum regulatory requirements and 1.2% for additional requirements determined following the SREP).

The liquidity of the Banca Sella Group

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 are formalised in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in the event of critical issues. The process of liquidity management and control made it possible in 2015 to maintain a more than adequate level. During the year, there was a positive trend in the most significant liquidity ratios, both structural and short-term, supported by the improvement in macro-economic conditions and the trends for commercial loans and direct deposits.

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

Group companies

As already mentioned above, the Banca Sella Group consists of 20 companies (of which 1 in liquidation) working in many different geographical areas with a vast range of products and services.

The role of Banca Sella Holding is central within the Group, serving as the parent company for the banking group which, in the context of managing and coordinating the group, exercises:

a. strategic control over the development of the various areas in which the group operates and the risks which weigh on the activities performed. This involves control over both the trends of the activities performed by the companies within the Group (internal growth or reduction), and acquisition and disposal policies followed by group companies (external growth or reduction);

b. a management control aimed at ensuring that the economic, financial and equity balance conditions of individual companies and of the group as a whole are maintained. These control requirements are preferentially satisfied through the preparation of plans, programs and budgets (corporate and group), and through periodic situational analysis, infra-annual accounts, the various individual financial statements and consolidated financial statements, that is both for homogeneous sectors of activity and in reference to the entire group;

c. technical/operational control aimed at determining the various risk profiles brought to the group by the individual subsidiaries and overall Group risks.

In addition, it also incorporates Finance, that is own-account trading operations, managing company-owned securities portfolios and corporate finance.

In the context of the second funds, that of "provider of other services" to other Group companies, Banca Sella Holding manages various services at a central level and provides them to subsidiaries, including:

- financial instruments trading;
- 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 sole Italian banking network of the Group which mainly operates in retail activities, as well as offering outsourced activities to Group companies;
- 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 so-called "static" fiduciary business;

- Sella Gestioni: a company operating in the managed savings sector (in the segment of collective management) and in the sector of individual management and complementary pensions;

- Family Advisory SIM S.p.A. - Sella & Partners: a securities broking company, this is a multi-family office providing a concrete response for families and businesses;

• Leasing

- Biella Leasing: a company operating in the financial leasing segment;

• Consumer credit

- Consel: a company which works in the consumer credit sector, providing customers with a wide range of products focused on credit;

• Bancassurance

- Brosel: a company active in the insurance broking and advice sector;

- C.B.A. Vita: a company that operates in the sector of life assurance and health and accident insurance;

- Sella Life: an Irish company specialized in the issue of unit linked policies;

• Banking Services

- Selir: a Romanian company which operates in the sector of the design and development of software products and in the provision of administrative services 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 2015, 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 total result for the year was € 6.0 million, a decrease with respect to 31 December 2014, while R.O.E. was at 1.0%. It should be noted that the profit at 31 December 2014 was influenced by the decision to sell a significant portion of the portfolio of financial assets held to maturity, which made it possible to achieve gains on sale of around € 75 million.

As 31 December 2015 net interest income amounted to € 168.4 million (-14.8%) compared with the previous year. In regards to income, lower interest income was recorded (-18.7%), mainly in regards to loans to customers, in the presence of decreasing volumes and average interest payable rates contracting. Lower interest income also was due to securities, essentially because of the disposal of the portfolio of financial assets held to maturity in the second part of 2014.

Said lower interest income was partially compensated for by a reduction in interest expense (-25.9%), due to the continuing downward trend in the cost of funding, despite higher direct deposit volumes.

Continuing on to analyse the main items in the income statement, we see excellent performance in net commissions, +6.5%.

This is mainly due to greater income from investment services, thanks to the increase in indirect deposit volumes and an excellent trend in asset management. Net revenues from this aggregate increased by around € 7 million, +25.8% with respect to the previous year.

In particular, the trend for funds and SICAVs was very positive (+27.9% was the margin with respect to 2014), within which the largest contributions came from private channels and branches, with excellent deposit volumes, mainly concentrated in third-party funds. Income from the life insurance bank was also good (+35.8% with respect to 2014), due to an increase in volumes almost entirely from insurance products. The contribution of Asset Management was also positive (+15.2%), thanks again to excellent deposit volumes.

Of note were interest and exchange rate operations (+39.1% year on year), thanks to high volatility on the foreign exchange markets and satisfying customer desk operations. On the other hand, revenues from traditional trading fell with respect to 2014 (-6.5%), mainly due to lower volumes in the bond segment, due to a notable decrease in returns.

A positive contribution was also provided from electronic payment systems (+7.2% with respect to the 2014 margin), due to an increase in e-commerce and POS volumes, as well as in foreign payment systems. Revenues from traditional payment systems were similar to those in 2014. On the other hand, accessory fees on loans were down (-2.9%), due to the decrease in volumes disbursed.

The money management margin, together with income from services, led to total income of € 366.5 million, down -2.8% with respect to 31 December 2014.

Operating costs, amounting to € 258.2 million, including the positive contribution of € 26.8 million of the item “Other operating expenses/income”, saw an increase of 5.8%. Detailed analysis shows that the decrease in the staff costs component (including IRAP relative to the same) is substantially due to the elimination of IRAP on permanent employment contracts, as well as substantial stability in Bank staff.

The component of administrative expenses saw an increase, due to Legislative Decrees no. 180 and 181 taking effect on 16 November 2015, which implemented in Italian legislation Directive 2014/59/EU (Banking Resolution and Recovery Directive, “BRRD”), creating a framework to restore and resolve credit institutions and investment companies and establishing the National Resolution Fund managed by the Bank of Italy. The payment of these contributions was recognised in administrative expenses in the Income Statement. In 2015, these contributions amounted to around € 7.3 million, divided between the Single

Resolution Fund (SRF), with € 1.3 million as the ordinary portion and € 4 million as the extraordinary portion, and the Deposit Guarantee Scheme (DGS), with € 2 million as an ordinary contribution.

Costs associated with consulting, training and contract work with Selir for outsourced activities also increased.

Other operating expenses were represented by write-downs on tangible and intangible assets, resulting in an increase of € 1.7 million with respect to the same period the previous year, while other operating income, after deducting recovery of indirect taxes, improved by 2.8% with respect to 31 December 2014.

The operating result amounted to € 108.3 million, a worsening of 18.5% compared with the figure at 31 December 2014.

Net value adjustments on loans and advances amounted to € 98.7 million, down by 4.6% compared to the € 103.5 million at 31 December 2014. Adjustments fully included the findings resulting from the Bank of Italy inspection in the first half of 2015, together with certain regulatory and internal policy updates. This item represents 1.5% of total lending, in line with 31 December 2014.

At 31 December 2015 the coverage ratio with reference to bad loans was 60.0%, while, at the end of 2014, it was 59.7%. The change seen during the year can substantially be attributed to that reported previously. The coverage ratio on anomalous loans, understood as total write-downs booked on impaired cash loans over gross loans disbursed stood at 47.8%; at 31 December 2014 it was 44.4%.

We also note that certain minority shareholders of Banca Sella Sud Arditi Galati, a company incorporated into the Issuer following the merger on 23 May 2011, currently holding 2.50293% of the share capital of Banca Sella, began a case with the Court of Lecce, with a writ of summons received on 30 May 2011, indicating that the requirements to exercise the right to withdrawal were met. The first level sentence, favourable to those bringing the case, was appealed by Banca Sella with the Lecce Court of Appeals. The proceedings are still being heard, with the specification of findings originally set for November 2015, which were subsequently postponed to September 2016. Given that negotiations are currently under way between the parties to settle the dispute, with suspension of both in and out of court initiatives, the Board of Directors has begin preliminary procedures, but the definitive liquidation for the values for withdrawal has not yet been determined, as it is the subject of discord between the parties. If a settlement is not reached shortly, the Board of Directors will definitively determine the value of the shares and will begin the liquidation procedure.

Large customers and asset management:

Banca Patrimoni Sella & C. S.P.A.

Financial year 2015 ended with a profit of € 9 million, compared with the profit of € 12.9 million, at 2014.

Net interest income came to € 8.5 million, down by € 1.1 million over 31 December 2014, or 11.8%. This result is mainly due to the changes seen in the own portfolio in 2014, associated with the effect on rates generated by the downward trend for the same.

In particular, for most of 2014, average amounts in the securities portfolio were higher than in 2015, therefore contributing to a positive effect on net interest income in the previous year, with respect to 2015.

The fee and commission aggregate came to € 31.3 million, up by 11.7% with respect to 2014. This increase can mainly be attributed to the good performance of the segment of asset management, insurance and administered UCITS, as well as greater deposits.

On the other hand, there was also a 21.2% increase in fee and commission expense. To that end, it should be noted that the commissions reimbursed to financial advisors foresee that a percentage of interest income is paid. The net results of assets under reclassified items 80, 90 and 100 of the income statement consist of the results of trading of financial assets in the portfolio of securities held for trading, profits and losses from sales of financial assets in the portfolio of financial assets available for sale, and any results from hedging.

At the end of the year, this aggregate showed a negative trend in comparison to 2014, both in reference to the net result from trading, and the result deriving from the disposal of securities held in the portfolio. In particular, relative to the latter, the comparison with the previous year suffers from the extraordinary disposal of securities in the held to maturity portfolio in 2014, which were no longer present in the portfolio in 2015.

The aggregate relative to operating expenses came to € 37.2 million at 31/12/2015, with a slight 2% increase with respect to the previous year.

Staff costs amounted to € 22.4 million, compared to € 23.5 million in 2014, showing a slight downward trend of 4.7%. We note a more contained impact from staff costs with respect to the previous year, due to lower IRAP, and the decrease in the variable remuneration component in comparison to the previous year, due to the extraordinary nature of the profits in 2014.

Other administrative expenses, net of stamp duty recovery, came to € 13.7 million, showing a 16% increase with respect to the same period the previous year. The increase in administrative expenses, while held to be associated with normal operating trends, is mainly due to expenses for maintenance and repair for hardware and software, the increase in leasing expense due to the transfer of the Milan offices, which led to overlapping leasing periods, as well as the increase in representation expenses due to the ten-year anniversary of the Bank, which led to costs to celebrate this event.

At the same time, in the context of other administrative expenses a negative impact can be seen coming from extraordinary charges for contributions to the European DGS (deposit guarantee schemes) and the SRF (single resolution fund), introduced by European directives 49 and 59 in 2014, and relative to the new mechanism to resolve banking crises and the new deposit guarantee system. The ordinary amount provisioned for the DGS was € 133.3 thousand, while the amount for the SRF was € 143.1 thousand. In addition, also in November 2015, an additional amount was paid to the European guarantee fund (SRF) for the extraordinary action to save certain banks (Banca Marche, Banca Popolare dell'Etruria e del Lazio, Carichieti and Cassa di Risparmio di Ferrara), of € 429.4, for total contributions to the DGS and SRF of € 705.8 thousand.

Net allocations to provisions for risks and charges amounted to € 951.2 thousand, compared to € 1,441 thousand in 2014, with a 34% decrease over the previous year.

This improvement is mainly due to lower allocations for legal disputes, due to a decrease in the number of cases.

In addition, note that this item also includes the allocation made to the Supplemental Indemnity Fund for customers, which is a liability allocated against the indemnity the Bank would have to pay to a financial advisor in the case of resolution of an agency contract with the conditions established under article 1750 of the Civil Code being met. In 2015, € 739.9 thousand was allocated to the fund.

Selfid S.P.A.

The Company, based in Biella, carries on a "static" fiduciary business (as provided for in Law 1966/39). Again in 2015 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 2015 totalled 568. Assets administrated went from € 1,524 million in 2014 to € 1,306 million in 2015.

Fee income amounted to € 917.9 thousand, slightly up on the € 916.3 thousand of the previous year. The item “costs for services” came to € 720 thousand, constant with respect to 2014.

Selfid ended the year with profits of € 94 thousand, compared with profits of € 64 thousand recorded in 2014.

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 2015, 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 6 segments, a pension fund divided into 5 segments, as well as a SICAV 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 2015 total assets managed (net of duplications) amounted to € 1,932.8 million, an increase of 2.77% compared with the figure at the end of 2014.

As regards collective management, including the pension fund, at year end the assets were invested as follows: 72.5% in bond funds, 9.6% in balanced and flexible funds and 17.9% in equity funds.

The year at 31 December 2015 ended with net income for € 1.8 million compared to the income of € 1.1 million recorded in 2014. Profit in 2015 was positively influenced by greater commissions against an increase in average assets managed.

Net commissions came to € 8.7 million, a 22.1% increase with respect to the figure at the end of 2014, including the contribution from incentive commissions, which totalled € 830 thousand in 2015, compared to € 448 thousand in 2014. Other net fees were greater than the figure at 2014 of 17.9%, thanks to greater average assets managed.

Operating income came to € 9 million with a 16.1% increase with respect to the 2014 figure, mainly due to the effect offset by that outlined in the previous section and lower profit from the own portfolio.

Overheads, amounting to € 6.6 million increased by 4.7% compared with the previous financial year. This increase was mainly caused by greater variable compensation, correlated with the increase in net profit and increases in certain administrative expenses connected with both the dollar exchange rate and implementation of new regulations.

The Company’s workforce, including seconded staff, went down from 44.26 full time equivalents of the end of 2014 to 47.26 full time equivalents of the end of 2015.

For 2016, 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 7 branches, besides the head office in Biella.

During the year the Company signed 4,037 contracts for a total amount of € 245.5 million. This figure is up with respect to the last year (3,447 contracts for a value of € 229.2 million).

The market share on newly-signed contracts was 1.44%, an increase compared with 31 December 2014, when it was 1.42%.

Net leasing income, amounting to € 23.1 million, increased when compared with 2014, when it was 20.1 million. Structural costs, inclusive of personnel expenses and other overheads, amounted to a total of € 7.7 million at 31 December 2015, an increase compared with the previous year, in which they were € 7.1 million. On 31 December 2015 the staff, including employees and seconded personnel from other companies of the Group, was made up of 72 people (with respect to 68 in 2014), of which 36 men and 36 women. Seconded personnel was made up of 7 people. The impact of net bad loans on loans remained constant at 3.1%. Net adjustments to loans amounted to around € 22.1 million, an increase of around € 12.3 million over the same period the previous year. Note that, also implementing the findings and indications which arose during the inspection by Bank of Italy, in the second quarter of 2015 the Company adopted new and even more prudential policies in terms of measuring impaired loans, in particular for loans coming from real estate leasing contracts. The main changes involved the application of haircuts, on the value of guarantees associated with assets, graduated based on the type of property and extension of discounting periods. With these new policies, the level of coverage for impaired loans increased during the period by around sixteen percent, reaching 42% and, in particular, the level of coverage for bad loans rose to 57%, over the 46% of 2014. The cost of credit on an annual basis was 2.235%, against 1% in 2014.

The company therefore ended the year with a loss of € 4.1 million, with respect to the profits of € 2.3 million recorded at 31 December 2014.

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 loans used to purchase goods and services, personal loans, financing for hire purchase, credit cards, and salary and pension-backed loans. Consel carries on its business through an operating structure consisting of 244 employees (there were 252 at the end of 2014), 16 managed branches, 27 agents with sales mandates and more than 3,500 partner sales points active during the year and located throughout Italy.

The Company saw trends that ran counter to the positive performance of the market. The selection carried out in the distribution channels as part of a more complex revision of the lending process, combined with a partial change in the product mix led to a slight erosion of market share (from 1.084% to 0.8%), with a simultaneous contraction in both amounts financed (-17.5%) and the number of operations financed (-13.4%).

31 December 2015 ended with a net loss of € 3.1 million, compared to a loss of € 27.7 million at 31 December 2014. Net interest income, at € 38.5 million, fell by 4.29% over 31 December 2014, due to a decrease in interest income (-11.37%) and a decrease in interest expense (-22.19%) due to the drop in the cost of funding. Operating income, amounting to € 34.2 million, worsened by 36.63% compared with 31 December 2014. The decrease in operating income can be attributed to net losses on disposal of € 17.2 million, as detailed below. Net commissions came to € 12.9 million (-18.44%), compared to € 15.8 million in December 2014. Fee and commission income came to € 16.6 million, while fee and commission expense amounted to € 3.7 million. Non-performing loans of € 158.6 million in terms of capital were transferred without recourse. Net losses on disposal came to € 17.2 million. Net value adjustments for impairment of loans decrease significantly, going from € 67.3 million at 31 December 2014 to € 7.7 million at 31 December 2015 (-88.6%). The cost of credit (ratio between loans to customers and total write-downs on loans plus net losses on disposal) was 2.87% (7.12% at 31/12/2014). Other operating income came to € 4.8 million (€ 5.3 million at 31 December 2014). Other operating expense amounted to € 1.4 million (€ 0.8 million at 31 December 2014). Income tax amounted to positive € 0.9 million at 31 December 2015, compared to € 13.8 million at 31 December 2014. The loss, after taxes which amounted to a positive € 0.9 million, came out at € 3.1 million, compared with a loss of € 27.7 million in 2014.

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 2015, Brosel brokered a volume of premiums amounting to approximately € 20 million. Net fees from insurance broking totalling approximately € 1.8 million (an increase of 6.1% compared with the previous year) against total costs which were 5.6% higher than the past financial year and financial income which fell by around 60% following the decrease in interest rate levels, which led to pre-tax profit of € 388 thousand, a value only a little above that of the previous year. Net profit came to € 240 thousand, 1% more than in the previous year, when it amounted to € 237 thousand. In 2015, the Company's business 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, as well as with public entities. At the end of the year, an office was opened in Lecce.

The main projects of the 2015/2017 strategic plan 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 continued in the east Lombardy area, to better support development of activities carried out in cooperation with the Banca Sella Group network. Relative to the second point, activities continued to replace management software and begin digital optical document archiving, which will become operational in the first part of 2016. On the third point a study has continued 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 € 389 million (an increase with respect to the € 327 million in 2014), mainly from traditional life policies. Premiums ceded amounted to € 1.5 million. Gross premiums of the non-life portfolio amounted to 1.4 million while premiums ceded totalled € 0.6 million. The result of the total technical account was € 3.5 million, compared with € 2.9 million in the previous year. Operating costs amounted to € 4.4 million, of which € 2.6 million relating to other administrative expenses and € 1.8 million relating to net commissions on purchase and collection. The number of employees with respect to the previous year increased by 4, coming to a total of 25. The trend described brought the Company to close the year with a net profit, determined on the basis of national accounting principles, of € 2.2 million, compared with the positive 3.6 million recorded at the end of 2014.

As regards Life products, in 2015, as provided for in the legislation, the Company updated the informative brochures of the products distributed.

Starting in April 2015, CBA Valore Capitale and CBA Valore Cedola products were modified, updating the costs falling to contracting parties and the commissions paid to brokers.

Also, starting in January 2015, the same subsidies recognised to CBA Valore Capitale customers who reinvest capital coming from maturing policies were added to the CBA Scelta Multipla STAR policies. This consists in eliminating the loading fees normally applied to the premium and offering the possibility to redeem the policy after 12 months without applying penalties.

Amounts collected from the multibranch product known as "Scelta Multipla STAR" reached total premiums of around € 24.5 million at the end of the year. The special nature of this product derives from the method used to divide the premium paid between the separate fund and the individual segments of the external "Star Collection" fund, managed by Sella Gestioni S.G.R., which are based on the investment strategy selected by the customer and are periodically updated based on market trends. In addition, through the use of the "Star Collection" fund, the product offers "Multimanager" investment management.

Collections associated with the "CBA Tuo Valore" product also continued, linked with the "Conto Tuo Valore" current account. The annual minimum return guaranteed for insured amounts, both for new subscribers and for policies already held in the portfolio was 0.8% annually in the 1st quarter of 2015 and 0.5% annually for subsequent quarters.

For all other products with adjustable performance, the guaranteed return was decreased from 1% to 0.5%, starting in January 2015.

In December the creation of a new product with adjustable capitalisation and a single premium was begun, reserved for companies, with a premium of between € 10 thousand and 3 million, with costs falling in proportion to the increase in the premium paid, and a guaranteed return at maturity equal to 1.5% of the initial capital. Placement of this new product began at the end of January 2016.

As of January 2016, the guarantee return on adjustable products in Segment I was brought to zero, guaranteeing only the insured capital annually revaluated. For the "CBA Tuo Valore" policy, the guaranteed return in the 1st quarter 2016 was kept at 0.5% annually.

In June, CBA Vita made a € 1.5 capital payment to the subsidiary Sella Life. This payment was necessary after the Irish regulator CBI issued regulations limiting the use of tax credits by insurance companies operating through LPS in Italy, declaring substitute tax for their insured customers, to cover solvency margins.

In November, the Banca Sella Group and HDI Assicurazioni strengthened their partnership, through the acquisition by HDI Assicurazioni of the insurance companies which had previously belonged to the banking group.

Specifically, HDI will acquire 100% of the shares of CBA Vita spa and its subsidiary Sella Life ltd, as well as the remaining 49% of InChiaro Assicurazioni spa. This operation is subject to authorisation by IVASS, under the terms of the law. No other issues of particular significance occurred during the year.

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 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 € 51.8 million, achieving a total insurance investment of € 615 million. Operating income in 2015 came to € 2.2 million (€ 2.3 million in 2014). Overheads in 2015 remained substantially the same with respect to the previous year and amounted to € 1.46 million (in the previous year they amounted to € 1.5 million).

The combination of effects described above means that the company ended the year with a loss of € 666 thousand (compared with profits of € 755 thousand recorded in the previous year).

Banking services

Selir S.R.L.

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

In 2015, net banking income, amounting to approximately € 6.19 million, recorded a +23% increase on 2014 (when it amounted to € 5.05 million).

Net revenues from services in 2015 (€ 6.20 million) saw a +22% increase over 2014, following the growth in activities carried out by the Back Office Administrative Services structure (+14%), Contact Center (+16%), Loans (+122%) and turnover linked to Software Development (+11%).

Operating costs amounted to € 4.92 million, up by +6% on the previous year. Within the item there was an increase in staff costs, which came to € 3.75 million (+4% over 2014) and depreciation expenses (+89% over 2014).

The Company ended the year with a net profit of € 1.04 million, an increase of € 383 million 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 € 11.2 million, an increase of 16.0% compared with the previous year. Production costs amounted to € 7.1 million, are up by 5% compared with the previous year. Consequently, the difference between production costs and revenues, amounting to € 4.1 million, shows growth over last year, by approximately € 1.1 million.

The company closed the year with a net profit of € 2,788 thousand, compared with € 1,974 thousand in the previous year.

No other important events occurred in 2015.

For 2016 operations, the focus will be on consolidating the current services and developing new products.

Other sectors of activity

Miret S.A.

The operational risks to which Miret S.A. is exposed – related to relationships not transferred on 01 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 management from the now distant 2001–2003, to which an end was put with the dismissal of the management in office and its immediate replacement in November 2003. This subject was already reported on in the financial statements for previous years.

For reasons of clarity and consistency, we are presenting once again the division of risks following the same scheme that appears in the report in the 2014 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 SICAVs 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. (at 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 (“Transaction”) and fully carried out by Miret S.A. through deposits on 8 August 2008, 8 June 2010 and 28 May 2014. The liquidators have therefore renounced any additional claim which could be put forward on the basis of the Transaction and, as a consequence, there are no operational risks attributable to subcategory (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 related economic benefits and the stated economic beneficiary of the last 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. In February 2015, the final economic beneficiary of the three BVI-law funds, following the confused and incoherent complaints made to Miret S.A. for violation of the commitments taken on at the time of the transaction, sent Miret S.A. and Banca Sella Holding S.p.A., the latter through its dual quality as the parent company of Miret S.A. and a signatory of the transaction, and in any case, jointly and severally, a writ of summons for the amount of € 800 million. The assessments made by the defence attorneys hired and an independent attorney do not indicate any sort of liability for Miret S.A. and/or Banca Sella Holding S.p.A. that could lead to a negative judgement for the claims brought and the abnormal legal initiative is considered inadmissible, unfounded and put forward in complete bad faith.

Based on the continuation of the disputes which were not resolved by the settlement of 17 October 2013, it was held prudent to not make any quantitative changes to the risk estimate made in the 2014 financial statements.

Sella Capital Management s.g.r. in liquidation

The Company was placed in liquidation, with a resolution passed by the Shareholders’ Meeting of 18 September 2007, with effect as of 1 October 2007, following the transfer of the company division relating to delegated management and advisory and, consequently, following an application presented by the company, with an order of 6 December 2007 it 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 2015, 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, at 10%, from another Group company.

Financial year 2015 ended with a profit of € 950 (compared with a profit of € 67.6 thousand the previous year). This result is close to breaking even, and was determined by the still positive effects of the investment in the corporate equity (even with rates that continue to fall and are now close to zero) which represents the sole source of revenues for the Company, given its liquidation status with the consequent disposal of all assets, and which it has allowed it to pay the costs already contracted which can be reduced no further.

Treasury Shares

Neither Banca Sella Holding, 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 during 2016. The difficult start to the year for the markets, with increased volatility and sizeable decreases in the prices of the riskiest financial assets, nonetheless highlighted the fragility of the world financial system, in a situation that is still unexplored in many ways, also making clear the increased uncertainty underlying expected positive developments.

In the United States, the gradual adjustment expected in monetary policy should allow internal demand to continue providing moderate support for economic growth, balancing the forecast prolonged negative impacts from the strength of the domestic currency on net foreign demand and the impact of low oil prices on private investments, for an estimated GDP growth rate that is only slightly lower than that seen in 2015, as predicted by most professional forecasters.

The economy in the Eurozone should see further consolidation of the recovery, led by internal demand components, thanks to the stimulus provided by new expansive actions by the ECB and the relative impacts on market interest rates and lending conditions, the weakening of the Euro, benefits deriving from low oil prices and the non-restrictive stance of budget policies. Nonetheless, negative factors persist which slow the intensity of the recovery in the monetary union, such as necessary budget adjustments in various sectors of the economy, the still incomplete recovery of the labour market, risks the affect growth prospects for foreign economies and the manifestation of geopolitical tensions, with consequences for the trust of operators in the area. The continued recovery in Italy, made possible by the growing contribution of internal demand, will be supported by the already cited factors coming from the Eurozone, as well as the improvement in the health of other economies in the area, which will benefit foreign demand. Emerging countries should see GDP growth rates accelerate slightly, although still registering levels higher than those of the advanced economies. Nonetheless, rates varied in accordance with the prospects of the individual economies.

In terms of consumer prices, a moderate recovery of inflation in the advanced countries, in contrast to the current low levels, will be caused by components more directly associated with the continuation of the economic recovery and, in particular in the Eurozone, the transmission of previous changes in exchange rates. On the other hand, there are doubts about the positive contribution coming from the energy component based on evidence derived from oil price futures. The ECB will confirm an extremely accommodating monetary policy and the implementation of a program to purchase government securities will contribute to government interest rates remaining at very low levels. During 2016, the Federal Reserve will likely continue the gradual increase in official rates begun at the end of 2015, with the condition that growth and inflation is seen in line with its mandate. As specified by Janet Yellen, the head of the US central bank, when testifying to Congress on 10–11 February, if negative impacts are seen on the domestic economy deriving from external conditions, this could lead to normalisation of the official rate that is even more cautious, both in terms of timeframes and amounts.

In line with the expected developments for the Italian macroeconomic situation in 2016, credit provided to the non-financial private sector by banks should continue on the path of growth and credit quality should further improve, benefiting profitability for the banking system. Further stimulus to increase the volume of loans disbursed should also arrive from the actions announced by the European Central Bank, with particular reference to the new long-term loan auctions (TLTRO2) for the banking system. Nonetheless, the continuation of interest rates at extremely low levels will presumably also keep net interest income down, inducing banks to favour growth in revenues from services, by diversifying activities other than lending. Given the significant pressure on revenues again in 2016, attention will continue to be focused on improving efficiency in operating structures and containing costs, so as to allow further recovery of profitability, protecting against greater volatility in the financial markets which is likely.

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 Group'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.

Strategic issues

The 2015–2017 Strategic Plan, which began execution in 2015 as envisaged, confirms growth as the main objective of the Group, to be achieved also through diversification of risks, as described in the Risk Appetite Framework (RAF) and through strengthening capital.

In 2015, growth affected all the main areas of activity, with good sales results connected with:

- the customer base;
- revenues from services;
- total deposits;
- capital.

Also in terms of innovation, significant growth was seen. In fact, during the year, investments, exclusive of the real estate component, came to around € 33.9 million, up by 7.3% over the previous year. Around two thirds of these were paid by Banca Sella and in particular involved initiatives aimed at developing and improving the sales model and, in line with the Group's traditional propensity for innovation, continuing to develop digital solutions and services. In fact, Hype was launched, a prepaid card managed through an app, able to transform smart phones into one of the first and most advanced light banking solutions in Italy. In addition, Hype also serves as a "wallet" that can contain up to five payment cards from any bank, used to make purchases and to pay bills and other services (for example, public transport in various Italian cities that have already activated the service).

Activation of the Plan in terms of working towards objectives and targets occurred and will continue to occur, as usual, mainly through initiatives and projects, classified under four guidelines:

- equity strengthening;
- new business model and improving efficiency;
- regulatory and infrastructure adjustments;
- "ordinary" business projects.

The first 3 are closely connected to the disruption caused by the external situation and the Strategic Plan and pursue very important objectives with a medium/long-term time frame. On the other hand, the fourth involves projects that the various Organisational Areas develop in the context of ordinary development to support the company over the short-term (annual). Below we outline the main initiatives associated with the first three objectives, with their relative progress.

In regards to strengthening capital the main initiatives involve:

- capital increase operation in Banca Sella: completed successfully in December 2015;
- disposal of non-strategic assets (closing of disposal operation that will sell CBA Vita Group to the HDI Assicurazioni Group is foreseen for the first half of 2016);

In regards to developing the business model and improving efficiency the main initiatives begun in 2015, which will continue in 2016–2017 are:

- new sales model: initiative aimed at improving the integrated relationship model, which mainly revises the territorial presence of Banca Sella, viewing quality consulting as the central activity, through dedicated sales professionals and where the “branch” transactional services are always provided, but seen more as support. In relation to this new model, it was necessary to revise the current market structure, bringing the number of customer categories from the current 5 (private families, affluent, private, small business and businesses) to 4 (private families, private, small business, businesses), bringing current “affluent” customers into the families and private individuals categories if they have total deposits of less than € 300 thousand or into private if deposits are greater;
- indirect loans: this consists in the implementation of organisational procedures/processes aimed at starting to offer loans to customers disbursed by operators external to the Banca Sella Group, all in the context of a comprehensive consulting service provided to customers, with particular attention paid to risk management in terms of counterparty selection, reputational risk and respect for credit disbursement and management standards;
- open bank: this involves developing architecture, methodology and a governance framework that allows industrial management of external exposure through a combination of interfaces (API) aimed at allowing controlled access to the Group’s IT services by third parties such as start-ups, companies or other entities. In addition, this initiative will introduce a different management model for innovative projects, through greater use of Agile methods and the establishment of mixed project teams consisting of both internal and external staff;
- business process re-engineering: with the objective of revising and improving processes, expected to recover resources and improve the quality of services.
- global company: foresees the adoption of organised forms of cooperative work, to leverage the skills acquired in the Group’s foreign companies, to involve employees in business development, not only in terms of executing activities conceived of in Italy.

In regards to regulations and infrastructure, the main initiatives (some of which are still in course and some of which were successfully completed in 2015) are as follows:

- Circular 263, “New regulations for prudential supervision of banks”, the contents of which were later transferred to Circular 285/2013: this consists in adjusting to the new provisions regarding internal audit systems, IT systems and operational continuity, added to the “Regulations for prudential supervision of banks” issued by the Bank of Italy. These activities were essentially completed in the fourth quarter of 2015;
- anti-money laundering 2015–2017: this includes projects necessary to continue continuous compliance with anti-money laundering regulations, both organisationally and in terms of adjusting the supporting IT tools. In 2015, a three year improvement project was begun for anti-money laundering actions, aimed at increasing both efficacy and efficiency;
- MiFID 2: includes projects necessary to comply with the MiFID II Directive by the regulatory deadlines; project activities have begun to complete necessary work by said deadlines;

- financial statement and European reporting reform (ITS): initiative aimed at completing alignment with the European regulations issued by the European Banking Authority (EBA) in regards to sending new balance sheet statistical reports, with the new information requested, by the established deadlines and with the quality requested by the Italian and European supervisory bodies. This initiative was completed in the first quarter of 2015;
- H2O convergence: this involves rewriting the residual Cobol/Host procedures in the H2O environment, with any necessary process review, in order to eliminate management and operating hassles, as well as compatibility maintenance associated with these procedures; some of the activities foreseen in the Plan were carried out in 2015, which based on current forecasts will be completed in the first half of 2018;
- SEPA: this foresees the adoption of standard collection and payment instruments in line with those used by all companies within the SEPA area; in 2015, new remote banking was integrated that meets the new SEPA guidelines and all activities were completed to ensure compliance with the regulations (e.g. migration from niche RID procedure - financial and fixed amount - to new SEPA protocols, preparation of functions for conversion from national tracking to SEPA XML); the initiative was essentially completed in February 2016;
- dematerialisation of cheques: the objective is to adjust processes, procedures and cheques issued by the Banca Sella Group to implement the Regulation “Dematerialisation Cheques” (Ministry of the Economy and Finance, 3 October 2014, no. 205), which foresees transfers of cheques between banks in the form of digitalised data and images, rather than in paper format. In 2015, project activities were begun in order to complete the work by the regulatory deadline - the second quarter of 2017;
- data quality: this is a combination of projects to increase data quality in terms of significance, accuracy, timeliness, accessibility and comparability over time; in 2015, the regulatory set-up was almost completed, so that project work can begin in 2016;
- technological adjustments: this initiative, foreseen every year in the Group’s Projects Plan, includes a combination of projects aimed at maintaining an adequate level of service and ensuring that architecture and middleware solutions are appropriate to company requirements, as well as falling in line with strategic development guidelines and respecting proactive best management practices and anticipating requirements.

Significant events after year end

On Wednesday, 3 February 2016, the new Banca Sella branch in Lecce was opened in viale De Pietro 3, and in the same building a SellaLab branch was also opened (already described in the section on Distribution channels and business model).

On Friday, 12 February 2016, the operation by which Banca Sella Holding acquired the entire investment held in Generali Italia S.p.A. from Consel S.p.A. was completed, equal to 32.5% of the relative share capital.

As of Monday, 22 February 2016, the Banca Sella shares associated with the capital increase can be traded on the Hi-Mtf Order Driven Stock Market.

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 profit of the parent company and consolidated shareholders' equity and profit pertaining to the group

(in thousands of Euro)	Profit for the year 31 December 2015	Shareholders' equity at 31 December 2015
Balances as per parent company financial statements	**24,804**	**647,028**
Treasury shares deducted	-	-
Equity pertaining to group of companies consolidated with line-by-line and net equity methods	-	229,078
Profit/(loss) for the period of consolidated investee companies, net of proportion pertaining to minority interests	14,153	14,153
Profit/(loss) for the period of investee companies measured with net equity method pertaining to the Group	858	858
Elimination of intra group dividends collected in the period	-13,578	-
Consolidation adjustments:	-	-
Reversal of write-downs of consolidated investee companies	1,737	92,181
Valuation of goodwill	-	-51,029
Reversal of gains on sales made between group companies	-	-77,729
Other adjustments	529	-22,867
Balances as per consolidated financial statements	**28,503**	**831,673**

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, 21 March 2016

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 fully paid up
Biella Companies Register and tax code: 01709430027
A member of the Interbank Fund for the Protection of Deposits
Enrolled on the Registers of Banks and of Banking Groups

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE ORDINARY SHAREHOLDERS' MEETING

OF 23 APRIL 2016

Dear Shareholders,

with this report the Board of Statutory Auditors provides information on the supervisory activities it carried out during the year ended at 31 December 2015, in compliance with the various applicable regulatory sources.

Recall that during 2015, supervisory activities were performed until 9 May 2015 by the previous Board of Statutory Auditors, whose term ended as of the approval of the annual financial statements at 31 December 2014, and subsequently by the current and changed Board. In any case, no elements of significant differences were found that require indication in this report.

In order to carry out these activities, the Board of Statutory Auditors acquired the necessary information above all through meetings with the managers of the relative corporate structures, especially the control areas, making use of information reports provided by the same and holding twenty-one meetings. The results of these meetings were reported in the minutes registered in the registry of Board of Statutory Auditors meetings.

The participation of the statutory auditors at the twenty-one meetings held by the Board of Directors and the thirteen meetings of the Risk Committee during the year also were part of supervisory activities.

The Board of Statutory Auditors also participated in the Shareholders' Meeting held on 9 May 2015.

On the basis of the information and responses made available in the methods and on the occasions noted, the Board of Statutory Auditors, in reporting on the activities assigned to it, notes that it:

- was informed of the results of the inspection carried out by the Bank of Italy from February - June 2015, focused on "analysing the quality of the group's loan portfolio and the efficacy of the relative credit policies", concluding with the delivery of the relative report in September 2015, with a *partially favourable* result and the indication of observations which were readily and quickly implemented by the Company;

- noted the regular operation of the Board of Directors, the work of which is performed, in particular, in compliance with the provisions foreseen in article 2391 of the Civil Code, in terms of resolutions made in the presence of conflicts of interest for directors, and also with related parties and associates, and carrying out structured meetings, accompanied by contents that comply with that required under article 2381 of the Civil Code;

- obtained information about the activities performed and the operations of the greatest economic, financial and capital significance, allowing it to affirm that the resolutions and items existing comply with the law and the Articles of Association, and are not manifestly imprudent or reckless or in contrast with resolutions made by the Shareholders' Meeting;

- acquired information and monitored compliance with the standards of proper administration, as well as the functioning and adequacy of the organisational structure and internal and administrative accounting systems within the Company and the Group, also noting the attention dedicated to this aspect by the Board of Directors and the assigned entity, to which overall positive evaluations and actions to rationalise and reinforce them both apply;

- agrees with the purposes and verified the implementation of a project to strengthen the Group's governance, presented and begun by the Board of Directors in May 2015, able to make significant improvements to the areas of human resource management; management of data through IT systems; the governance model, in particular with regards to the management functions and the efficacy of coordination provided by the parent company; the control structure;

- collected information to assess the general functioning of first-level checks, determining their overall adequacy, although certain areas for improvement exist;

- carried out supervisory activities pursuant to article 19 of Legislative Decree no. 39/2010, which assigns the Board of Statutory Auditors the role of "the internal audit and control committee", in particular verifying the adequacy, in methodological terms, of the impairment process used for relevant balance sheet assets, as well as periodically exchanging information with the independent auditing firm, from which the results of the audits done of the corporate accounts were received, as well as those regarding proper recognition of management events in accounting records;

- received from the independent auditing firm, pursuant to the aforementioned regulations, the elements necessary to ascertain its independence, the communication of non-auditing services provided to the Company by the same or by entities belonging to the same network as well as, finally, the report outlining the "fundamental issues" that arose during the audit, also containing certain indications which the administrative body should carefully examine;

- confirmed the current and prospective adequacy of regulatory capital in terms of the required ratios;

- monitored the adequacy and compliance of the ICAAP in regards to the requirements established in the regulations;

- 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 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 two communications pursuant to article 52 of Legislative Decree 231/2007, regarding anomalies associated with data inserted in the single electronic archive, subject to corrective actions by the relevant function;

- acquired information from the relevant internal audit areas suitable to verify the correctness of the preparation and placement of the capital increase for the subsidiary Banca Sella, as an effect of which it was subject, as of January 2016, to the regulations for "issuers of financial instruments with significant circulation among the general public";

- issued opinions and certifications as foreseen and determined that no complaints or claims had been sent to the Board of Statutory Auditors pursuant to article 2408 of the Civil Code;

- carried out the annual process of self-assessment in terms of the adequacy, presence of diversified professionalism and skills, the structure and operation of the Board of Directors, which had positive results, although with margins for improvement;

- carried out, with a similarly positive result, and similar margins for improvement, 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, making the considerations and receiving the certifications necessary to consider the independence requirements for each member of the Board of Statutory Auditors fulfilled;

- received the draft individual and consolidated financial statements in a prompt fashion, approved by the Board of Directors at its meeting of 21 March 2015, together with the respective reports on operations, upon completion of the proceedings properly carried out, in compliance with the provisions of the law;
- verified the structure and composition of the draft individual and consolidated financial statements and the respective reports on operations, determining their completeness and suitability to represent the overall situation of the Company and the Group, with adequate evidence of the characteristics of the activities and sectors in which they are carried out; the factors which most significantly denoted the year and influenced the results; operations with related parties and subsidiaries; the accounting standards adopted and the results of their application;
- received from Deloitte & Touche, appointed to perform independent auditing, the report on audit activities performed, for the separate and consolidated financial statements, which did not indicate any findings or requests for additional information;
- established that the proposed destination of profits is compliant with the Articles of Association and with the indications of the supervisory authority, issued in a communication dated 19 February 2016;
- finally, established that in financial year 2015 no significant events occurred which would require notification of the supervisory authority, nor did the need arise to make proposals regarding the financial statements, approval of the same, or aspects following under the responsibility of the Board of Statutory Auditors.

Biella, 08 April 2016

The Board of Statutory Auditors

Pierluigi Benigno   Gianluca Cinti   Daniele Frè

Schedules from the Consolidated Financial Statements

as December 31, 2015

Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET ASSETS

Assets	31/12/2015	31/12/2014	Difference %
10. Cash and cash equivalents	130,889	131,022	-0.10%
20. Financial assets held for trading	377,710	393,081	-3.91%
30. Financial assets carried at fair value	-	633,680	-100.00%
40. Financial assets available for sale	2,640,176	2,828,349	-6.65%
60. Due from banks	303,956	1,209,916	-74.88%
70. Due from customers	8,033,542	8,061,432	-0.35%
80. Hedging derivatives	10,282	14,749	-30.29%
90. Value adjustment of financial assets subject to macrohedging (+/-)	123,141	150,588	-18.23%
100. Equity investments	11,482	15,599	-26.39%
110. Reinsurers' share of technical reserves	-	3,633	-100.00%
120. Tangible assets	209,812	207,448	1.14%
130. Intangible assets	85,395	81,115	5.28%
of which:			
- goodwill	38,457	38,899	-1.14%
140. Tax assets	288,615	309,861	-6.86%
a) current	99,130	101,007	-1.86%
b) deferred	189,485	208,854	-9.27%
of which Law 214/2011	167,962	168,944	-0.58%
150. Non-current assets and asset groups held for sale	1,517,184	-	100.00%
160. Other assets	235,889	217,317	8.55%
Total assets	**13,968,073**	**14,257,790**	**-2.03%**

CONSOLIDATED BALANCE SHEET LIABILITIES

Liabilities and shareholders' equity	31/12/2015	31/12/2014	Difference %
10. Due to banks	639,301	1,178,339	-45.75%
20. Due to customers	9,351,419	8,766,142	6.68%
30. Securities in issue	831,101	1,367,778	-39.24%
40. Financial liabilities held for trading	38,004	95,495	-60.20%
50. Financial liabilities carried at fair value	-	596,772	-100.00%
60. Hedging derivatives	128,513	154,020	-16.56%
80. Tax liabilities	38,925	123,348	-68.44%
a) current	23,958	88,780	-73.01%
b) deferred	14,967	34,568	-56.70%
90. Liabilities associated to assets being divested	1,516,254	-	100.00%
100. Other liabilities	299,956	304,149	-1.38%
110. Provision for severance indemnities	39,281	44,014	-10.75%
120. Provisions for risks and charges:	42,810	45,909	-6.75%
a) retirement and similar obligations	-	-	0.00%
b) other provisions	42,810	45,909	-6.75%
130. Technical reserves	-	714,648	-100.00%
140. Valuation reserves	46,416	18,382	152.51%
170. Reserves	544,189	472,550	15.16%
180. Share premiums	105,551	105,551	0.00%
190. Capital	107,014	107,014	0.00%
210. Equity pertaining to third-parties (+/-)	210,836	93,204	126.21%
220. Profit (loss) for the year (+/-)	28,503	70,475	-59.56%
Total liabilities and Shareholders' Equity	**13,968,073**	**14,257,790**	**-2.03%**

Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT

Item	31/12/2015	31/12/2014	Difference %
10. Interest and similar income	345,328	427,604	-19.24%
20. Interest and similar expense	(92,685)	(122,811)	-24.53%
30. Net interest income	**252,643**	**304,793**	**-17.11%**
40. Fee income	342,913	322,706	6.26%
50. Fee expenses	(114,577)	(105,639)	8.46%
60. Net fees	**228,336**	**217,067**	**5.19%**
70. Dividends and similar income	1,317	1,979	-33.45%
80. Net gains/(losses) on trading activities	27,290	27,208	0.30%
90. Net gains/(losses) on hedging activities	(267)	706	-137.82%
100. Income (losses) from sale or repurchase of:	33,363	118,655	-71.88%
a) receivables	(17,081)	(2,049)	733.63%
b) financial assets available for sale	50,681	24,258	108.92%
c) financial assets held to maturity	-	98,397	-100.00%
d) financial liabilities	(237)	(1,951)	-87.85%
110. Net gains/(losses) on financial assets and liabilities carried at fair value	-	1,444	-100.00%
120. Net banking income	**542,682**	**671,852**	**-19.23%**
130. Net value adjustments for impairment of:	(134,281)	(185,991)	-27.80%
a) receivables	(128,967)	(180,676)	-28.62%
b) financial assets available for sale	(5,069)	(4,259)	19.02%
c) financial assets held to maturity	-	-	0.00%
d) other financial transactions	(245)	(1,056)	-76.80%
140. Net financial operating gains (losses)	**408,401**	**485,861**	**-15.94%**
150. Net premiums	-	326,966	-100.00%
160. Balance of other income/expenses from insurance operations	-	(336,566)	-100.00%
170. Net gains (losses) from financial and insurance operations	**408,401**	**476,261**	**-14.25%**
180. Administrative expenses:	(421,631)	(399,990)	5.41%
a) personnel expenses	(230,422)	(225,325)	2.26%
b) other administrative expenses	(191,209)	(174,665)	9.47%
190. Net provisions for risks and charges	(3,771)	(9,375)	-59.78%
200. Net value adjustments on tangible assets	(16,561)	(15,720)	5.35%
210. Net value adjustments on intangible assets	(14,898)	(13,443)	10.82%
220. Other operating expenses/income	77,757	75,021	3.65%
230. Operating expenses	**(379,104)**	**(363,507)**	**4.29%**
240. Income (Losses) from equity investments	942	1,148	-17.94%
260. Value adjustments on goodwill	(442)	(1,048)	-57.82%
270. Income (losses) from the disposal of investments	(131)	(11)	1,090.91%
280. Profit (Loss) on current operations before tax	**29,666**	**112,843**	**-73.71%**
290. Income taxes for the period on continuing operations	(7,720)	(42,975)	-82.04%
300. Profit/(Loss) on continuing operations after tax	**21,946**	**69,868**	**-68.59%**
310. Profit/(loss) on asset disposal groups held for sale after tax	9,681	-	100.00%
320. Profit (Loss) for the period	**31,627**	**69,868**	**-54.73%**
330. Profit (loss) for the period pertaining to minority interests	3,124	(607)	-614.66%
340. Profit/(Loss) for the period pertaining to parent company	**28,503**	**70,475**	**-59.56%**

Comprehensive income

	STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME	31/12/2015	31/12/2014
10.	**Profit (Loss) for period**	**31,627**	**69,868**
	Other income components net of taxes without reversal to income statement		
40.	Defined benefit plans	1,546	(5,151)
	Other income components net of taxes with reversal to income statement		
80.	Foreign exchange gains (losses)	783	201
100.	Financial assets available for sale	31,756	12,240
110.	Non-current assets held for sale	1,151	-
120.	Share of valuation reserves in relation to investments evaluated via the equity method	(1)	702
130.	**Total of other income components after tax**	**35,235**	**7,992**
140.	**Comprehensive income (Items 10 +130)**	**66,862**	**77,860**
150.	Comprehensive consolidated income pertaining to third-parties	9,659	295
160.	**Comprehensive consolidated income pertaining to the Parent Company**	**57,203**	**77,565**

Statement of changes in Consolidated Shareholders’ Equity as 31 December 2014

Changes to Consolidated Shareholders' Equity at 31 December 2014 *(euro thousands)*

	Balance at 31/12/2013	Changes to opening balance	Balance at 01/01/2014	Allocation of previous year's profit: Group reserves	Allocation of previous year's profit: Dividends and other allocations	Changes in the period: Changes in reserves	Changes in the period – Operations on shareholders' equity: Issue of new shares	Changes in the period – Operations on shareholders' equity: Purchase treasury shares	Changes in the period – Operations on shareholders' equity: Distribution of extraordinary dividends	Changes in the period – Operations on shareholders' equity: Change in equity instruments	Changes in the period – Operations on shareholders' equity: Derivatives on treasury shares	Changes in the period – Operations on shareholders' equity: Stock options	Changes in the period: Profit for the year at 31/12/2014	Group shareholders' equity at 31/12/2014	Minority interest shareholders' equity at 31/12/2014
Share Capital:															
a) ordinary shares	146,821	-	146,821	-	-	(66)	-	-	-	-	-	-	-	**107,014**	**39,741**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	149,028	-	149,028	-	-	(84)	-	-	-	-	-	-	-	**105,551**	**43,393**
Reserves:															
a) from profits	448,192	-	448,192	33,484	-	(688)	-	-	-	-	-	-	-	**472,550**	**8,439**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	12,627	-	12,627	-	-	1	-	-	-	-	-	-	7,992	**18,382**	**2,238**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (Loss) for the period	38,338	-	38,338	(33,484)	(4,854)	-	-	-	-	-	-	-	69,868	**70,475**	**(607)**
Net Group equity	700,458	-	700,458	-	(3,537)	(515)	-	-	-	-	-	-	77,565	**773,971**	
Minority interest shareholders' equity	94,548	-	94,548	-	(1,317)	(322)	-	-	-	-	-	-	295		**93,204**

Statement of changes in Consolidated Shareholders' Equity as 31 December 2015

CHANGES TO SHAREHOLDERS' EQUITY AT 31 DECEMBER 2015 *(euro thousands)*

	Balance at 31/12/2014	Changes to opening balance	Balance at 01/01/2015	Allocation of previous year's profit		Changes for the year								Group shareholders' equity at 31/12/2015	Minority interest shareholders' equity at 31/12/2015
							Operations on shareholders' equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Profit for the year at 31/12/2015		
Share Capital:															
a) ordinary shares	146,755	-	146,755	-	-	-	49,880	-	-	-	-	-	-	**107,014**	**89,621**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	148,944	-	148,944	-	-	-	51,532	-	-	-	-	-	-	**105,551**	**94,925**
Reserves:															
a) from profits	480,988	-	480,988	65,014	-	-	11,914	-	-	-	-	-	-	**544,189**	**13,727**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	20,620	-	20,620	-	-	-	-	-	-	-	-	-	35,235	**46,416**	**9,439**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (Loss) for period	69,868	-	69,868	(65,014)	(4,854)	-	-	-	-	-	-	-	31,627	**28,503**	**3,124**
Net Group equity	773,971	-	773,971		(3,537)	4,037	-	-	-	-	-	-	57,202	**831,673**	
Minority interest shareholders' equity	93,204	-	93,204		(1,317)	(4,037)	113,326	-	-	-	-	-	9,660		**210,836**

Consolidated cash flow statement – direct method

A. OPERATING ACTIVITIES	31/12/2015	31/12/2014
1. Operations	**153,732**	**137,625**
Interest income collected (+)	358,633	419,914
Interest expense paid (-)	(92,685)	(122,811)
Dividends and similar income	1,317	1,979
Net fees (+/-)	228,336	217,067
Personnel expenses	(230,138)	(224,354)
Net premiums collected (+)	-	326,966
Other insurance income/expenses (+/-)	-	(336,566)
Other costs (-)	(191,209)	(174,665)
Other revenues (+)	77,517	73,070
Taxes and duties (-)	(7,720)	(42,975)
Costs/revenues for asset groups held for sale and net of the tax effect (+/-)	9,681	-
2. Liquidity generated (absorbed) by financial assets	**124,014**	**(1,708,170)**
Financial assets held for trading	19,706	127,924
Financial assets carried at fair value	29,227	31,843
Financial assets available for sale	(511,252)	(975,007)
Due from customers	(92,875)	31,664
Due from banks	833,710	(871,559)
Other assets	(154,502)	(53,035)
3. Liquidity generated (absorbed) by financial liabilities	**(349,446)**	**792,925**
Due to banks	(539,038)	(48,183)
Due to customers	588,949	614,012
Securities in issue	(530,487)	160,221
Financial liabilities held for trading	(57,491)	(67,870)
Financial liabilities carried at fair value	18,409	(8,397)
Other liabilities	170,212	143,142
Net cash provided (used) by operating activities	**(71,700)**	**(777,620)**

B. INVESTMENT ACTIVITIES	31/12/2015	31/12/2014
1. Liquidity generated by:	**888**	**828,326**
Sales of equity investments	-	-
Dividends collected on equity investments	13	10
Sales/redemptions of financial assets held to maturity	-	827,364
Sales of property, plant and equipment	331	710
Sales of intangible assets	544	242
Sales of subsidiaries and company divisions	-	-
2. Liquidity (absorbed) by:	**(37,792)**	**(45,452)**
Purchases of equity investments	(77)	(401)
Purchases of financial assets held to maturity	-	-
Purchases of property and equipment	(16,602)	(22,497)
Purchases of intangible assets	(21,113)	(22,554)
Sales of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**(36,904)**	**782,874**

C. FUNDING ACTIVITIES	31/12/2015	31/12/2014
Issue/purchase of treasury shares	-	-
Issue/purchase of equity instruments	113,325	-
Distribution of dividends and other purposes	(4,854)	(4,854)
Net cash provided (used) by financing activities	**108,471**	**(4,854)**
NET CASH PROVIDED (USED) IN THE PERIOD	**(133)**	**400**

RECONCILIATION	31/12/2015	31/12/2014
Cash and cash equivalents at start of year	**131,022**	**130,622**
Total net cash provided (used) in the period	(133)	400
Cash and cash equivalents at end of year	**130,889**	**131,022**

Notes to the Consolidated Financial Statements

Part A – Accounting Policies

A.1 – General section

Section 1 – Declaration of compliance with international accounting standards

These consolidated financial statements were drawn up according to the international accounting standards IAS/IFRS (including the SIC and IFRIC interpretation documents) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as of 31 December 2015, pursuant to Community Regulation no. 1606 of 19 July 2002. As concerns the schemes and notes to the statements, the financial statements is prepared in application of the decrees of the Bank of Italy in the exercise of the powers established by Art. 9 of Italian Legislative Decree no. 38/2005 with Circular no. 262/05 as subsequently amended, was issued.

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 consolidated financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, and the present Notes to the Financial Statements, and are accompanied by the Directors' Report on Operations, in total continuity with respect to 31 December 2014; the notes to the financial statements are stated in thousands of euro.

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

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

The Notes contain the information necessary to provide a true and correct representation, adding to the information foreseen under the international accounting standards and provisions contained in Circular 262/05, as updated.

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.

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

IFRS accounting standards, amendments and interpretations effective from 1 January 2015

For the following IFRS accounting standards, amendments and interpretations effective from 1 January 2015, the Group verified applicability.

- On 20 May 2013, an interpretation of IFRIC 21 – Levies was published, which provides clarifications about the time a liability should be recognised which is connected to taxes (other than income taxes) imposed by a government body. The standard applies to both liabilities for taxes that fall under the area of application of IAS 37 - Provisions, contingent liabilities and contingent assets and those for taxes for which the timing and amount are certain. The interpretation applies retroactively for financial years starting at the latest on 17 June 2014 or subsequently. The adoption of this new interpretation did not have any effects on the Group's financial statements, with the exception of the contribution to the National Resolution Fund. Note that the contra-entry in the liabilities (or outgoing cash flow) connected with the contributions foreseen under the decrees is represented by a cost to be recognised in the income statement.

- On 12 December 2013, the IASB published the document, "Annual Improvements to IFRSs: 2011–2013 Cycle" which implements changes to certain standards in the context of the annual process intended to improve said standards. The main changes involve:
    - IFRS 3 Business Combinations – Scope exception for joint ventures. The amendment clarifies that section 2(a) of IFRS 3 excludes from the scope of application of IFRS 3 the formation of all types of joint arrangements, as defined in IFRS 11;
    - IFRS 13 Fair Value Measurement – Scope of portfolio exception (par. 52). The amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 applies to all contracts included under the scope of application of IAS 39, regardless of whether they meet the definition of financial assets and liabilities provided in IAS 32;
    - IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. The amendment clarifies that IFRS 3 and IAS 40 do not exclude each other and that, in order to determine whether the purchase of a real estate property falls under the scope of IFRS 3 or IAS 40, it is necessary to make reference to the respective indications provided in IFRS 3 or IAS 40.

The amendments apply for financial years starting on or after 1 January 2015. The adoption of these amendments had no effects on the financial statements.

IFRS accounting standards, amendments and interpretations not yet applied

Amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture – "Bearer Plants" (published on 30 June 2014): bearer plants, that is fruit bearing trees that have annual harvests (for example: grapevines, hazelnut trees), must be recognised in compliance with IAS 16 (rather than IAS 41). The amendments apply as of 1 January 2016, but early application is allowed.

Amendments to IAS 16 Property, plant and Equipment and IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation" (published on 12 May 2014): according to which a depreciation/amortisation criteria based on revenue is generally considered inappropriate, in that revenues generated by an asset that include the use of the asset subject to amortisation/depreciation generally reflect factors other than the sole consumption of the economic benefits of the asset itself, a requirement that is, instead, requested for amortisation/depreciation. The amendments apply as of 1 January 2016, but early application is allowed.

On 24 July 2014, the IASB published the final document **"IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39"**. The new IFRS 9, which replaces the indications of IAS 39 and will take effect on 01 January 2018, includes the requirements for classification and measurement of financial assets and liabilities. Its adoption will also lead to a change from the current model used to measure loans based on certain and determinable losses (*Incurred Losses*) to a model based on expected losses (*Expected Credit Losses ECL model*), which envisages that allocations to provisions are made in advance with respect to the time at which the event that gives rise to the loss occurs.

Classification of financial instruments

IFRS 9 indicates three different classification categories for financial instruments:

- the amortised cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL).

Classification of financial instruments based on IFRS 9 differs based on whether the contractual cashflows includes solely payments of principal and interest (SPPI), or whether they are generated by other circumstances.

Therefore, it is the business model that guides classification of financial instruments and their measurement, as this determines the methods used to manage financial assets in order to generate cash flows (which may derive from contractual cashflows, sales of financial assets or from both).

Investments in equity instruments are always measured at fair value. On the condition that an instrument is not held for trading, it is possible to recognise fair value changes to the item OCI (other comprehensive income). If the equity instrument is held for trading, changes in fair value are indicated in the income statement (FVTPL).

Expected credit losses

IFRS 9 introduces a new model to recognise value losses, based on expected credit losses (ECL).

The ECL model constitutes a change with respect to the dictates of IAS 39, with the goal of dealing with the weaknesses of the current approach, seen in particular during the crisis model, which is based on a retrospective impairment model.

The objective of the new accounting standard is to adjust “provisioning” policies in order to predict losses in advance, avoiding their manifestation during times of crisis.

In practice, the new rules mean that at the time a financial asset is initially recognised, entities must also record a loss equal to the annual ECL (12-month expected credit loss), so as to allocate, in the case of impairment, a portion equal to “lifetime expected credit losses”.

In the future impairment model, expected loss is a dynamic process that begins when a financial instrument is originated, with appropriate pricing, and continues throughout the entire life of the operation.

This is a “three-stage” approach, based on changes in the credit quality of financial assets at the time of original recognition. When the credit quality of assets changes, they can be moved from categories (“buckets”) and the methods used to measure impairment can also be changed. Classification of financial instruments within the three is based on recognising a progressive increase in credit write-downs in line with the process of debtor impairment with respect to the initial moment: this will make it necessary to “track” the history of each financial instrument, in order to be able to properly manage transfer between various buckets.

A “point in time” (PIT) measurement concept is requested to estimate probability default (PD), in contrast to the measure adopted for regulatory capital which considers “through the cycle” (TTC) PD.

Impacts

IFRS 9 will take effect for financial years starting on or after 1 January 2018. Initial application will have an impact at the capital level, while for subsequent periods impacts will be seen in the Income Statement, as is usual.

The departments most effected are the Credit Area (management, policies and organisation), Risk Management, Strategic Planning, the Finance Area, Organisation, and the Financial Reports and Reporting services, with inevitable impacts on the Network as well.

From a strategic point of view, careful evaluation of the business model will be necessary, as well as defining new portfolio strategies, changing volatility and risk management, revising the product catalogue and adjusting pricing policies.

From an operational point of view, there will obviously be impacts on processes, models and organisational structures. It will be necessary to implement IT systems and procedures, taking into account the greater volumes and the need for quality data to be used in classifying, measuring and recognising impairment for financial assets. The development will also involve the credit monitoring and management process, and the Group’s accounting policies.

The new impairment model, based on a lifetime expected loss concept will lead to write-downs on loans being done in advance as well a structural increase in these write-downs, creating increased volatility in the income statement, connected with the economic cycle.

Regulatory updates

The update of Circular 272 of 20/01/2015 introduced a new classification for impaired loans, eliminating the categories of watchlist and restructured loans, and introducing the category of unlikely to pay.

Additionally, the Bank of Italy requested a parallel running period of 6 months, ending at 30/6/2015, during which reporting was done using both the old categories of watchlist and restructured and the new category of unlikely to pay.

The following categories of impaired loans were reclassified among unlikely to pay:

- restructured (restructured through bank pools and objective restructured);
- subjective watchlist (positions classified as watchlist due to a judgement by the bank, with a specific resolution);
- revoked watchlist (positions classified as watchlist with credit lines revoked);
- watchlist due to group default (positions classified as impaired due to similar classification by other companies in the Banca Sella Group);
- watchlist subject to forbearance (forborne non-performing positions classified as watchlist at December 2014 due to measures applied due to the deterioration of the loan for which a period of 12 months of regular payment without any overdue payments exceeding 30 days has not passed).

Objective watchlist, instead, were mainly reclassified among impaired past due exposures.

The update of Circular 262/05 of 15/12/2015 mainly implemented, in the balance sheet, the new classification for impaired loans, eliminating the categories of substandard and restructured loans, and introducing the category of unlikely to pay, already anticipated in the update to Circular 272 previously reported.

Section 3 - Scope and methods of consolidation

The Consolidated Financial Statements are the financial statements for the group, presented in the form of a single economic entity. This 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 2015 of the parent company and those of the other fully consolidated Group companies were used. These latter, when necessary, were appropriately reclassified and adjusted for proper representation in the bank balance sheet schedules and to ensure uniformity of use for the IAS/IFRS.

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 recognised 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.

Pursuant to IFRS 10, the parent company Banca Sella Holding consolidates companies on the basis of the control principle, as defined in the cited IFRS.

In particular, control by the parent company is determined when the following three conditions are simultaneously met (paragraph 7, IFRS 10):

(a) exercising power over the investee;

(b) holding of rights or exposure to variable returns, deriving from the relationship with the investee; and

(c) the capacity to assert power held over the investee to affect the amount of these returns.

For the purposes of exercising power, it is necessary to consider whether valid rights are held (e.g. voting rights, potential voting rights, or one or more contractual agreements) that grant the current capacity to direct significant activities, that is activities that significantly affect the returns achieved by the investee.

A right or exposure to variable returns exists when the returns deriving from the relationships with the investee are susceptible to variation in relation to the economic performance of the same.

The capacity to assert power to affect returns exists when there is a practical capacity to unilaterally carry out the significant activities. To that end, a series of elements are considered, including the following which, if considered together with one's rights, can indicate that these rights are sufficient to grant power over the investee:

(a) the possibility, without having the contractual right, to appoint or approve key management personnel within the investee that have the ability to carry out significant activities;

(b) the possibility, without having the contractual right, to instruct the investee to undertake significant operations to the benefit of the parent company or to prohibit any change;

(c) the possibility to direct the selection process for members of the governing body of the investee or to obtain proxies from other holders of voting rights;

(d) key management personnel within the investee consists of related parties of the parent company (for example, the chief executive officer of the investee and the chief executive officer of the parent company are the same person);

(e) the governing body of the investee consists for the most part of related parties of the parent company.

1. Exclusive equity interests in subsidiaries

1. Exclusive equity interests in subsidiaries

	Name of company	Registered Office	Type of relationship	Shareholding relationship - Investor company	Shareholding relationship - Stake %	Voting rights %
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	78.720%	87.329%
3	BANCA PATRIMONI SELLA & C. S.p.A.	Turin	1	A.1 1	74.380%	-
4	MIRET S.A.	Luxembourg	1	A.1 17	76.333%	-
				A.1 1	23.667%	-
5	BIELLA LEASING S.p.A.	Biella	1	A.1 1	99.860%	-
6	CONSEL S.p.A.	Turin	1	A.1 1	67.432%	-
7	SELLA GESTIONI SGR S.p.A.	Milan	1	A.1 1	95.168%	-
				A.1 3	0.898%	-
8	SELLA CAPITAL MANAGEMENT SGR S.p.A. *in liquidation*	Milan	1	A.1 1	97.008%	-
				A.1 3	2.500%	-
9	EASY NOLO S.p.A.	Biella	1	A.1 1	89.790%	-
10	SELFID S.p.A.	Biella	1	A.1 1	92.500%	-
11	C.B.A. VITA S.p.A.	Milan	1	A.1 1	84.954%	-
				A.1 2	3.436%	-
				A.1 7	8.175%	-
12	SELLA LIFE Ltd.	Ireland	1	A.1 11	100.000%	-
13	BROSEL S.p.A.	Biella	1	A.1 1	97.400%	-
14	SELIR S.r.l.	Romania	1	A.1 17	99.902%	-
15	SELLA SYNERGY INDIA P.Ltd.	India	1	A.1 17	99.999%	-
			1	A.1 1	0.0001%	-
16	IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 1	100.000%	-
17	FINANZIARIA 2010 S.p.A.	Milan	1	A.1 1	100.000%	-
18	IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 1	100.000%	-
19	FAMILY ADVISORY SIM S.p.A.- SELLA & PARTNERS	Turin	1	A.1 3	85.000%	-
20	MARS 2600 S.r.l.(1)	Treviso	4	A.1 1	10.000%	-
22	MONVISO 2014 S.r.l.(1)	Milan	4	A.1.6	0.000%	-
23	SELVIMM DUE S.A.	Lugano	1	A.1 1	90.000%	-

(1) The companies are the special purpose vehicles for the Group's securitisation transactions.

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

2. Significant assumptions and assessments to determine the scope of consolidation

Companies are considered controlled when, directly or indirectly, another company possesses more than half of voting rights unless, in exceptional cases, it can be clearly demonstrated that this possession does not constitute control, or when, having voting rights of less than half, the conditions foreseen under paragraph 7 of IFRS 10 are met, as illustrated above in the section "Scope and methods of consolidation".

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 derecognised, offsetting the residual value of the subsidiary's equity. The differences resulting from this operation, if positive, are recognised on the first consolidation date – after any allocation to the assets or liabilities of the subsidiary – as goodwill under item 130. "Intangible assets" in the section "Consolidated Balance Sheet Asset". Assets, liabilities, income and expenses between completely consolidated companies are eliminated completely.

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 recognised each time in shareholders' equity at the moment of consolidation), is recognised in item 270. "Gains (losses) on disposal of investments" in the Consolidated Income Statement, unless the subsidiary has already been recognised under 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.

Associates means companies 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 which are neither a subsidiary nor a jointly controlled investee company.

This type of company is consolidated using the equity method.

Significant influence is presumed to be held when the investing company holds, directly or indirectly, at least 20% of the voting rights. On the other hand, if the investing company holds, directly or indirectly, less than 20%, it is supposed that the investing company does not have significant influence, unless this influence can be clearly demonstrated through one or more of the following circumstances:

- representation on the Board of Directors, or the equivalent body, of the investee;
- participation in the decision-making process, including participation in decisions regarding dividends or other types of profit distribution;
- the occurrence of significant operations between the investee and the investing company;
- exchanging of key management personnel;
- provision 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.

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 recognised under the specific item 240. "Gains (losses) on equity investments" in the Consolidated Income Statement.

Any distribution of dividends reduces the book value of the investment.

The relevant portion of the change in revaluation reserves for the investee is recognised under item 140. “Revaluation reserves” in the Liabilities of the Consolidated Balance Sheet.

3. Shareholdings in fully consolidated companies with significant minority interests

3.1 Minority interest, Voting rights of third parties and dividends paid to third parties

Name of company	% Minority interest	% Voting rights of third parties (1)	Dividends paid to third parties
BANCA SELLA S.p.A.	21.2800%	21.2800%	582
BANCA PATRIMONI SELLA & C. S.p.A.	25.6204%	25.6204%	769
CONSEL S.p.A.	32.5682%	32.5682%	

(1) Voting rights in the ordinary Shareholders’ Meeting

3.2 Investments with significant minority interest: accounting information

Part 1

Company name	Total assets	Cash and cash equivalents	Financial assets	Tangible and intangible assets	Financial liabilities	Shareholders' Equity	Net interest income
BANCA SELLA S.p.A.	10,765,853	130,426	10,188,692	90,657	9,791,024	771,169	168,317
CONSEL S.p.A.	932,714	0	873,742	7,632	838,170	69,295	38,469
BANCA PATRIMONI SELLA & C. S.p.A.	1,097,705	453	1,003,140	29,953	978,448	72,939	8,330

3.2 Investments with significant minority interest: accounting information

Part 2

Company name	Net banking income	Operating expenses	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Operating profit (loss) (1)	Total of other income components after tax (2)	Comprehensive income (3) = (1)+(2)
BANCA SELLA S.p.A.	366,526	259,410	7,875	6,012	6,012	35,705	41,717
CONSEL S.p.A.	34,163	30,472	-3,982	-3,126	-3,126	67	-3,059
BANCA PATRIMONI SELLA & C. S.p.A.	53,039	38,053	14,108	9,006	9,006	-4,696	4,310

4. Significant restrictions

At 31 December 2015, there are no significant restrictions within the Group as indicated under IFRS 12, paragraph 13.

5. Other information

Note that Brosel S.p.A., part of the Banca Sella Group, closed its financial year on 30 November 2015, in that the activities of this subsidiary are heavily influenced by seasonal factors and it was therefore held that ending the financial year on this date better represents the equity, economic and financial situation of the company.

Section 4 - Events subsequent to the balance sheet date

With its Communication of 19 January 2016 - Contributions for resolution funds: balance sheet representation and regulatory reporting, the Bank of Italy provided clarifications regarding the methods used to recognise contributions paid to the National Resolution Fund in the balance sheet and in regulatory reporting.

Contra-entries for liabilities (or outgoing cashflows) connected with the contributions envisaged in the decrees represent a cost to be recognised in the income statement. In 2015, the approval of the decrees led to extraordinary and ordinary contributions to the European Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS).

Section 5 – Other issues

The consolidated financial statements were audited by Deloitte & Touche S.p.A., in compliance with the resolution made by the shareholders.

A.2 – Main accounting items

1 – Financial assets held for trading

Classification criteria

All financial instruments held for trading 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 recognised in the Income Statement.

In the presence of events that are unusual and highly unlikely to recur in the near term financial instruments 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 recognised 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, market listings are used. When there is no active market, estimation methods and assessment models are used that take into account risk factors associated with the instruments and are based on data that can be taken from the market, such as: methods based on listed instruments with similar characteristics, discounted cash flow calculations, option price determination models, and values taken from 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 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.

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 equity interests 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 recognised in a specific shareholders' equity reserve until the financial asset is derecognised or a lasting impairment is recognised. 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 equity interests 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 quarterly 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 recognised in the income statement.

The existence of objective evidence of lasting impairment is checked at every annual or quarterly balance sheet date. If the reasons for the impairment cease following an event that occurs after recognition, write-backs are recognised in the Income Statement in the case of debt securities, and in Shareholders’ Equity in the case of equity securities. The amount of the write-back may not in any case exceed the amortized cost that the instrument would have had in the absence of the previous write-downs.

Derecognition criteria

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.

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– 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 – past-due and/or deteriorated loans in excess of thresholds granted. The measurements that give rise to an analytical adjustment are proposed by the Anomalous Credit Management Service of Banca Sella to the Management or to the delegated mechanisms/collegial bodies. The measurement is performed at the time of classification and subsequently, if new, significant events occur that make a new evaluation necessary (e.g. significant reduction of exposure, acquisition of new guarantees, new prejudicial events, significant new trend anomalies, provision revoking loans to the system, registration of legal mortgages or start-up of enforcement proceedings on property concerned by our mortgage guarantee); the valuations to be applied are aimed at determining the real possibility of returning the position to performing status and, where this possibility is in doubt, the assessment of the possible loss after having taken action to collect. The evaluation of the adjustments must be made, as a general rule, considering the equity of the debtor, its income capacity, its financial balance, future prospects, professional or entrepreneurial capacity, the regularity of the Customer in managing bank relations, also considering any guarantees backing the credit facilities granted.

- forfeit adjustments for exposures of less than € 25,000 – past-due and/or deteriorated loans in excess of thresholds granted. The forfeit adjustments are made by applying a fixed percentage to the amount to be adjusted, as decided by Management of the individual banks, on the basis of statistics on the losses recorded for the three previous years;

- subjective 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: 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, in relation to the exposure that said positions had last year. The percentage is reviewed every year on the basis of the latest historic series by the end of February of each year;

b. Positions with uses of more than € 10 thousand new entries to objective watchlist: average during the last 3 years of adjustments made to non-revoked watchlist positions with uses in excess of € 10 thousand. This method will only be applied for the first month of entrance to objective 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, 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 action 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 to revise methods, as described in the Report on Operations of the present financial statements, some measurement parameters used for impaired loans were updated. Specifically, the following parameter were updated:

- percentage ratios for specific lump sum adjustments foreseen for past due amounts with balances < € 25,000, applied for all of 2014;
- percentage ratios for specific lump sum adjustments foreseen for objective and subjective substandard balances < € 10,000, applied for all of 2014;
- measurement parameters for analytical specific adjustments foreseen for revoked substandard loans and bad loans.

Specifically for these last ones, the following aspects were updated and revised:

- 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 to cases for which, at the end of in-court and out-of court collection actions, are classified as possible sale without recourse
- Average discounting times for real estate enforcement proceedings and settlements, broken down by geographic area;
- Average discounting times for subsidiary consortia guarantees
- Estimates of costs connected to discounting for negative cashflows envisaged for real estate enforcement procedures

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

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

- Estimated recovery to be assigned at the time bankruptcy is filed for unsecured loans not backed by any guarantees.
- Recovery estimates applied to unsecured loans not supported by guarantees or capital that can be enforced at the time of classification as revoked substandard

- Time estimates for the discounting of deposits for transfers without recourse for non-performing loans
- Time estimates for the discounting of enforcements of guarantees deriving from consortia on first demand
- 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.

5 – 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 hedging:

- 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 and retrospectively, 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 recognised 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 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 amortization plan of the principal of all loans hedged, the amortization plan of loans to be used for measuring the fair value. This plan shall be made up of loan principal flows (the difference between the residual debt of a period and the residual debt of the previous period according to the contractual 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.

According to this procedure (current value of the instalments minus residual debt brought down according to 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.

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

- fair value is calculated through discounting future cashflows (*Net Present Value* – NPV): this method involves discounting estimated cashflows at a current rate that expresses the intrinsic risk of the instrument being 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.

6 – Equity investments

Classification criteria

This items includes interests held in affiliated companies, which are recognised 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 recognised 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 recognised in the Income Statement. If the reasons for the impairment cease following an event that occurs after recognition of the loss, write-backs are recognised in the Income Statement.

Derecognition criteria

Financial assets are derecognised 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.

7 – Tangible assets

Classification criteria

Property, plant and equipment includes technical systems, furniture and fittings and equipment of all kinds and buildings (including land). 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 property, plant and equipment are initially recognised 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 recognised as an increase in the value of the assets, while other ordinary maintenance costs are booked to the Income Statement.

Assessment criteria

Property, plant and equipment 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 and the use value of the asset, understood as the present value of the future flows originating from the item. Any adjustments are recognised in the Income Statement. If the reasons for recognition of the loss no longer apply, a write-back is made, which may not exceed the value that the asset would have had, net of the depreciation calculated, if the previous write-downs had not been made.

Derecognition criteria

A tangible fixed asset is derecognised 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.

8 – Intangible assets

Classification criteria

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

Recognition criteria

An intangible asset may be recognised 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 recognised directly in the Income Statement.

Other intangible assets are recognised 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 recognised 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 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 recognised 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 amortisation 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 recognised 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 derecognised from the Balance Sheet when it is disposed of or when future economic benefits are not expected.

9 – Non-current assets, asset 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 recognised in the Income Statement in a separate item net of the tax effect.

10 – Current and deferred taxation

These headings include respectively the current and deferred tax assets, and the current and deferred tax liabilities.

Income taxes are recognised 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 individual assets or liabilities.

Deferred tax assets are recognised if their recovery is probable, to that end 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 financial statements against write-downs 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.

Deferred tax liabilities are recognised, with the sole exceptions of assets recognised for a higher amount than the fiscally recognised 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 recognised are evaluated systematically to take account of any changes made to legislation or tax rates.

11 – Provisions for risks and liabilities

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 write-downs due to impairment of guarantees given recognised under "Other liabilities".

Provisions are set aside for risks and liabilities 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.

12 – Payables and securities in issue

Classification criteria

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

Recognition criteria

These financial liabilities are initially recognised 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 assets 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 recognised 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 hybrid instruments, if the requisites envisaged by IAS 39 are complied with, embedded derivatives are separated from the host contract and recognised at fair value as trading liabilities. In this last case the host contract is recognised at the amortized cost.

Derecognition criteria

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

13 – 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 recognised 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 recognised 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 derecognised when they have expired or have been settled.

14 – Financial liabilities carried at fair value

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 recognised 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.

15 – 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.

Subsequent recognitions

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 obtaining 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 recognised in shareholders' equity. On the contrary, when a gain or loss is recognised in the Income Statement, the associated exchange difference is also booked to the Income Statement.

16 – Insurance assets and liabilities

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

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

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

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

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

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

Technical reserves – Non-life insurance

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

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

The loss reserve is determined analytically through the valuation of all outstanding losses 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 loss reserve also includes provisions for late claims.

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

Technical reserves – Life insurance

Mathematical reserves for life insurance, determined using actuarial criteria, are in line with that foreseen in article 36 of Legislative Decree 209/2005. These are adequate to cover the commitments made in regards to the interested parties, as resulting from 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 recognised 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 recognised 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 recognised directly in the Income Statement (including adjustments for lasting impairment) entail a corresponding write-down of insurance liabilities recognised 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 recognised 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 recognised 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 losses, redemptions and expiries for the accounting period.

17 – Other information

Securitisations

In financial year 2000 the Company completed two securitisations 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 securitisation transactions described above the company took advantage of the optional exemption provided for in IFRS 1, which permits it not to re-recognise financial assets/liabilities sold or derecognised before 1st January 2004.

On 28 February 2008, the securitisation carried out with Secursel S.r.l. in 2000 was concluded by Biella Leasing.

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. As a consequence the company Secursel was liquidated and closed in November 2011.

During 2005, 2008, 2009 and 2012 Banca Sella completed further sales of portfolio of performing loans to the special purpose vehicle Mars 2600 S.r.l. On 23 January 2014, 30 January 2014 and 23 April 2015, the operations begun in 2008, 2009 and 2005, respectively, were concluded. Banca Sella bought back the loans from the vehicle company, which provided for the early reimbursement of the securities still existing.

During 2013 Consel completed its first sale of a portfolio of performing loans to the special purpose vehicle Monviso 2013 S.r.l.

The loans involved in this latest securitisation transaction were re-recognised in the Consolidated Financial Statements because it was not possible to derecognise 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 actuarial gains and losses is recognised directly in Shareholders' equity, while the remaining components (the discounting effect) are in the Income Statement.

According to IAS 19, provisions for severance indemnities represent post-employment defined benefits, which must be recognised making use of actuarial methods.

In the light of the rules laid down in the 2007 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 recognised 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 recognised 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 recognised 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 recognised in the income statement during the period in which their distribution is approved;
- fees received for services are recognised, 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 recognised 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 recognised at the moment of conclusion of the sale, unless most of the risks and benefits associated with the assets are maintained.

Costs are recognised 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 recognised in the income statement.

Use of estimates and assumptions in the preparation of the consolidated financial statements

In drafting the consolidated financial statements, the Group made use of estimates and assumptions which can have effects on the amounts recognised 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 recognised 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, issued by the Commission on 11 December 2012.

The new standard 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 standard 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 provides for 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:

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

<u>Level 2</u>: 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.

<u>Level 3</u>: 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 them 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 listed on a regulated market or a multilateral trading facility (in which one or more market markets act continuously).

- Securities quoted on Bloomberg provided that the amount issued is higher than or equal to € 500 million 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 a regulated market.

- Derivatives quoted on regulated markets.

An "active market" means:

- A regulated market on which the instrument is traded and regularly listed;

- A multilateral trading facility on which one or more market makers act continuously;

- Those on Bloomberg provided that the amount issued is higher than or equal to € 500 million and at least one market maker with regularly available prices exists.

(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 or securities for which, although featuring issued amounts higher than € 500 million, there is no Bloomberg market maker with regularly available prices.

- Securities listed on a multilateral trading facility on which there are no market makers with prices regularly available.

- Bonds issued by the Banca Sella Group, which are measured using the methods indicated below, used widely within the market:

  - 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.

- Securities defined as illiquid, explicitly measured using the model of input observable directly or indirectly on the market.

- 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 or delisted securities, 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 measured at fair value".

- Securities defined as illiquid, explicitly measured using the model of non-observable input.

- 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.

Assessments regarding the congruence of the classification of the instrument with respect to the assigned input level is done on a half-yearly basis, in June and December, by the Securities Records Unit, which also ensures that any necessary changes are made to the specific information found in the securities records.

In order to determine the fair value of OTC derivatives according to accounting standard IFRS 13, they are divided into two levels

- L2: plain vanilla OTC derivatives for which market parameters for measurement are available;
- L3: OTC derivatives for which market parameters for measurement are not available.

In order to apply the regulations foreseen in Regulation EU no. 575/2013, issued by the European Parliament and Council on 26 June 2013, relative to prudential requirements for credit institutions and investment companies (CRR), both OTC derivatives included in L2 and L3, as above, are to be measured using a mark-to-model procedure.

In relation to Regulation (EU) no. 648/2012, issued by the European Parliament and Council on 4 July 2012, on OTC derivatives, central counterparts and trade repositories ("EMIR"), only OTC derivatives in L3, as above, are measured using a model.

Measuring counterparty risk

In calculating fair value of a financial asset, IFRS 13 provides for 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-structured), the counterparty risk for the issuer is included in the spread.

Relative to exposure to OTC derivatives, quantification of the CVA correctives (for exposures receivable) and DVA correctives (for exposures payable) is done by Dealer Wizard for all contracts, with the exception of those covered by clearing and collateralisation agreements (e.g. ISDA, CSA, etc.).

The method used to calculate CVA/DVA correctives implemented in Dealer Wizard is based on the *Discounted cash flows approach*. This method, applied to all the types of derivatives used by the Group, foresees the application of a credit spread to discounting of expected cash flows and leads to the generation of a *Fair Value Risk Adjusted*. The difference between this and the *Fair Value Risk Free* is represented by the CVA/DVA.

The selection of the credit spread to be applied in discounting of the expected cash flows is connected to the direction of the flows, as well as the counterparty type. Specifically, based on whether the flows are "receive" or "pay", the spread applied must take into account the counterparty credit risk (in the case of receive) or the size (in the case of payment).

Relative to the types of counterparties, we list the possible reference cases used in attributing the relative credit spread:

- *Institutional counterparty WITHOUT a stipulated CSA*: the CDS quote taken from Bloomberg is used for the credit spread. If there is no specific quote for the counterparty the CDS quote for a counterparty considered to be comparable in terms of sector, size and rating is used.

- *Institutional counterparty with a stipulated CSA*: in this case, the spread assigned is zero, as counterparty risk is mitigated by the collateralisation contract, meaning the Fair Value Risk Adjusted is the same as the Fair Value Risk Free.

- *BSG Customer (retail or corporate)*: the internal rating provided by Risk Management - Credit Risk is used. Specifically, the internally estimated credit spread represents the return rate required to cover the two loss components (expected and unexpected) that determine credit risk. To quantify the impact of the expected loss, the default probability value associated with the specific customer's rating class is used (in the case in which the customer is subject to internal rating calculation), or the average default rate recorded over the last 24 months within the bank's loan portfolio (in the case that the customer is not subject to internal rating calculation). To quantify the impact of the unexpected loss, the value of the equity required to satisfy the profit objective required by the shareholders is estimated, in the case of a current account loan with a one year maturity.

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

Measurement of the CVA/DVAs is done daily by the Banca Sella OTC Trading Unit. Risk Management carries out second level controls on a sampling basis, validating the methodology and market parameters used after the fact (shared with the Finance Unit). In regards to the net CVA/DVA impacts, please see the table found on page 144.

For measurements relative to implicit caps, while awaiting full automation of measurements by the Banca Sella Credit area and the relative Group companies, the Parent Company's Finance Area uses the discounted cash flows approach.

As these are options sold to customers (implicit in mortgages with the maximum interest rate), the corrective DVA is determined by applying the credit spread relative to the Banca Sella Group as reported above.

Frequency of fair value measurement

Measurement of fair value following the rules dictated in the Group Policy is generally done on a daily basis (generally weekly for bonds issued by the Group due to their limited volatility, unless a need for greater frequency is determined).

Loans: hedged fixed-rate loans

Relative to hedged fixed-rate loans, 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 amortization profile of the IRSs corresponds to the amortization profile of the hedged loans.

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

At this point, it is appropriate to prepare, beginning from the residual amortization plan of the principal of all loans hedged, the amortization plan of loans to be used for measuring the fair value. This plan shall be made up of loan principal flows (the difference between the residual debt of a period and the residual debt of the previous period according to the contractual 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.3 – Disclosure on transfers between financial asset portfolios

A.3.1 Reclassified financial assets: book value, fair value, and effects on overall income

Types of financial instruments (1)	Original portfolio (2)	Destination portfolio (3)	Book value (4)	Fair Value (5)	Income components without transfer (before taxes)		Income components recorded during the period (before taxes)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
A. Debt securities			**8,856**	**8,943**	**312**	**(2)**	**83**	**10**
	HFT	Due from banks	3,494	3,487	25	-	-	26
	AFS	Due from banks	5,362	5,456	287	(2)	83	(16)
		Total	**8,856**	**8,943**	**312**	**(2)**	**83**	**10**

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer

Types of financial instruments (1)	Original portfolio (2)	Destination portfolio (3)	Capital gains (losses) in the income statement (before tax)		Capital gains (losses) in equity (before tax)	
			31/12/2015 (4)	31/12/2014 (5)	31/12/2015 (6)	31/12/2014 (7)
A. Debt securities			**-**	**-**	**287**	**95**
	AFS	Due from banks	-	-	287	95
		Total	**-**	**-**	**287**	**95**

A.3.3 Transfer of financial assets held for trading

At 31 December 2015 and during the year, there were no transfers of financial assets held for trading.

A.3.4 Effective interest rate and forecast financial flows from reclassified assets

The company which made the reclassification	Description	Isin	Rate	Forecast financial flow
Cba Vita Spa	BPU IM Float 29.03.1	XS0248693854	0.37%	3,003
Cba Vita Spa	UNICREDITO Float 26.	XS0226191798	2.00%	2,733
Banca Sella Holding Spa	BPU TV EUR 16LR2	XS0248693854	1.109%	3,218

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, when possible the Bloomberg pricing model is used, so as to guarantee an estimate based on the method most widely used on the market. For this purpose, similarly to the previous cases, the option-adjusted-spread (OAS) used is the spread level deduced from the elaboration of variables connected with credit spreads reported by info-providers.

The bonds with a structure that cannot be priced with Bloomberg models are priced by dividing their structure into simpler components.

The valuation of said components is carried out using some valuations deduced from those provided by counterparties for the hedging instrument or, if they are not available, Monte Carlo simulations, using as inputs the values of the variables reported by the main info-providers.

The OTC derivatives that can typically be found in the financial statements concern swaps, rate options and exchange options.

Rate swaps are evaluated according to the discounted cash flow (DCF) method, which is the market standard and uses the swap rate curve relative to the contact currency as the input data. 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 BSG include only caps and floors and are measured using 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 counterpart 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 AFS investments each time are:

- the income approach, which determines the value of the company on the basis of its ability to yield income; to that end, the value of the company is calculated by discounting the expected income; 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).

Unquoted close-end funds and private equity funds are evaluated on the basis of the data provided by the issuer or, if these data are not provided, according to the amount appropriated to the fund. Special attention will be paid to ABS funds where, as far as possible, the investor reports for the individual ABS will be analysed, which are available for individual funds in most cases.

In relation to the loans issued by each Bank in the Group 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 hedged fixed-rate loans, 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 amortization profile of the IRSs corresponds to the amortization profile of the hedged loans.

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

At this point, it is appropriate to prepare, beginning from the residual amortization plan of the principal of all loans hedged, the amortization plan of loans to be used for measuring the fair value. This plan shall be made up of loan principal flows (the difference between the residual debt of a period and the residual debt of the previous period according to the contractual 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 the above described 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.

By way of example, the main observable parameters can be linked 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 used. 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 the same for all 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 IRS rate for the same maturity dates (for fixed rate securities).
- *Price spread*: represents the differential to be subtracted from the theoretical price to take into account the riskiness of the structure.

Implicit Volatility

This is the volatility of the option prices quoted for a specific underlying instrument.

For every maturity date, the value of the at-the-money options 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.

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.

By way of example, the main non-observable parameters can be linked to:

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.

Historic Volatility

In the case that the implicit volatility of the options 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.

There is no significant observable input used for fair value measurement of assets and liabilities in level 3.

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.

During the course of 2015, the minority investment in H-Farm held by Banca Sella Holding changed fair value level, going from level 3 (an instrument whose fair value is determined using input not based on observable market data) to level 1 (an instrument whose fair value is represented by market value - an instrument listed on an active market), given that it is now traded on an active market.

A.4.4 Other information

The Group 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 Assets and liabilities carried at FV on a recurring basis: breakdown by fair value levels

Financial assets/liabilities carried at fair value	31/12/2015			31/12/2014		
	L1	T2	T3	L1	T2	T3
1. Financial assets held for trading	350,705	20,854	6,151	361,912	25,507	5,661
2. Financial assets carried at fair value	-	-	-	613,786	19,895	-
3. Financial assets available for sale	2,541,783	20,316	78,077	2,772,057	9,501	46,791
4. Hedging derivatives	-	10,282	-	-	14,749	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**2,892,488**	**51,452**	**84,228**	**3,747,755**	**69,652**	**52,452**
1. Financial Liabilities Held for Trading	19,173	18,831	-	72,278	23,217	-
2. Financial liabilities carried at fair value	-	-	-	596,548	224	-
3. Hedging derivatives	-	128,513	-	-	154,020	-
Total	**19,173**	**147,344**	**-**	**668,826**	**177,461**	**-**

During the course of 2015, the minority investment in H-Farm held by Banca Sella Holding changed fair value level, going from level 3 (an instrument whose fair value is determined using input not based on observable market data) to level 1 (an instrument whose fair value is represented by market value - listed on an active market), given that it is now traded on an active market.

We also recall that the assets and liabilities associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to the item 150 “non-current assets and groups of assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Measurement of the CVA/DVAs is done daily by the Banca Sella OTC Trading Unit. Risk Management carries out second level controls on a sampling basis, validating the methodology and market parameters used after the fact (shared with the Finance Unit).

The table below summarises the impacts of application of IFRS 13, divided by derivative type:

Net impact at 31 December 2015 *(in Euro)*

	Banca Sella		Banca Sella Holding		Banca Patrimoni Sella & C.	
	CVA	DVA	CVA	DVA	CVA	DVA
IRS	-253,608	-	-	-	-	-
CAP_FLOOR	-	16,353	-	-	-	237
COLLAR	-874	-	-	-	-	-
OPT_CURRENCY OPTION	-21,177	4,193	-	-	-	-
NDF_NON DELIVERABLE FORWARD	-134,710	7	-	-	-71,848	-
OUTRIGHT	-215,332	994	-73	11,178	-	-
IMPLICIT OPTIONS ON MORTGAGES	-	578,167	-	-	-	8,336
Total	**-625,701**	**599,715**	**-73**	**11,178**	**-71,848**	**8,574**

A.4.5.2 Annual changes in financial assets at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets carried at fair value	Financial assets available for sale	Hedging derivatives	Tangible assets	Intangible assets
1. Opening balances	**5,661**	**-**	**46,791**	**-**	**-**	**-**
2. Increases	**79,331**	**-**	**81,784**	**-**	**-**	**-**
2.1. Purchases	78,096	-	14,106	-	-	-
2.2. Profits allocated to:						
2.2.1. Income Statement	1,235	-	23,903	-	-	-
- of which capital gains	1,170	-	23,903	-	-	-
2.2.2. Shareholders' Equity	X	X	41,459	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	2,316	-	-	-
3. Decreases	**78,841**	**-**	**50,498**	**-**	**-**	**-**
3.1. Sales	78,775	-	43,165	-	-	-
3.2. Repayments	-	-	-	-	-	-
3.3. Losses allocated to:						
3.3.1. Income Statement	66	-	182	-	-	-
- of which capital losses	64	-	182	-	-	-
3.3.2. Shareholders' Equity	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	372	-	-	-
3.5. Other decreases	-	-	6,779	-	-	-
4. Closing balance	**6,151**	**-**	**78,077**	**-**	**-**	**-**

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis *fair value*	**31/12/2015**				**31/12/2014**			
	BV	**L1**	**T2**	**T3**	**BV**	**L1**	**T2**	**T3**
1. Financial assets held to maturity	-	-	-	-	-	-	-	-
2. Due from banks	303,956	-	9,963	294,029	1,209,916	-	19,358	1,190,483
3. Due from customers	8,033,542	-	120	8,153,151	8,061,432	-	212	8,214,595
4. Property, plant and equipment held for investment	41,701	-	2,158	56,921	39,634	-	2,080	52,686
5. Non-current assets and asset groups held for sale	74,415	-	-	74,415	-	-	-	-
Total	**8,453,614**	**-**	**12,241**	**8,578,516**	**9,310,982**	**-**	**21,650**	**9,457,764**
1. Due to banks	639,301	-	-	639,301	1,178,339	-	-	1,178,448
2. Due to customers	9,351,419	-	-	9,351,419	8,766,142	3,835	-	8,762,420
3. Securities in issue	831,101	-	495,481	333,692	1,367,778	7,652	597,299	772,763
4. Liabilities associated to assets being divested	9,862	-	-	9,862	-	-	-	-
Total	**10,831,683**	**-**	**495,481**	**10,334,274**	**11,312,259**	**11,487**	**597,299**	**10,713,631**

Key: BV=book value L1=Level 1 L2=Level 2 L3=Level 3

Fair value on a non-recurring basis is calculated for non-short term loans using the criteria indicated in the Accounting Policies, part A.2, other information.

For amounts payable and receivable on demand or with short-term maturity, it is held that the fair value is in line with the book value.

In regards to property and equipment, the fair value is obtained through the use of external appraisals.

Part B – Information on the Consolidated Balance Sheet

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2015	31/12/2014
a) Cash on hand	130,889	131,022
b) Demand deposits at Central Banks	-	-
Total	**130,889**	**131,022**

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: Product breakdown

Item/Value	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	335,197	2,700	3	341,258	2,095	3
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	335,197	2,700	3	341,258	2,095	3
2. Equities	4,599	-	1	496	-	32
3 UCITS units	10,443	-	6,147	20,105	-	5,626
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements receivable	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**350,239**	**2,700**	**6,151**	**361,859**	**2,095**	**5,661**
B. Derivative instruments						
1. Financial derivatives:	466	18,154	-	54	23,412	-
1.1 for trading	466	18,090	-	54	23,345	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 other	-	64	-	-	67	-
2. Credit Derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**466**	**18,154**	**-**	**54**	**23,412**	**-**
Total (A+B)	**350,705**	**20,854**	**6,151**	**361,913**	**25,507**	**5,661**

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

Financial assets almost entirely pertain to Banca Sella Holding (87.7%), which provides treasury services for the entire Group. The main investment categories are represented by bonds issued by banks, financial companies and corporations, and are mainly short-term. Banca Sella holds 7.8% of the total, with the remaining amount divided between Banca Patrimoni Sella & C. and Sella Gestioni.

pertaining to the banking group

Item/Value	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	335,197	2,700	3	341,258	2,095	3
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	335,197	2,700	3	341,258	2,095	3
2. Equities	4,599	-	1	320	-	32
3 UCITS units	10,443	-	6,147	10,295	-	5,626
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements receivable	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**350,239**	**2,700**	**6,151**	**351,873**	**2,095**	**5,661**
B. Derivative instruments						
1. Financial derivatives:	466	18,154	-	54	23,397	-
1.1 for trading	466	18,090	-	54	23,330	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 other	-	64	-	-	67	-
2. Credit Derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**466**	**18,154**	**-**	**54**	**23,397**	**-**
Total (A+B)	**350,705**	**20,854**	**6,151**	**351,927**	**25,492**	**5,661**

pertaining to insurance companies

Item/Value	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	176	-	-
3 UCITS units	-	-	-	9,810	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements receivable	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**9,986**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives:	-	-	-	-	15	-
1.1 for trading	-	-	-	-	15	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**15**	**-**
Total (A+B)	**-**	**-**	**-**	**9,986**	**15**	**-**

The assets associated with CBA Vita, as foreseen under accounting standard IFRS 5, were reclassified to item 150 “non-current assets and groups of assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

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

Item/Value	31/12/2015	31/12/2014
A. Cash assets		
1. Debt securities	**337,900**	**343,356**
a) Governments and Central Banks	161,448	188,954
b) Other public bodies	469	50
c) Banks	127,547	115,343
d) Other issuers	48,436	39,009
2. Equities	**4,600**	**528**
a) Banks	216	8
b) Other issuers:	4,384	520
- insurance companies	103	108
- financial companies	3,693	300
- non-financial companies	588	42
- others	-	70
3. UCIT units	**16,590**	**25,731**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**359,090**	**369,615**
B. Derivative instruments		
a) Banks	9,041	9,861
- Fair value	9,041	9,861
b) Customers	9,579	13,605
- Fair value	9,579	13,605
Total B	**18,620**	**23,466**
Total (A + B)	**377,710**	**393,081**

Below is a breakdown of UCITS units:

Financial assets held for trading: detail of the subheading UCITS

Company name	31/12/2015	31/12/2014
Bonds	7,686	11,787
Monetary	-	-
Balanced	117	112
Share	578	6,461
Other	8,209	7,371
Total UCITS shares	**16,590**	**25,731**

No equity securities were issued by subjects classified as non-performing or unlikely to pay.

Section 3 – Financial assets carried at fair value – Item 30

3.1 Financial assets carried at fair value: product breakdown

Item/Value	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	135,218	8,907	-
1.1 Structured securities	-	-	-	8,373	-	-
1.2 Other debt securities	-	-	-	126,845	8,907	-
2. Equities	-	-	-	24,363	-	-
3. UCITS units	-	-	-	414,416	10,987	-
4. Loans	-	-	-	39,789	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Others	-	-	-	39,789	-	-
Total	**-**	**-**	**-**	**613,786**	**19,894**	**-**
Cost	**-**	**-**	**-**	**608,902**	**20,759**	**-**

Financial assets carried at fair value all pertain to the insurance companies.

The assets associated with CBA Vita, as foreseen under accounting standard IFRS 5, were reclassified to item 150 “non-current assets and groups of assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Starting from 2007, financial assets carried at fair value include investments on behalf of policy-holders who have taken out Unit and Index-Linked policies and investments arising from managed pension funds in the life assurance field. Financial assets vary as a function of reserves and financial liabilities: if during the year there were more policy liquidations with respect to premiums collected, then the reserves decrease, as do the assets, and vice versa in the opposite case. Hence, the performance of this item is linked to normal operations.

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

The table below shows the purposes for which the “fair value option” was used:

Financial assets at fair value: use of the fair value option

Item/Value	Total			Total		
	L1	L2	L3	L1	L2	L3
Natural hedges	-	-	-	-	-	-
Structured financial instruments	-	-	-	-	-	-
Financial asset portfolios managed internally based on fair value	-	-	-	613,786	19,894	-
Total	**-**	**-**	**-**	**613,786**	**19,894**	**-**

3.2 Financial assets carried at fair value: breakdown by borrowers/issuers

Item/Value	31/12/2015	31/12/2014
1. Debt securities	**-**	**144,125**
a) Governments and Central Banks	-	104,803
b) Other public bodies	-	10
c) Banks	-	15,375
d) Other issuers	-	23,937
2. Equities	**-**	**24,363**
a) Banks	-	1,942
b) Other issuers:	-	22,421
- insurance companies	-	1,161
- financial companies	-	5,240
- non-financial companies	-	6,903
- others	-	9,117
3. UCITS units	**-**	**425,403**
4. Loans	**-**	**39,789**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	39,789
d) Other subjects	-	-
Total	**-**	**633,680**

Financial assets at fair value: detail of UCITS subheading

	31/12/2015	31/12/2014
Bonds	-	222,333
Monetary	-	9,449
Balanced	-	35,391
Share	-	112,340
Other	-	45,890
Total	**-**	**425,403**

Section 4 – Financial assets available for sale – Item 40

4.1 Financial assets available for sale: product breakdown

Item/Value	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	2,535,014	20,316	-	2,748,899	9,501	55
1.1 Structured securities	-	-	-	3,615	2,467	-
1.2 Other debt securities	2,535,014	20,316	-	2,745,284	7,034	55
2. Equities	2,680	-	73,010	3,716	-	43,164
2.1 Carried at fair value	2,680	-	51,357	3,716	-	1,321
2.2 Carried at cost	-	-	21,653	-	-	41,843
3. UCITS units	4,089	-	2,954	19,442	-	1,426
4. Loans	-	-	2,113	-	-	2,146
Total	**2,541,783**	**20,316**	**78,077**	**2,772,057**	**9,501**	**46,791**

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

The largest part consists of debt securities, which account for 96.8% of the total, mainly consisting of Italian government securities and bank and corporate bonds with high creditworthiness. During the year, a small stock portion was also introduced through the purchase of units from certain specialised SICAVs.

Equity securities also include the minority investments, which saw a significant increase given that in November 2015 Visa Inc. and Visa Europe (in which Banca Sella holds a minority investment) announced that an agreement had been reached for the strategic acquisition of Visa Europe by Visa Inc., aimed at creating a single company that operates both on the US and European market. The transaction will involve the acquisition of Visa Europe shares by Visa Inc., leading to total potential capital gains of € 21.2 billion. Following this operation, extraordinary dividends will be distributed. € 11.5 billion will be paid in cash, while Visa Inc. shares worth around € 5 billion will be assigned when the operation is completed. A further earn-out of a maximum of € 4.7 billion will be distributed four years after the operation is completed. The transaction is subject to a series of regulatory authorisations and is planned to be completed by September 2016. At the end of December 2015, Visa released initial estimates of the proceeds accruing to the shareholders of Visa Europe. Based on this information, as a principal member, Banca Sella would receive cash of around € 32 million for the sale of its share in Visa Europe, as well as Visa Inc. shares with a value of around € 11 million. On the basis of these assumptions, the carrying value of the minority interest was updated, and the valuation reserve was also updated.

Capital 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 31 March 2015, the investment in Cassa di Risparmio di Bolzano was written down. The measurement, done using the comparable transactions method, used the price resolved by the Board of Directors of the relevant company for its own internal secondary market as the reference price, which led to a write-down on the value of the investment, recognised in the income statement, for € 1.8 million.

On 30 June 2015, the investment in Pallacanestro Biella was written down. The capital grant of € 50,000 was eliminated, which had been paid by the company's shareholders after a request, and required to pay previous tax debts.

On 30 September and 31 December 2015, two subsequent write-downs on the investment in Veneto Banca were carried out. The measurement, done using the market multiple and comparable transactions methods, used implicit multiples from a sample of comparable companies for the September measurement, and in December used the withdrawal value established by the company itself in planning for its transformation to a joint stock company. This led to a write-down on the value of the investment, recognised in the income statement, for a total amount of € 3 million.

In addition, on 31 December 2015, a write-down was carried out on Società Aeroporto di Cerrione, using the recent market transaction method. The write-down on the investment was recognised in the income statement for around € 52 thousand.

For the following investments, measured at market value or on the basis of recent transactions, the relative valuation reserves in equity were adjusted:

- Digital Magics (measurement method: market listings): the negative shareholders' equity reserve was adjusted on the basis of the closing market price at 31/12/2015 for an amount of € 1,164.10;
- H-Farm (measurement method: market listings): the positive shareholders' equity reserve was recognised on the basis of the closing market price at 31/12/2015 for an amount of € 122 thousand;
- Istituto Centrale delle Banche Popolare Italiane (measurement method: recent market transactions): on the basis of the sales contract signed on 18/12/2015, in relation to the residual investment held by Banca Sella Holding, a positive shareholders' equity reserve was recognised for € 2.6 million;
- MTS (measurement method: recent market transactions): a positive shareholders' equity reserve was adjusted at the value of transactions carried out between shareholders in January and February 2015, for a value of € 270 thousand;
- Symbid Corp (measurement method: recent market transactions): the positive shareholders' equity reserve was adjusted on the basis of the recent private placement operation carried out in January 2015, and on the basis of the effective EUR/USD exchange rate, in the amount of € 62 thousand.

It should also be noted, that during 2015, investments were acquired in the Bank of Italy and in Agata, Primomiglio SGR, Programma 101, Sella Synergy India. Additionally, the investments held in Cassa di Risparmio di Bolzano, Digital Magics, H-Farm, Symbid Corp, Smava GmbH and SWIFT were increased. On the other hand, the investments in Gruppo Mutuionline and Banca del Lavoro e del Piccolo Risparmio were entirely sold, while the investment in Istituto Centrale delle Banche Popolari Italiane was partially sold, leading to total gross capital gains of € 24.7 million and capital losses of € 5 thousand.

The item loans refers to the "ComitalSaiag S.P.A." now "Cuki Group S.p.a." position in Banca Sella, for which a restructuring agreement was signed in 2009 which generated a partial conversion of the total amount owed to the Bank equal to € 9 million (€ 4.7 million in restructured loans and € 4.3 million in SFP (participating financial instruments). The write-down on these instruments totalled € 2.5 million. At 31 December 2015, the book value of the remaining credit on the position was equal to € 2.7 million, which was reduced during financial year 2015 as envisaged in the plan. At 31 December 2014 amounted to € 3.1 million.

pertaining to the banking group

Item/Value	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	2,535,014	20,316	-	2,132,617	7,034	55
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,535,014	20,316	-	2,132,617	7,034	55
2. Equities	2,680	-	73,010	3,716	-	43,164
2.1 Carried at fair value	2,680	-	51,357	3,716	-	1,321
2.2 Carried at cost	-	-	21,653	-	-	41,843
3. UCITS units	4,089	-	2,954	19,442	-	1,426
4. Loans	-	-	2,113	-	-	2,146
Total	**2,541,783**	**20,316**	**78,077**	**2,155,775**	**7,034**	**46,791**

pertaining to insurance companies

Item/Value	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	-	-	616,282	2,467	-
1.1 Structured securities	-	-	-	3,615	2,467	-
1.2 Other debt securities	-	-	-	612,667	-	-
2. Equities	-	-	-	-	-	-
2.1 Carried at fair value	-	-	-	-	-	-
2.2 Carried at cost	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	**-**	**-**	**-**	**616,282**	**2,467**	**-**

The assets associated with CBA Vita, as foreseen under accounting standard IFRS 5, were reclassified to item 150 “non-current assets and groups of assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

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

Item/Value	31/12/2015	31/12/2014
1. Debt securities	**2,555,330**	**2,758,455**
a) Governments and Central Banks	2,232,409	2,499,056
b) Other public bodies	-	11,315
c) Banks	212,899	178,204
d) Other issuers	110,022	69,880
2. Equities	**75,690**	**46,880**
a) Banks	13,354	26,349
b) Other issuers:	62,336	20,531
- insurance companies	-	-
- financial companies	57,997	17,259
- non-financial companies	1,081	776
- others	3,258	2,496
3. UCITS units	**7,043**	**20,868**
4. Loans	**2,113**	**2,146**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2,113	2,146
Total	**2,640,176**	**2,828,349**

Provide details on UCITS if relevant, currently not relevant, as they account for 16% of the total.

Financial assets available for sale: detail of the subheading UCITS units

	31/12/2015	31/12/2014
Bonds	3,344	16,918
Monetary	-	-
Balanced	-	2,010
Share	997	-
Other (segment)	2,702	1,940
Total	**7,043**	**20,868**

pertaining to the banking group

Item/Value		31/12/2015	31/12/2014
1. Debt securities		**2,555,330**	**2,139,706**
a) Governments and Central Banks		2,232,409	1,986,758
b) Other public bodies		-	-
c) Banks		212,899	117,416
d) Other issuers		110,022	35,532
2. Equities		**75,690**	**46,880**
a) Banks		13,354	26,349
b) Other issuers:		62,336	20,531
- insurance companies		-	-
- financial companies		57,997	17,259
- non-financial companies		1,081	776
- others		3,258	2,496
3. UCITS units		**7,043**	**20,868**
4. Loans		**2,113**	**2,146**
a) Governments and Central Banks		-	-
b) Other public bodies		-	-
c) Banks		-	-
d) Other subjects		2,113	2,146
	Total	**2,640,176**	**2,209,600**

pertaining to insurance companies

Item/Value		31/12/2015	31/12/2014
1. Debt securities		**-**	**618,749**
a) Governments and Central Banks		-	512,298
b) Other public bodies		-	11,315
c) Banks		-	60,788
d) Other issuers		-	34,348
2. Equities		**-**	**-**
a) Banks		-	-
b) Other issuers:		-	-
- insurance companies		-	-
- financial companies		-	-
- non-financial companies		-	-
- others		-	-
3. UCITS units		**-**	**-**
4. Loans		**-**	**-**
a) Governments and Central Banks		-	-
b) Other public bodies		-	-
c) Banks		-	-
d) Other subjects		-	-
	Total	**-**	**618,749**

The assets associated with CBA Vita, as foreseen under accounting standard IFRS 5, were reclassified to item 150 “non-current assets and groups of assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Section 6 – Due from banks – Item 60

6.1 Loans to banks: Product breakdown

Type of transaction/Value	Total 31/12/2015				Total 31/12/2014			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**104,414**	**-**	**-**	**104,414**	**934,840**	**-**	**-**	**934,840**
1. Term deposits	-	X	X	X	-	X	X	X
2. Statutory reserve	104,414	X	X	X	934,840	X	X	X
3. Repurchase agreements receivable	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**199,542**	**-**	**9,963**	**189,615**	**275,076**	**-**	**19,358**	**255,643**
1. Loans	189,615	-	-	189,615	255,643	-	-	255,643
1.1 Current accounts and demand deposits	85,808	X	X	X	126,484	X	X	X
1.2 Term deposits	4,355	X	X	X	6,847	X	X	X
1.3. Other loans and advances:	99,452	X	X	X	122,312	X	X	X
- Repurchase agreements receivable	8,032	X	X	X	10,414	X	X	X
- Financial leasing	-	X	X	X	-	X	X	X
- Others	91,420	X	X	X	111,898	X	X	X
2. Debt securities	9,927	-	9,963	-	19,433	-	19,358	-
2.1 Structured securities	-	X	X	X	9,794	X	X	X
2.2 Other debt securities	9,927	X	X	X	9,639	X	X	X
Total	**303,956**	**-**	**9,963**	**294,029**	**1,209,916**	**-**	**19,358**	**1,190,483**

Key: FV=fair value BV= book value

Loans to banks mainly pertain to Banca Sella Holding (69.4%).

At 31 December 2014, the compulsory reserve, at € 928.2 million, was based on the desire to deposit the largest portion of available cash to the treasury with the central bank, thereby limiting capital absorption, and any possible impacts on the supply of regulatory liquidity (as deposits with central banks are the form of assets with the best characteristics in terms of easy liquidation). This requirement lessened during the year, and as a consequence the item fell by around € 832.1 million and part of the liquidity generated was used in repurchase agreements, exclusively with Cassa di Compensazione e Garanzia.

pertaining to the banking group

Type of transaction/Value	Total 31/12/2015				Total 31/12/2014			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**104,414**	**-**	**-**	**104,414**	**934,840**	**-**	**-**	**934,840**
1. Term deposits	-	X	X	X	-	X	X	X
2. Statutory reserve	104,414	X	X	X	934,840	X	X	X
3. Repurchase agreements receivable	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**199,542**	**-**	**9,963**	**189,615**	**264,273**	**-**	**9,819**	**254,634**
1. Loans	189,615	-	-	189,615	254,634	-	-	254,634
1.1 Current accounts and demand deposits	85,808	X	X	X	125,475	X	X	X
1.2 Term deposits	4,355	X	X	X	6,847	X	X	X
1.3. Other loans and advances:	99,452	X	X	X	122,312	X	X	X
- Repurchase agreements receivable	8,032	X	X	X	10,414	X	X	X
- Financial leasing	-	X	X	X	-	X	X	X
- Others	91,420	X	X	X	111,898	X	X	X
2. Debt securities	9,927	-	9,963	-	9,639	-	9,819	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	9,927	X	X	X	9,639	X	X	X
Total	**303,956**	**-**	**9,963**	**294,029**	**1,199,113**	**-**	**9,819**	**1,189,474**

Key: FV=fair value BV= book value

pertaining to insurance companies

Type of transaction/Value	Total 31/12/2015				Total 31/12/2014			
	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. Repurchase agreements receivable	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**-**	**-**	**-**	**-**	**10,803**	**-**	**9,539**	**1,009**
1. Loans	-	-	-	-	1,009	-	-	1,009
1.1 Current accounts and demand deposits	-	X	X	X	1,009	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
- Repurchase agreements receivable	-	X	X	X	-	X	X	X
- Financial leasing	-	X	X	X	-	X	X	X
- Others	-	X	X	X	-	X	X	X
2. Debt securities	-	-	-	-	9,794	-	9,539	-
2.1 Structured securities	-	X	X	X	9,794	X	X	X
2.2 Other debt securities	-	X	X	X	-	X	X	X
Total	**-**	**-**	**-**	**-**	**10,803**	**-**	**9,539**	**1,009**

Key: FV=fair value BV= book value

Section 7 – Due from customers - Item 70

7.1 Due from customers: product breakdown

Type of transaction/Value	Total 31/12/2015						Total 31/12/2014					
	Book value			Fair Value			Book value			Fair Value		
	Non-impaired	Impaired		L1	L2	L3	Non-impaired	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
Loans	**7,383,999**	**-**	**649,423**	**-**	**-**	**8,153,151**	**7,359,373**	**-**	**701,847**	**-**	**-**	**8,214,595**
1. Current accounts	787,994	-	138,086	X	X	X	934,792	-	150,790	X	X	X
2. Repurchase agreements receivable	347,432	-	-	X	X	X	64,741	-	-	X	X	X
3. Mortgage loans	3,318,685	-	323,613	X	X	X	3,325,798	-	281,996	X	X	X
4. Credit cards, personal loans and loans on wage assignments	1,123,192	-	22,315	X	X	X	1,208,539	-	51,829	X	X	X
5. Financial leasing	857,199	-	67,100	X	X	X	849,426	-	90,280	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans and advances	949,497	-	98,309	X	X	X	976,077	-	126,952	X	X	X
Debt securities	**120**	**-**	**-**	**-**	**120**	**-**	**212**	**-**	**-**	**-**	**212**	**-**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	120	-	-	X	X	X	212	-	-	X	X	X
Total	**7,384,119**	**-**	**649,423**	**-**	**120**	**8,153,151**	**7,359,585**	**-**	**701,847**	**-**	**212**	**8,214,595**

Loans to customers pertain to Banca Sella for 68.4% of the total. They mainly refer to current accounts and mortgages. Relative to the latter, despite recovery of requests also at the system level, new disbursements did not exceed those maturing and therefore a slight drop was seen. In Banca Sella, during the course of 2015, 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.

Consel, which accounts for 10.8%, saw a 20% decrease during the period with respect to the previous year for relations following the traditional consumer loan sector (therefore net of credit cards). In regards to volumes disbursed in the consumer loan segment (therefore net of leasing), it provided total loans that were down by 18.7% with respect to the increase of 13.9% seen on the market.

Biella Leasing, which accounts for 11.7% of the total item, mainly deals with financial leasing. The residual portion (5.4%) relates to Banca Sella Holding for repurchase agreements made exclusively with Cassa di Compensazione e Garanzia, using the liquidity created when the compulsory reserves with the central bank were decreased. Banca Sella Patrimoni Sella & C. also contributed 3.4% to this item, relative to current accounts, mortgages, credit cards and other loans.
Other loans include accounts in foreign currencies, and other amounts receivable and payable with institutional counterparties and operating loans provided to financial advisors based on the agent contracts that govern the relationships.

pertaining to the banking group

Type of transaction/Value	Total 31/12/2015						Total 31/12/2014					
	Book value			Fair Value			Book value			Fair Value		
	Non-impaired	Impaired		L1	L2	L3	Non-impaired	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
Loans	**7,383,998**	**-**	**649,423**	**-**	**-**	**8,153,150**	**7,359,099**	**-**	**701,847**	**-**	**-**	**8,214,321**
1. Current accounts	787,994	-	138,086	X	X	X	934,792	-	150,790	X	X	X
2. Repurchase agreements receivable	347,432	-	-	X	X	X	64,741	-	-	X	X	X
3. Mortgage loans	3,318,685	-	323,613	X	X	X	3,325,798	-	281,996	X	X	X
4. Credit cards, personal loans and loans on wage assignments	1,123,192	-	22,315	X	X	X	1,208,539	-	51,829	X	X	X
5. Financial leasing	857,199	-	67,100	X	X	X	849,426	-	90,280	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans and advances	949,496	-	98,309	X	X	X	975,803	-	126,952	X	X	X
Debt securities	**120**	**-**	**-**	**-**	**120**	**-**	**212**	**-**	**-**	**-**	**212**	**-**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	120	-	-	X	X	X	212	-	-	X	X	X
Total	**7,384,118**	**-**	**649,423**	**-**	**120**	**8,153,150**	**7,359,311**	**-**	**701,847**	**-**	**212**	**8,214,321**

pertaining to insurance companies

Type of transaction/Value	Total 31/12/2015						Total 31/12/2014					
	Book value			Fair Value			Book value			Fair Value		
	Non-impaired	Impaired		L1	L2	L3	Non-impaired	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
Loans	**1**	**-**	**-**	**-**	**-**	**1**	**274**	**-**	**-**	**-**	**-**	**274**
1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
2. Repurchase agreements receivable	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	-	-	-	X	X	X	-	-	-	X	X	X
4. Credit cards, personal loans and loans on wage assignments	-	-	-	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 and advances	1	-	-	X	X	X	274	-	-	X	X	X
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X
Total	**1**	**-**	**-**	**-**	**-**	**1**	**274**	**-**	**-**	**-**	**-**	**274**

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction/Value	31/12/2015			31/12/2014		
	Non-impaired	Impaired		Non-impaired	Impaired	
		Acquired	Other		Acquired	Other
1. Debt securities	**120**	**-**	**-**	**212**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
d) Other issuers	120	-	-	212	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	120	-	-	212	-	-
- insurances	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans to:	**7,383,999**	**-**	**649,423**	**7,359,373**	**-**	**701,847**
a) Governments	834	-	55	567	-	-
b) Other public bodies	9,868	-	3,230	15,017	-	48
c) Other subjects	7,373,297	-	646,138	7,343,789	-	701,799
- non-financial companies	3,469,207	-	468,725	3,779,514	-	507,461
- financial companies	504,464	-	2,233	213,203	-	2,246
- insurances	9,020	-	-	61	-	-
- others	3,390,606	-	175,180	3,351,011	-	192,092
Total	**7,384,119**	**-**	**649,423**	**7,359,585**	**-**	**701,847**

pertaining to the banking group

Type of transaction/Value	31/12/2015			31/12/2014		
	Non-impaired	Impaired		Non-impaired	Impaired	
		Acquired	Other		Acquired	Other
1. Debt securities	**120**	**-**	**-**	**212**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
d) Other issuers	120	-	-	212	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	120	-	-	212	-	-
- insurances	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans to:	**7,383,998**	**-**	**649,423**	**7,359,099**	**-**	**701,847**
a) Governments	834	-	55	567	-	-
b) Other public bodies	9,868	-	3,230	15,017	-	48
c) Other subjects	7,373,296	-	646,138	7,343,515	-	701,799
- non-financial companies	3,469,206	-	468,725	3,779,513	-	507,461
- financial companies	504,464	-	2,233	213,203	-	2,246
- insurances	9,020	-	-	48	-	-
- others	3,390,606	-	175,180	3,350,751	-	192,092
Total	**7,384,118**	**-**	**649,423**	**7,359,311**	**-**	**701,847**

pertaining to insurance companies

Type of transaction/Value	31/12/2015			31/12/2014		
	Non-impaired	Impaired		Non-impaired	Impaired	
		Acquired	Other		Acquired	Other
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
d) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurances	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans to:	**1**	**-**	**-**	**274**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
c) Other subjects	1	-	-	274	-	-
- non-financial companies	1	-	-	1	-	-
- financial companies	-	-	-	-	-	-
- insurances	-	-	-	13	-	-
- others	-	-	-	260	-	-
Total	**1**	**-**	**-**	**274**	**-**	**-**

7.4 Loans to customers: financial leasing

Time horizons	Impaired loans	Minimum payments			Gross investment	
		Capital portion		Interest portion		
			of which guaranteed residual value			*of which unguaranteed residual value*
Within 1 year	12,363	180,818	-	38,092	221,816	6,791
Between 1 year and 5 years	36,109	420,862	-	81,066	501,928	14,670
More than 5 years	18,628	255,519	-	44,810	300,328	53,034
Total	**67,100**	**857,199**	**-**	**163,968**	**1,024,072**	**74,495**

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.

Section 8 – Hedging derivatives – Item 80

8.1 Hedging derivatives: breakdown by hedge type and level

	FV 31/12/2015			NV 31/12/2015	FV 31/12/2014			NV 31/12/2014
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives								
1) Fair value	-	10,282	-	201,639	-	14,749	-	272,774
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**10,282**	**-**	**201,639**	**-**	**14,749**	**-**	**272,774**

Key:
FV = fair value
NV = notional value

The item all pertains to the banking groups.

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	x	x	x	x	2,234	x	-	x
5. Other transactions	-	-	-	-	-	x	-	x	-
Total assets	**-**	**-**	**-**	**-**	**-**	**2,234**	**-**	**-**	**-**
1. Financial liabilities	8,048	-	-	x	-	x	-	x	x
2. Portfolio	x	x	x	x	x	-	x	-	x
Total liabilities	**8,048**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected 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 – Fair value adjustment of financial assets in hedged portfolios – Item 90

9.1 Fair value adjustments of hedged assets: breakdown by hedged portfolio

Value adjustments of hedged assets / Values	31/12/2015	31/12/2014
1. Increases	**123,141**	**150,588**
1.1 of specific portfolios:	123,141	150,588
a) receivables	123,141	150,588
b) financial assets available for sale	-	-
1.2 total	-	-
2. Decreases	**-**	**-**
2.1 of specific portfolios:	-	-
a) receivables	-	-
b) financial assets available for sale	-	-
2.2 total	-	-
Total	**123,141**	**150,588**

The item all pertains to the banking groups.

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 macrohedging for interest rate risk

Hedged assets	31/12/2015	31/12/2014
1. Receivables	1,547,847	1,737,829
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**1,547,847**	**1,737,829**

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 Investments: information on equity investments

Name	Registered and operational office	Type of relationship	Shareholding relationship		Voting rights %
			Investor company	Stake %	
B. Companies subject to significant influence					
INCHIARO ASSICURAZIONI S.P.A.	Rome	sub. to sign. influence	CBA Vita S.p.A.	49.0000%	-
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	sub. to sign. influence	Finanziaria 2010 S.p.A.	45.0000%	-
DPIXEL S.R.L.	Biella	sub. to sign. influence	Banca Sella Holding S.p.A.	40.0000%	-
SYMBID ITALIA S.P.A.	Milan	sub. to sign. influence	Banca Sella Holding S.p.A.	29.9400%	-
S.C.P. VDP1	Principality of Monaco	sub. to sign. influence	Banca Sella Holding S.p.A.	29.0000%	-
HI-MTF SIM S.P.A.	Milan	sub. to sign. influence	Banca Sella Holding S.p.A.	25.0000%	-
ENERSEL S.P.A.	Biella	sub. to sign. influence	Banca Sella Holding S.p.A.	18.2982%	-

The column relative to available votes was not completed, as allowed under Circular 262/05, as updated, in that these are the same as investment percentages.

10.2 Significant shareholdings: book value, fair value and dividends received

Name	Book value	Fair value	Dividends received
B. Companies subject to significant influence			
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	8,934	8,934	-
DPIXEL S.R.L.	122	122	-
SYMBID ITALIA S.P.A.	48	48	-
S.C.P. VDP1	565	565	-
HI-MTF SIM S.P.A.	1,523	1,523	-
ENERSEL S.P.A.	290	290	13
Total	**11,482**	**11,482**	**13**

10.3 Significant shareholdings: accounting information

part.1

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income
B. Companies subject to significant influence							
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	X	198,825	4,997	181,739	2,229	10,632	X
DPIXEL S.R.L.	X	-	631	-	325	439	X
SYMBID ITALIA S.P.A.	X	170	13	-	19	-	X
S.C.P. VDP1	X	2	4,572	2,594	30	143	X
HI-MTF SIM S.P.A.	X	6,341	326	-	574	1,523	X

10.3 Significant shareholdings: accounting information

part.2

Company name	Adjustments and write-backs on tangible and intangible assets	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Profit (loss) on asset disposal groups held for sale after tax	Operating profit (loss) (1)	Total of other income components after tax (2)	Comprehensive income (3) = (1)+(2)
B. Companies subject to significant influence							
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	X	2,260	2,260	-	2,260	-	2,260
DPIXEL S.R.L.	X	(347)	(347)	-	(347)	-	(347)
SYMBID ITALIA S.P.A.	X	(96)	(96)		(96)		(96)
S.C.P. VDP1	X	(3)	(3)	-	(3)	-	(3)
HI-MTF SIM S.P.A.	X	136	89	-	89	-	89

Reconciliation of accounting information and the book value of investments

Name	Shareholders' Equity	Interest held	Equity attributable	Goodwill	Other items	Book value
A. Companies accounted for with equity method						
A.2 subject to significant influence						
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	19,854	45.00%	8,934	-	-	8,934
DPIXEL S.R.L.	304	40.00%	122	-	-	122
SYMBID ITALIA S.P.A.	160	29.94%	48	-	-	48
S.C.P. VDP1	1,950	29.00%	565	-	-	565
HI-MTF SIM S.P.A.	6,093	25.00%	1,523	-	-	1,523
ENERSEL S.P.A.	1,583	18.30%	290	-	-	290
Total	**29,944**		**11,482**	**-**	**-**	**11,482**

10.4 Non-significant equity investments: accounting information

Company name	Book value of investments	Total assets	Total liabilities	Total revenues	Profit (loss) on continuing operations after tax	Profit (loss) on asset disposal groups held for sale after tax	Operating profit (loss) (1)	Total of other income components after tax (2)	Comprehensive income (3) = (1)+(2)
B. Companies subject to significant influence									
ENERSEL S.P.A.	290	1,805	180	432	24	-	24	-	24

10.5 Equity investments: annual change

	Banking group	Insurance companies	Other companies	Total 31/12/2015	Total 31/12/2014
A. Opening balance	**10,549**	**5,050**	**-**	**15,599**	**13,358**
B. Increases	**1,114**	**707**	**-**	**1,821**	**2,377**
B.1 Purchases	77	-	-	77	400
B.2 Write-backs	-	252	-	252	1,562
B.3 Revaluations	1,037	455	-	1,492	415
B.4 Other changes	-	-	-	-	-
C. Decreases	**181**	**5,757**	**-**	**5,938**	**136**
C.1 Sales	-	-	-	-	-
C.2 Write-downs	-	-	-	-	135
C.4 Other changes	181	5,757	-	5,938	1
D. Closing balance	**11,482**	**-**	**-**	**11,482**	**15,599**
E. Total revaluations	**5,204**	**-**	**-**	**5,204**	**4,175**
F. Total adjustments	**322**	**-**	**-**	**322**	**1,728**

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

The assets associated with CBA Vita, as foreseen under accounting standard IFRS 5, were reclassified to item 150 "non-current assets and groups of assets held for sale", since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

11.1 Reinsurers' share of technical reserves: breakdown

	31/12/2015	31/12/2014
A. Non-life	**-**	**571**
A1. Premium reserves	-	90
A2. Claims reserve	-	79
A3. Other reserves	-	402
B. Life business	**-**	**3,062**
B1. Actuarial reserves	-	2,172
B2. Outstanding claims reserve	-	759
B3. Other reserves	-	131
C. Technical reserves where the investment risk is borne by the policy holders	**-**	**-**
C1. Reserves relating to investment fund and index-linked contracts	-	-
C2. Reserves deriving from the administration of pension funds	-	-
D. Total reinsurers' share of technical reserves	**-**	**3,633**

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

	31/12/2015
Opening balances	**3,633**
A. Non-life	**(571)**
A.1 premium reserves	(79)
A.2 Claims reserves	(79)
A.3 Other reserves	(402)
B. Life business	**(3,062)**
B.1 Mathematical reserves	(2,172)
B.2 Reserves for amounts payable	(759)
B.3 Other reserves	(131)
C. Technical reserves where the investment risk is borne the policyholders	**-**
C.1 Reserves relating contracts linked to investment funds and market indexes	-
C.2 Reserves deriving from pension fund management	-
D. Total reinsurers' share of technical reserves	**-**

Section 12 – Property and equipment – Item 120

12.1 Property and equipment used in operations: breakdown of assets measured at cost

Asset/Amount	Total 31/12/2015	Total 31/12/2014
1.1. Owned assets	**168,111**	**167,526**
a) land	32,776	32,764
b) buildings	104,677	107,006
c) furniture	3,690	2,244
d) electronic equipment	11,678	10,342
e) others	15,290	15,170
1.2 Assets acquired through financial leasing	**-**	**288**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	288
Total	**168,111**	**167,814**

pertaining to the banking group

Asset/Amount	Total 31/12/2015	Total 31/12/2014
1.1. Owned assets	**168,068**	**167,501**
a) land	32,776	32,764
b) buildings	104,677	107,006
c) furniture	3,683	2,242
d) electronic equipment	11,671	10,319
e) others	15,261	15,170
1.2 Assets acquired through financial leasing	**-**	**288**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	288
Total	**168,068**	**167,789**

pertaining to insurance companies

Asset/Amount	Total 31/12/2015	Total 31/12/2014
1.1. Owned assets	**43**	**25**
a) land	-	-
b) buildings	-	-
c) furniture	7	2
d) electronic equipment	7	23
e) others	29	-
1.2 Assets acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total	**43**	**25**

12.2 Tangible assets held for investment: breakdown of assets measured at cost

Asset/Amount	Total 31/12/2015				Total 31/12/2014			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**41,701**	**-**	**2,158**	**56,921**	**39,634**	**-**	**2,080**	**52,686**
a) land	18,114	-	554	23,086	17,082	-	554	21,172
b) buildings	23,587	-	1,604	33,835	22,552	-	1,526	31,514
2. Assets acquired through financial leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**41,701**	**-**	**2,158**	**56,921**	**39,634**	**-**	**2,080**	**52,686**

Tangible assets held for investment entirely pertain to the banking group.

12.5 Property, plant and equipment for business purposes: annual changes

Asset/Amount	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**32,764**	**149,826**	**23,758**	**124,012**	**82,009**	**412,369**
A.1 Total net reductions in value	-	(42,820)	(21,514)	(113,670)	(66,551)	(244,555)
A.2 Net opening balance	**32,764**	**107,006**	**2,244**	**10,342**	**15,458**	**167,814**
B. Increases	**16**	**2,167**	**2,093**	**6,831**	**5,136**	**16,243**
B.1 Purchases	16	2,066	2,093	6,629	4,833	15,637
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	7	-	7
B.6 Transfers from properties held for investment	-	98	-	-	-	98
B.7 Other changes	-	3	-	195	303	501
C. Decreases	**4**	**4,496**	**647**	**5,495**	**5,304**	**15,946**
C.1 Sales	-	-	6	37	303	346
C.2 Depreciation	-	4,320	614	5,366	4,966	15,266
C.3 Impairment losses charged to:	-	146	-	-	-	146
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	146	-	-	-	146
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	4	12	-	3	2	21
C.6 Transfers to:	-	-	1	18	-	19
- a) property, plant and equipment held for investment	-	-	-	-	-	-
- b) assets held for sale	-	-	1	18	-	19
C.7 Other changes	-	18	26	71	33	148
D. Net closing balance	32,776	104,677	3,690	11,678	15,290	168,111
D.1 Total net impairments	-	(47,155)	(21,533)	(116,182)	(70,687)	(255,557)
D.2 Gross closing balance	**32,776**	**151,832**	**25,223**	**127,860**	**85,977**	**423,668**
E. Carried at cost	-	-	-	-	-	-

pertaining to the banking group

Asset/Amount	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**32,764**	**149,826**	**23,672**	**123,711**	**81,810**	**411,783**
A.1 Total net reductions in value	-	(42,820)	(21,430)	(113,393)	(66,352)	(243,995)
A.2 Net opening balance	**32,764**	**107,006**	**2,242**	**10,318**	**15,458**	**167,788**
B. Increases	**16**	**2,167**	**2,088**	**6,826**	**5,103**	**16,200**
B.1 Purchases	16	2,066	2,088	6,624	4,800	15,594
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	7	-	7
B.6 Transfers from properties held for investment	-	98	-	-	-	98
B.7 Other changes	-	3	-	195	303	501
C. Decreases	**4**	**4,496**	**646**	**5,473**	**5,300**	**15,919**
C.1 Sales	-	-	6	37	303	346
C.2 Depreciation	-	4,320	614	5,362	4,962	15,258
C.3 Impairment losses charged to:	-	146	-	-	-	146
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	146	-	-	-	146
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	4	12	-	3	2	21
C.6 Transfers to:	-	-	-	-	-	-
- a) property, plant and equipment held for investment	-	-	-	-	-	-
- b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	18	26	71	33	148
D. Net closing balance	32,776	104,677	3,684	11,671	15,261	168,069
D.1 Total net impairments	-	(47,155)	(21,513)	(116,101)	(70,540)	(255,309)
D.2 Gross closing balance	**32,776**	**151,832**	**25,197**	**127,772**	**85,801**	**423,378**
E. Carried at cost	-	-	-	-	-	-

pertaining to insurance companies

Asset/Amount	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**-**	**-**	**86**	**301**	**199**	**586**
A.1 Total net reductions in value	-	-	(84)	(277)	(199)	(560)
A.2 Net opening balance	**-**	**-**	**2**	**24**	**-**	**26**
B. Increases	**-**	**-**	**5**	**5**	**33**	**43**
B.1 Purchases	-	-	5	5	33	43
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**1**	**22**	**4**	**27**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	-	4	4	8
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:	-	-	1	18	-	19
- a) property, plant and equipment held for investment	-	-	-	-	-	-
- b) assets held for sale	-	-	1	18	-	19
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	-	-	6	7	29	42
D.1 Total net impairments	-	-	(20)	(81)	(147)	(248)
D.2 Gross closing balance	**-**	**-**	**26**	**88**	**176**	**290**
E. Carried at cost	-	-	-	-	-	-

12.6 Property, plant and equipment held for investment: annual changes

	Total	
	Land	Buildings
A. Opening balance	**17,082**	**22,552**
B. Increases	**1,032**	**2,252**
B.1 Purchases	9	957
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	1,023	1,281
B.6 Transfers from buildings for business purposes	-	-
B.7 Other changes	-	14
C. Decreases	**-**	**1,217**
C.1 Sales	-	-
C.2 Depreciation	-	943
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	176
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	98
a) buildings for business purposes	-	98
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Closing balance	**18,114**	**23,587**
E. Carried at fair value	23,640	35,439

Tangible assets held for investment entirely pertain to the banking group.

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by type of asset

Asset/Amount	31/12/2015		31/12/2014	
	Defined duration	Indefinite duration	Defined duration	Indefinite duration
A.1 Goodwill	x	38,457	x	38,899
A.1.1 Attributable to the group	x	37,396	x	38,478
A.1.2 Attributable to minority interests	x	1,061	x	421
A.2 Other intangible assets	46,937	1	42,215	1
A.2.1 Assets carried at cost:	46,937	1	42,215	1
a) Intangible assets generated internally	6,957	-	6,130	-
b) Other assets	39,980	1	36,085	1
A.2.2 Assets carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**46,937**	**38,458**	**42,215**	**38,900**

Intangible assets mainly refer to software.

pertaining to the banking group

Asset/Amount	31/12/2015		31/12/2014	
	Defined duration	Indefinite duration	Defined duration	Indefinite duration
A.1 Goodwill	x	38,457	x	38,899
A.1.1 Attributable to the group	x	37,396	x	38,478
A.1.2 Attributable to minority interests	x	1,061	x	421
A.2 Other intangible assets	46,928	1	41,087	1
A.2.1 Assets carried at cost:	46,928	1	41,087	1
a) Intangible assets generated internally	6,957	-	6,130	-
b) Other assets	39,971	1	34,957	1
A.2.2 Assets carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**46,928**	**38,458**	**41,087**	**38,900**

pertaining to insurance companies

Asset/Amount	31/12/2015		31/12/2014	
	Defined duration	Indefinite duration	Defined duration	Indefinite duration
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	9	-	1,128	-
A.2.1 Assets carried at cost:	9	-	1,128	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	9	-	1,128	-
A.2.2 Assets carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**9**	**-**	**1,128**	**-**

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 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 relative goodwill allocated;
- the calculation methods used and the results of the impairment tests for each CGU;
- the description of the methods used;
- the elements used to calculate the recoverable value for each CGU;
- the sensitivity analysis performed;
- the conclusions obtained.

Entity subjected to impairment test (CGU) and relative goodwill allocated *(euro thousands)*

Company	CGU	Goodwill allocated before write-downs for the year
Banca Sella Company	CGU A1	20,177
Banca Patrimoni Sella & C.	CGU A2	1,510
Sella Gestioni	CGU A3	7,260
Selfid	CGU A4	448
CBA Vita	CGU A5	3,998
Brosel Company	CGU A6	32
Immobiliare Lanificio Maurizio Sella	CGU A7	56
HI MTF	CGU B1	127
Branches of BS Milano via Gonzaga[2]	CGU C1	542
BS branches (formerly Cram)[3]	CGU C2	3,209
BS S.Michele and Fasano branches [4]	CGU C3	1,099
BS branches (formerly BCC Camastra and Naro)[5]	CGU C4	442
Total		**38,900**

[1] The entity subject to *impairment* test is the branch of Milan, Via Gonzaga, purchased by the Banco di Chiavari e della Riviera in 1999.
[2] The entity subject to *impairment* test is the group of branches purchased by the former-CRA Monreale in 1997.
[3] The entity subject to *impairment* test is the group of branches purchased by Credito Cooperativo di Ostuni in 2000.
[4] The entity subject to *impairment* test is the group of branches purchased by the former BCC Unione di Camastra e Naro in 2001

The accounting standards of reference state that the *impairment* test must be carried out comparing the book value of the CGU with its recoverable value. If this value is found to be less than the book value, a value adjustment must be recognised. The recoverable value of the CGU is the greater of its fair value net of selling costs and its value in use.

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

Impairment test: CGU subject to further analysis			
CGU	**Recoverable value**	**Method of calculation used**	**Result of impairment test**
CGU A1	Fair value	Recent transaction	The impairment test detected no loss in value
CGU A2	Value in use	Dividend discount model (excess capital version)	The impairment test detected no loss in value
CGU A3	Value in use	Dividend discount model (excess capital version)	The impairment test detected no loss in value
CGU A4	Value in use	Discounting of future financial flows	The impairment test detected no loss in value
CGU A5	Fair value	Sale value	The impairment test detected no loss in value
CGU A6	Value in use	Discounting of future financial flows	The impairment test detected no loss in value
CGU A7	Fair value	Adjusted Equity Method	The impairment test detected no loss in value
CGU B1	Fair value	Market multiples	The impairment test detected no loss in value
CGU C1	Value in use	Dividend discount model (excess capital version)	The impairment test detected no loss in value
CGU C2	Value in use	Dividend discount model (excess capital version)	The impairment test detected no loss in value
CGU C3	Value in use	Dividend discount model (excess capital version)	The impairment test detected no loss in value
CGU C4	Value in use	Dividend discount model (excess capital version)	The impairment test showed a loss of value of € 442 thousand, equal to the full amount of the goodwill pertaining to CGU C4

Description of the methodologies used

The **fair value** is defined as the price at which an asset may be exchanged between knowledgeable and independent parties, in an arm's length transaction on the market, not subject to any duress and net of the selling costs. The methods used for determining the Fair Value are listed below:

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

- **Adjusted Equity Method**: involves considering the proportion of shareholders' equity held adjusted to:

  - the value attributed to specific intangible assets connected with the relation with customers; this value is determined by referring to the main CGU aggregates (total deposits, managed deposits, loans) and applying the multiples presumed from the market with reference to comparable transactions; the value obtained is then properly adjusted to take into account the company's high/low yields on the market itself (income adjustment);

  - possible capital gains, i.e. differences between the present values of assets and liabilities calculated with the relevant criteria and the corresponding carrying values.

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

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

- discounting back income flows: this was applied in all cases.

The estimate of value in use incorporates the following elements:

- estimate of future financial flows that the company envisages will derive from the continuous use of the asset and its final sale: the most recent budget plans relative to the CGU as approved by the governing bodies of the company were used as references. Apart from the period covered by said plans, the projections of financial flows are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);

- discount rate (Ke): this was calculated according to the Capital Asset Pricing Model (CAPM). The formula used is: Ke = Rf + Beta * (RM- Rf) + ARP, where:

  - Rf is the risk free rate determined using the average, recorded in the second half of 2015, of the return on ten-year BTPs. The value used was 1.75%;

  - (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 5.5%

  - 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.

  - ARP (Additional Risk Premium) is the additional return applied in the case of an explicit forecast period exceeding 3 years is used, and reflects specific factors relative to greater execution risk for a plan with a longer period than three years.

- 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 multi-annual 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:

Scenario forecasts on key indicators				
Eurozone	**2015**	**2016**	**2017**	**2018**
Real Gdp	1.5	1.7	1.7	1.6
Consumer price index	0.1	1.1	1.6	1.8
Official rates	0.05	0.05	0.05	0.50
Short-term interest rates (Euribor 3 m)	-0.02	-0.15	-0.15	0.12
Italy	**2015**	**2016**	**2017**	**2018**
Real Gdp	0.7	1.3	1.4	1.4
Consumption	0.6	1.5	1.5	1.5
Consumer price index	0.1	1.0	1.4	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 2016–2018 appear slightly below the euro area average.

With reference to the financial segment, the scenario assumes a low level of money market interest, only in the last part of the three year would a modest increase in rates be seen.

These multi-annual plans were prepared using reasonable and consistent preconditions representing the best estimate that the corporate management could make within the range of possible economic conditions that may occur during the useful life of each entity.

The table below shows the elements used for each CGU for calculating the recoverable amount.

The notes on the side are an integration, where necessary, to the general guidelines described above.

CGU: elements used to calculate recoverable value			
CGU	**Basic assumptions**	**Method of determination**	**Note**
CGU A1	Recent transaction	Measurement that refers to the value (post money) expressed at the time of the recent capital increase.	The operation was completed on 15 December 2015.
CGU A2	Economic and balance sheet variables	Three-year plan (2016–2018) approved by the Board of Directors of the company	- The forecast data, taking into account consolidation of profits achieved through improving the contribution from revenues from services, with particular reference to managed savings and life insurance segments.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	- The discount rate used was 8.0%, incorporating a Beta of 1.132
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU 3	Economic and balance sheet variables	Three-year plan (2016–2018) approved by the Board of Directors of the company	- The forecast data, taking into account a gradual increase in structural profitability, essentially deriving from an improvement in revenues from services, thanks to the projected increase in amounts managed
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	- The discount rate used was 8.0%, incorporating a Beta of 1.132
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU 4	Economic and balance sheet variables	Three-year plan (2016–2018) approved by the Board of Directors of the companies	- The forecast data foresee a gradual recovery in profitability, achieved above all thanks to rationalisation of costs while consolidating administered amounts and associated revenues from services
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	- The discount rate used was 8.0%, incorporating a Beta of 1.132
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU 5	Sale value	The measurement includes the disposal value and the forecast for dividends that the company will distribute before its disposal.	At the end of November 2015, the parent company Banca Sella Holding signed a sale agreement with HDI for all the units in CBA Vita held by the group. The disposal is planned to be completed by the end of the first half of 2016.
CGU A6	Economic and balance sheet variables	Three-year plan (2016–2018) approved by the Board of Directors of the companies	Forecast data foresee a gradual increase in the brokerage margin achieved both following the plan to strengthen direct sales activities, and through greater contributions coming from notification activities carried out by the group banks.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	- The discount rate used was 7.3%, incorporating a Beta of 1.0.
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

Continuation of table above			
CGU	**Basic assumptions**	**Method of determination**	**Note**
CGU A7	Shareholders' Equity	Book value at 31/12/2015	- The evaluation of the real estate was prepared making use of the assistance of an independent appraiser
	Value of the real estate held	The value of the real estate was estimated on the basis of a recent appraisal	
CGU B1	Shareholders' Equity	Book value at 31/12/2015	Multiples are determined using the price expressed at 31/12/15 for a sample of comparable companies as the reference
	EBIDTA		
CGU 1 CGU 2 CGU 3 CGU 4	Economic and balance sheet variables	Three-year plan (2015–2017) approved by the Board of Directors of the company. Estimates of future cash flows were adjusted to take into account under-returns that may be seen with respect to the expected results.	- Forecast data takes into account a gradual recovery in the profitability of the retail bank business of the CGUs, mainly deriving from improved net revenues from services connected with management of indirect funding and managed savings.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	- The discount rate used was 8.0%, incorporating a Beta of 1.132.
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

Sensitivity analysis

Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IFRS.

In particular, the impact on the value in use of an increase in discounting rates and a decrease in the growth rate for terminal value purposes was verified.

The table below shows the sensitivity of the value in use of the various CGU to the increase/decrease in the discount rate or growth rate “g” to +/- 25 bps.

Sensitivity analysis				
CGU	**Change in discount rate**		**Change in profit growth rate**	
	Change considered	**% sensitivity of the value in use**	**Change considered**	**% sensitivity of the value in use**
CGU A2	+ 25 b.p.	3.4%	- 25 b.p.	2.1%
CGU A3	+ 25 b.p.	2.6%	- 25 b.p.	2.2%
CGU A4	+ 25 b.p.	4.0%	- 25 b.p.	3.6%
CGU A6	+ 25 b.p.	4.6%	- 25 b.p.	4.2%
CGU C1	+ 25 b.p.	3.8%	- 25 b.p.	3.2%
CGU C2	+ 25 b.p.	3.90%	- 25 b.p.	3.3%
CGU C3	+ 25 b.p.	3.70%	- 25 b.p.	3.1%
CGU C4	entity for which goodwill was entirely written down			

In addition, analyses aimed at highlighting the value limits beyond which impairment testing of the CGU in question would require recognition of impairment. To this end the table below illustrates the “g” rate and the discount rate that would lead, assuming the same cash flows to be discounted, to values in use that are aligned to the book values.

Sensitivity analysis		
CGU	**Discount rate**	**"G" rate**
CGU A2	16.9%	N.S. (<-25%)
CGU A3	N.S. (> 25%)	N.S. (<-25%)
CGU A4	12.7%	-3.8%
CGU A6	9.8%	-1.0%
CGU C1	N.S. (> 25%)	N.S. (<-25%)
CGU C2	N.S. (> 25%)	N.S. (<-25%)
CGU C3	N.S. (> 25%)	N.S. (<-25%)
CGU C4	entity for which goodwill was entirely written down	

Conclusions

From the analysis done, it was necessary to write-down the book value for all of the goodwill relative to the "former BCC Camastra and Naro" group of branches (CGU C4).

The sensitivity analysis revealed no indications of reduction in value requiring registration.

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets:		Total
		Defined Duration	Undefined Duration	Defined Duration	Undefined Duration	
A. Gross opening balance	**41,431**	**12,145**	**-**	**188,510**	**1**	**242,087**
A.1 Total net reductions in value	(2,532)	(6,015)	-	(152,425)	-	(160,972)
A.2 Net opening balance	**38,899**	**6,130**	**-**	**36,085**	**1**	**81,115**
B. Increases	**-**	**3,364**	**-**	**17,748**	**-**	**21,112**
B.1 Purchases	-	3,364	-	17,748	-	21,112
B.2 Increases in internal intangible assets	x	-	-	-	-	-
B.3 Write-backs	x	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- at shareholders' equity	x	-	-	-	-	-
- to income statement	x	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**442**	**2,537**	**-**	**13,853**	**-**	**16,832**
C.1 Sales	-	-	-	101	-	101
C.2 Write-downs	442	2,537	-	12,361	-	15,340
- Amortisation/depreciation	x	2,537	-	12,328	-	14,865
- Write-downs	442	-	-	33	-	475
+ shareholders' equity	x	-	-	-	-	-
+ income statement	442	-	-	33	-	475
C.3 Reductions in fair value	-	-	-	-	-	-
- at shareholders' equity	x	-	-	-	-	-
- to income statement	x	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	1,123	-	1,123
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	268	-	268
D. Net closing balance	**38,457**	**6,957**	**-**	**39,980**	**1**	**85,395**
D.1 Total net adjustments	(1,926)	(8,553)	-	(175,401)	-	(185,880)
E. Gross closing balance	**40,383**	**15,510**	**-**	**215,381**	**1**	**271,275**
F. Carried at cost	-	-	-	-	-	-

pertaining to the banking group

	Goodwill	Other intangible assets: internally generated		Other intangible assets:		Total
		Defined Duration	Undefined Duration	Defined Duration	Undefined Duration	
A. Gross opening balance	**41,431**	**12,145**	**-**	**185,628**	**1**	**239,206**
A.1 Total net reductions in value	(2,532)	(6,015)	-	(150,672)	-	(159,220)
A.2 Net opening balance	**38,899**	**6,130**	**-**	**34,956**	**1**	**79,986**
B. Increases	**-**	**3,364**	**-**	**17,739**	**-**	**21,103**
B.1 Purchases	-	3,364	-	17,739	-	21,103
B.2 Increases in internal intangible assets	x	-	-	-	-	-
B.3 Write-backs	x	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- at shareholders' equity	x	-	-	-	-	-
- to income statement	x	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**442**	**2,537**	**-**	**12,724**	**-**	**15,703**
C.1 Sales	-	-	-	101	-	101
C.2 Write-downs	442	2,537	-	12,355	-	15,334
- Amortisation/depreciation	x	2,537	-	12,322	-	14,859
- Write-downs	442	-	-	33	-	475
+ shareholders' equity	x	-	-	-	-	-
+ income statement	442	-	-	33	-	475
C.3 Reductions in fair value	-	-	-	-	-	-
- at shareholders' equity	x	-	-	-	-	-
- to income statement	x	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	268	-	268
D. Net closing balance	**38,457**	**6,957**	**-**	**39,971**	**1**	**85,386**
D.1 Total net adjustments	(1,926)	(8,553)	-	(175,255)	-	(185,734)
E. Gross closing balance	**40,383**	**15,510**	**-**	**215,226**	**1**	**271,120**
F. Carried at cost	-	-	-	-	-	-

pertaining to insurance companies

	Goodwill	Other intangible assets: internally generated		Other intangible assets:		Total
		Defined Duration	Undefined Duration	Defined Duration	Undefined Duration	
A. Gross opening balance	**-**	**-**	**-**	**2,882**	**-**	**2,882**
A.1 Total net reductions in value	-	-	-	(1,753)	-	(1,753)
A.2 Net opening balance	**-**	**-**	**-**	**1,129**	**-**	**1,129**
B. Increases	**-**	**-**	**-**	**9**	**-**	**9**
B.1 Purchases	-	-	-	9	-	9
B.2 Increases in internal intangible assets	x	-	-	-	-	-
B.3 Write-backs	x	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- at shareholders' equity	x	-	-	-	-	-
- to income statement	x	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**1,129**	**-**	**1,129**
C.1 Sales	-	-	-	-	-	-
C.2 Write-downs	-	-	-	6	-	6
- Amortisation/depreciation	x	-	-	6	-	6
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	x	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-	-
- at shareholders' equity	x	-	-	-	-	-
- to income statement	x	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	1,123	-	1,123
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**9**	**-**	**9**
D.1 Total net adjustments	-	-	-	(146)	-	(146)
E. Gross closing balance	**-**	**-**	**-**	**155**	**-**	**155**
F. Carried at cost	-	-	-	-	-	-

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

Current tax assets: breakdown

	31/12/2015	31/12/2014
Prepaid taxes	74,917	82,824
Credits for withholdings	1,012	558
Assets from inclusion in tax consolidation	2,257	1,947
Tax credits	20,944	15,678
Total	**99,130**	**101,007**

Current tax liabilities: breakdown

	31/12/2015	31/12/2014
Provisions for direct taxes	23,958	83,300
Provisions for indirect taxes	-	5,480
Total	**23,958**	**88,780**

14.1 Prepaid tax assets: breakdown

	IRES	IRAP	OTHER	31/12/2015	31/12/2014
Losses on receivables	145,598	13,471	-	159,069	159,745
Provisions for sundry risks and liabilities	4,924	51	-	4,975	6,237
Depreciation and valuation of buildings	4,126	200	-	4,326	3,885
Sundry administrative expenses	922	-	-	922	885
Personnel expenses	715	-	103	818	1,070
Collective valuations of sureties issued	416	-	-	416	400
Goodwill and costs related to purchase of company branch	1,045	211	-	1,256	1,338
b) value financial assets available for sale	-	542	-	542	264
Release of consolidated goodwill	6,544	1,326	-	7,870	7,870
Other assets	5,631	489	120	6,240	7,737
Total deferred tax assets (charged to income statement)	169,921	16,290	223	186,434	189,431
Depreciation and valuation of buildings	2,623	307	-	2,930	2,930
b) value financial assets available for sale	26	4	-	30	880
Other assets	91	-	-	91	15,613
Total deferred tax assets (charged to shareholders' equity)	**2,740**	**311**	**-**	**3,051**	**19,423**

pertaining to the banking group

	IRES	IRAP	OTHER	31/12/2015	31/12/2014
Losses on receivables	145,596	13,471	-	159,067	159,743
Provisions for sundry risks and liabilities	4,920	51	-	4,971	6,227
Depreciation and valuation of buildings	4,125	200	-	4,325	3,882
Sundry administrative expenses	917	-	-	917	880
Personnel expenses	707	-	103	810	1,065
Collective valuations of sureties issued	416	-	-	416	400
Goodwill and costs related to purchase of company branch	1,045	211	-	1,256	1,338
b) value financial assets available for sale	-	542	-	542	264
Release of consolidated goodwill	6,544	1,326	-	7,870	7,870
Other assets	5,631	489	120	6,240	7,226
Total deferred tax assets (charged to income statement)	169,901	16,290	223	186,414	188,895
Depreciation and valuation of buildings	2,623	307	-	2,930	2,930
b) value financial assets available for sale	18	4	-	22	9
Other assets	91	-	-	91	101
Total deferred tax assets (charged to shareholders' equity)	**2,732**	**311**	**-**	**3,043**	**3,040**

pertaining to insurance companies

	IRES	IRAP	OTHER	31/12/2015	31/12/2014
Losses on receivables	2	-	-	2	2
Provisions for sundry risks and liabilities	4	-	-	4	10
Depreciation and valuation of buildings	1	-	-	1	3
Sundry administrative expenses	5	-	-	5	5
Personnel expenses	8	-	-	8	5
Other assets	-	-	-	-	511
Total deferred tax assets (charged to income statement)	20	-	-	20	536
b) value financial assets available for sale	8	-	-	8	871
Other assets	-	-	-	-	15,512
Total deferred tax assets (charged to shareholders' equity)	**8**	**-**	**-**	**8**	**16,383**

The components refer solely to Brosel, in consideration of the fact that the assets of C.B.A. Vita and Sella Life were classified under item 150 "Non-current assets or assets held for sale".

14.2 Deferred tax liabilities: breakdown

	IRES	IRAP	OTHER	31/12/2015	31/12/2014
Gain on sale of available-for-sale financial assets	9	35	-	44	436
Different calculation of depreciation of property, plant and equipment	473	90	-	563	546
Different calculation of amortization of intangible assets	33	5	-	38	38
Discounting to the present of provisions for sundry risks and liabilities	1	-	-	1	3
Discounting to the present of severance indemnities	4	-	-	4	4
Capital gain on sale of company division	2,108	-	-	2,108	3,161
Goodwill	1,003	202	-	1,205	1,174
Other liabilities	1,327	92	-	1,419	1,665
Total deferred taxes (charged to Income Statement)	**4,958**	**424**	**-**	**5,382**	**7,027**
Measurement of available-for-sale financial assets	5,279	3,409	-	8,688	26,644
Depreciation and valuation of buildings	747	150	-	897	897
Total deferred taxes (charged to Shareholders' Equity)	**6,026**	**3,559**	**-**	**9,585**	**27,541**

pertaining to the banking group

	IRES	IRAP	OTHER	31/12/2015	31/12/2014
Gain on sale of available-for-sale financial assets	9	35	-	44	436
Different calculation of depreciation of property, plant and equipment	473	90	-	563	546
Different calculation of amortization of intangible assets	33	5	-	38	38
Discounting to the present of provisions for sundry risks and liabilities	1	-	-	1	3
Capital gain on sale of company division	2,108	-	-	2,108	3,161
Goodwill	1,003	202	-	1,205	1,174
Other liabilities	1,327	92	-	1,419	1,053
Total deferred taxes (charged to Income Statement)	**4,954**	**424**	**-**	**5,378**	**6,411**
Measurement of available-for-sale financial assets	5,279	3,409	-	8,688	10,203
Depreciation and valuation of buildings	747	150	-	897	897
Total deferred taxes (charged to Shareholders' Equity)	**6,026**	**3,559**	**-**	**9,585**	**11,100**

pertaining to insurance companies

	IRES	IRAP	OTHER	31/12/2015	31/12/2014
Discounting to the present of severance indemnities	4	-	-	4	4
Other liabilities	-	-	-	-	612
Total deferred taxes (charged to Income Statement)	**4**	**-**	**-**	**4**	**616**
Measurement of available-for-sale financial assets	-	-	-	-	16,441
Total deferred taxes (charged to Shareholders' Equity)	**-**	**-**	**-**	**-**	**16,441**

The components refer solely to Brosel, in consideration of the fact that the assets of C.B.A. Vita and Sella Life were classified under item 150 “Non-current assets or assets held for sale”.

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

	31/12/2015	31/12/2014
1. Initial amount	**189,431**	**157,554**
2. Increases	**14,505**	**55,306**
2.1 Prepaid taxes during the year	14,505	55,031
a) relating to previous years	296	80
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	14,209	54,951
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	275
3. Decreases	**17,502**	**23,429**
3.1 Prepaid taxes cancelled during the year	5,212	23,051
a) reversals	5,144	21,304
b) write-downs for unrecoverable items	7	50
c) changes in accounting policies	-	-
d) other	61	1,697
3.2 Reductions in tax rates	102	-
3.3 Other decreases	12,188	378
a) transformation into tax receivables pursuant to Italian Law no. 214/2011	11,512	-
b) other	676	378
4. Final amount	**186,434**	**189,431**

pertaining to the banking group

	31/12/2015	31/12/2014
1. Initial amount	**188,895**	**157,072**
2. Increases	**14,492**	**55,229**
2.1 Prepaid taxes during the year	14,492	55,016
a) relating to previous years	296	80
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	14,196	54,936
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	213
3. Decreases	**16,973**	**23,406**
3.1 Prepaid taxes cancelled during the year	5,199	23,029
a) reversals	5,131	21,282
b) write-downs for unrecoverable items	7	50
c) changes in accounting policies	-	-
d) other	61	1,697
3.2 Reductions in tax rates	101	-
3.3 Other decreases	11,673	377
a) transformation into tax receivables pursuant to Italian Law no. 214/2011	11,512	-
b) other	161	377
4. Final amount	**186,414**	**188,895**

pertaining to insurance companies

	31/12/2015	31/12/2014
1. Initial amount	**536**	**482**
2. Increases	**13**	**77**
2.1 Prepaid taxes during the year	13	15
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	13	15
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	62
3. Decreases	**529**	**23**
3.1 Prepaid taxes cancelled during the year	13	22
a) reversals	13	22
b) write-downs for unrecoverable items	-	-
c) changes in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	1	-
3.3 Other decreases	515	1
a) transformation into tax receivables pursuant to Italian Law no. 214/2011	-	-
b) other	515	1
4. Final amount	**20**	**536**

The components refer solely to Brosel, in consideration of the fact that the assets of C.B.A. Vita and Sella Life were classified under item 150 “Non-current assets or assets held for sale”.

14.3.1 Changes in prepaid tax pursuant to Italian Law no. 214/2011 (charged to income statement)

	Total 31/12/2015	Total 31/12/2014
1. Initial amount	**168,944**	**138,230**
2. Increases	**10,871**	**48,899**
3. Decreases	**11,853**	**18,185**
3.1 Reversals	82	3,305
3.2 Transformation into tax receivables	11,512	-
a) deriving from period losses	11,512	-
b) deriving from tax losses	-	-
3.3 Other decreases	259	14,880
4. Final amount	**167,962**	**168,944**

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 financial statements against write-downs 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”.

pertaining to the banking group

	Total 31/12/2015	Total 31/12/2014
1. Initial amount	**168,714**	**138,014**
2. Increases	**10,871**	**48,885**
3. Decreases	**11,623**	**18,185**
3.1 Reversals	82	3,305
3.2 Transformation into tax receivables	11,512	-
a) deriving from period losses	11,512	-
b) deriving from tax losses	-	-
3.3 Other decreases	29	14,880
4. Final amount	**167,962**	**168,714**

pertaining to insurance companies

	Total 31/12/2015	Total 31/12/2014
1. Initial amount	**230**	**216**
2. Increases	**-**	**14**
3. Decreases	**230**	**-**
3.1 Reversals	-	-
3.2 Transformation into tax receivables	-	-
a) deriving from period losses	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	230	-
4. Final amount	**-**	**230**

The components refer solely to Brosel, in consideration of the fact that the assets of C.B.A. Vita and Sella Life were classified under item 150 “Non-current assets or assets held for sale”.

14.4 Changes in deferred taxes (charged to income statement)

	31/12/2015	31/12/2014
1. Initial amount	**7,027**	**8,999**
2. Increases	**687**	**282**
2.1 Deferred taxes recognised during the year	687	281
a) relating to previous years	1	5
b) due to changes in accounting policies	-	-
c) others	686	276
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1
3. Decreases	**2,332**	**2,254**
3.1 Deferred taxes cancelled during the year	1,703	1,804
a) reversals	1,703	1,804
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	6	-
3.3 Other decreases	623	450
4. Final amount	**5,382**	**7,027**

pertaining to the banking group

	31/12/2015	31/12/2014
1. Initial amount	**6,411**	**7,958**
2. Increases	**683**	**281**
2.1 Deferred taxes recognised during the year	683	280
a) relating to previous years	1	5
b) due to changes in accounting policies	-	-
c) others	682	275
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1
3. Decreases	**1,716**	**1,828**
3.1 Deferred taxes cancelled during the year	1,703	1,804
a) reversals	1,703	1,804
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	5	-
3.3 Other decreases	8	24
4. Final amount	**5,378**	**6,411**

pertaining to insurance companies

	31/12/2015	31/12/2014
1. Initial amount	**616**	**1,041**
2. Increases	**4**	**1**
2.1 Deferred taxes recognised during the year	4	1
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4	1
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**616**	**426**
3.1 Deferred taxes cancelled during the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	1	-
3.3 Other decreases	615	426
4. Final amount	**4**	**616**

The components refer solely to Brosel, in consideration of the fact that the assets of C.B.A. Vita and Sella Life were classified under item 150 “Non-current assets or assets held for sale”.

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

	31/12/2015	31/12/2014
1. Initial amount	**19,423**	**6,029**
2. Increases	**21**	**13,402**
2.1 Prepaid taxes during the year	21	186
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	21	186
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	13,216
3. Decreases	**16,393**	**8**
3.1 Prepaid taxes cancelled during the year	175	8
a) reversals	17	8
b) write-downs for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	158	-
3.2 Reductions in tax rates	1	-
3.3 Other decreases	16,217	-
4. Final amount	**3,051**	**19,423**

pertaining to the banking group

	31/12/2015	31/12/2014
1. Initial amount	**3,039**	**3,027**
2. Increases	**21**	**20**
2.1 Prepaid taxes during the year	21	19
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	21	19
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1
3. Decreases	**18**	**8**
3.1 Prepaid taxes cancelled during the year	16	8
a) reversals	16	8
b) write-downs for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	2	-
4. Final amount	**3,042**	**3,039**

pertaining to insurance companies

	31/12/2015	31/12/2014
1. Initial amount	**16,384**	**3,002**
2. Increases	**-**	**13,382**
2.1 Prepaid taxes during the year	-	167
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	167
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	13,215
3. Decreases	**16,375**	**-**
3.1 Prepaid taxes cancelled during the year	159	-
a) reversals	1	-
b) write-downs for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	158	-
3.2 Reductions in tax rates	1	-
3.3 Other decreases	16,215	-
4. Final amount	**9**	**16,384**

The components refer solely to Brosel, in consideration of the fact that the assets of C.B.A. Vita and Sella Life were classified under item 150 “Non-current assets or assets held for sale”.

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

	31/12/2015	31/12/2014
1. Initial amount	**27,541**	**8,021**
2. Increases	**3,303**	**19,609**
2.1 Deferred taxes recognised during the year	3,303	5,560
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	3,303	5,560
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	14,049
3. Decreases	**21,259**	**89**
3.1 Deferred taxes cancelled during the year	4,816	89
a) reversals	4,792	89
b) due to changes in accounting policies	-	-
c) others	24	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	16,443	-
4. Final amount	**9,585**	**27,541**

pertaining to the banking group

	31/12/2015	31/12/2014
1. Initial amount	**11,100**	**5,629**
2. Increases	**3,303**	**5,560**
2.1 Deferred taxes recognised during the year	3,303	5,560
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	3,303	5,560
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**4,818**	**89**
3.1 Deferred taxes cancelled during the year	4,816	89
a) reversals	4,792	89
b) due to changes in accounting policies	-	-
c) others	24	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	2	-
4. Final amount	**9,585**	**11,100**

pertaining to insurance companies

	31/12/2015	31/12/2014
1. Initial amount	**16,441**	**2,392**
2. Increases	**-**	**14,049**
2.1 Deferred taxes recognised during the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	14,049
3. Decreases	**16,441**	**-**
3.1 Deferred taxes cancelled during the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	16,441	-
4. Final amount	**-**	**16,441**

The components refer solely to Brosel, in consideration of the fact that the assets of C.B.A. Vita and Sella Life were classified under item 150 “Non-current assets or assets held for sale”.

Section 15 – Non current assets and groups of assets being divested - Item 150

15.1 Non-currents assets and groups of assets being divested: breakdown by type of asset

	31/12/2015	31/12/2014
A. Single assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	22,955	-
B.2 Financial assets carried at fair value	604,454	-
B.3 Financial assets available for sale	761,960	-
B.4 Financial assets held to maturity	-	-
B.5 Due from banks	72,250	-
B.6 Due from customers	2,165	-
B.7 Equity investments	5,757	-
B.8 Tangible assets	64	-
B.9 Intangible assets	856	-
B.10 Other assets	46,723	-
Total B	**1,517,184**	**-**
of which measured at cost	127,815	-
of which measured at fair value level 1	1,370,407	-
of which measured at fair value level 2	18,962	-
of which measured at fair value level 3	-	-
C. Liabilities associated to single assets being divested	**-**	**-**
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated to groups of assets being divested		
D.1 Due to banks	-	-
D.2 Due to customers	3,672	-
D.3 Securities in issue	6,190	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial assets carried at fair value	615,180	-
D.6 Funds	342	-
D.7 Other liabilities	890,870	-
Total D	**1,516,254**	**-**
of which measured at cost	908,415	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	607,839	-
of which measured at fair value level 3	-	-

The assets associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to the present item 150 “non-current assets and groups of assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Section 16 – Other assets – Item 160

16.1 Other assets: breakdown

	31/12/2015	31/12/2014
Items receivable in transit	72	334
Tax credits, previous years and relative interest	557	-
VAT credits and advances	6,956	4,766
Payment orders to sundry others being debited	12,736	15,642
Current account cheques drawn against third parties	29,966	27,987
Current account cheques drawn against the bank	1,870	2,649
Fees, commissions and other income being debited	42,354	37,023
Expenses for improvements to third-party properties	3,031	1,736
Portfolio adjustments	305	421
Advances and accounts payable	5,442	4,999
Charges/invoices to be issued to customers	4,102	3,025
Disputed items not deriving from lending transactions	936	1,237
Deferrals on administrative expenses and fees	17,927	15,996
Receivables from policyholders, intermediaries and reinsurers	1,257	3,725
Deferred tax (no income tax)	83,768	71,441
Provisional payments guaranteeing pending judgements	1,090	978
Other	23,520	25,358
Total	**235,889**	**217,317**

In the item “Provisional payments guaranteeing pending judgements”, assets are recognised in 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 assets/liabilities.

Part B – Information on the Consolidated Balance Sheet

Liabilities

Section 1 – Due to banks – Item 10

1.1 Due to banks: product breakdown

Type of transaction/Value	31/12/2015	31/12/2014
1. Due to central banks	**280,470**	**838,521**
2. Due to banks	**358,831**	**339,818**
2.1 Current accounts and demand deposits	145,924	117,110
2.2 Term deposits	26,129	21,338
2.3 Loans and advances	185,447	199,293
2.3.1 Repurchase agreements payable	-	-
2.3.2 Others	185,447	199,293
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other payables	1,331	2,077
Total	**639,301**	**1,178,339**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**639,301**	**1,178,448**
Total fair value	**639,301**	**1,178,448**

Amounts due to banks are all pertaining to the banking group and are almost entirely on demand, as a consequence it is held that the fair value is in line with the book value.

Section 2 – Due to customers – Item 20

2.1 Due to customers: product breakdown

Type of transaction/Value	31/12/2015	31/12/2014
1. Current accounts and demand deposits	8,189,568	7,720,812
2. Term deposits	908,677	815,239
3. Loans	132,702	96,498
3.1 Repurchase agreements payable	17,801	40,919
3.2 Others	114,901	55,579
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other payables	120,472	133,593
Total	**9,351,419**	**8,766,142**
Fair value - level 1	**-**	**3,835**
Fair value - level 2	**-**	**-**
Fair value - level 3	**9,351,419**	**8,762,420**
Fair value	**9,351,419**	**8,766,255**

Recall that the liabilities associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to the present item 90 “liabilities associated with assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Amounts due to customers are almost all on demand, and as a consequence it is held that the fair value is in line with the book value.

pertaining to the banking group

Type of transaction/Value	31/12/2015	31/12/2014
1. Current accounts and demand deposits	8,189,568	7,720,812
2. Term deposits	908,677	815,239
3. Loans	132,702	96,498
3.1 Repurchase agreements payable	17,801	40,919
3.2 Others	114,901	55,579
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other payables	120,472	129,865
Total	**9,351,419**	**8,762,414**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**9,351,419**	**8,762,420**
Fair value	**9,351,419**	**8,762,420**

pertaining to insurance companies

Type of transaction/Value	31/12/2015	31/12/2014
1. Current accounts and demand deposits	-	-
2. Term deposits	-	-
3. Loans	-	-
3.1 Repurchase agreements payable	-	-
3.2 Others	-	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other payables	-	3,728
Total	**-**	**3,728**
Fair value - level 1	**-**	**3,835**
Fair value - level 2	**-**	**-**
Fair value - level 3	**-**	**-**
Fair value	**-**	**3,835**

2.3 Details of item 20 “Due to customers”: structured debts

	31/12/2015	31/12/2014
A. Due to customers		
A.1 Structured deposits	11,098	9,349

Structured deposits refer to dual currency time deposits stipulated by Banca Sella with customers.

Section 3 – Securities in issue – Item 30

3.1 Securities in issue: product breakdown

Type of securities / Values	Total 31/12/2015				Total 31/12/2014			
	Book Value	*Fair Value*			Book Value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	831,034	-	495,481	333,625	1,336,504	7,652	597,299	741,488
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	831,034	-	495,481	333,625	1,336,504	7,652	597,299	741,488
2. Other securities	67	-	-	67	31,274	-	-	31,275
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	67	-	-	67	31,274	-	-	31,275
Total	**831,101**	**-**	**495,481**	**333,692**	**1,367,778**	**7,652**	**597,299**	**772,763**

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

Recall that the liabilities associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to the present item 90 “liabilities associated with assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

pertaining to the banking group

Type of securities / Values	Total 31/12/2015				Total 31/12/2014			
	Book Value	*Fair Value*			Book Value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	831,034	-	495,481	333,625	1,329,587	-	597,299	741,488
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	831,034	-	495,481	333,625	1,329,587	-	597,299	741,488
2. Other securities	67	-	-	67	31,274	-	-	31,275
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	67	-	-	67	31,274	-	-	31,275
Total	**831,101**	**-**	**495,481**	**333,692**	**1,360,861**	**-**	**597,299**	**772,763**

pertaining to insurance companies

Type of securities / Values	Total 31/12/2015				Total 31/12/2014			
	Book Value	*Fair Value*			Book Value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	-	-	-	-	6,917	7,652	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	-	-	-	-	6,917	7,652	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**6,917**	**7,652**	**-**	**-**

3.2 Details of item 30 “Securities in issue”: subordinated securities

	31/12/2015	31/12/2014
A. Securities in issue		
Securities in issue - Convertible	-	-
Securities in issue - Subordinated	355,350	348,882

3.3 Details of item 30 Securities in issue with specific hedges

	31/12/2015	31/12/2014
1. Securities subject to micro-hedging of fair value:	174,597	257,592
a) interest rate risk	174,597	257,592
b) exchange rate risk	-	-
d) other risks	-	-
2. Securities subject to micro-hedging of cash flows:	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-

Securities in issue subject to micro-hedging refer to Banca Sella and the reduction is mainly due to the maturity of some of these.

Section 4 - Financial liabilities held for trading - Item 40

Financial liabilities held for trading all pertain to the banking group

4.1 Financial liabilities held for trading: product breakdown

Type of transaction/Value	31/12/2015					31/12/2014				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	15,791	19,144	-	-	19,144	65,288	72,263	-	-	72,263
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	**15,791**	**19,144**	**-**	**-**	**19,144**	**65,288**	**72,263**	**-**	**-**	**72,263**
B. Derivative instruments										
1. Financial derivatives	x	29	18,831	-	x	x	15	23,217	-	x
1.1 Held for trading	x	29	18,831	-	x	x	15	23,217	-	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**	**29**	**18,831**	**-**	**x**	**x**	**15**	**23,217**	**-**	**x**
Total (A+B)	**x**	**19,173**	**18,831**	**-**	**x**	**x**	**72,278**	**23,217**	**-**	**x**

Key

FV = fair value

FV* = fair value calculated excluding changes in value due to changes in creditworthiness of the issuer after the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

Amounts due to customers consist of technical exposures for Banca Sella Holding, equal to € 19.1 million, down with respect to the € 72.3 million the previous year. The change is due to lower technical exposures at the end of the year.

Section 5 – Financial liabilities at fair value – Item 50

Financial liabilities at fair value exclusively pertain to the insurance companies.

Starting in 2007, in fact, the Group availed itself of the possibility of designating 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.

Liabilities associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to the present item 90 “liabilities associated with assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

5.1 Financial liabilities at fair value: product breakdown

Type of transaction/Value	31/12/2015					31/12/2014				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	x	-	-	-	-	x
1.2 Others	-	-	-	-	x	-	-	-	-	x
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**596,772**	**596,548**	**224**	**-**	**596,772**
2.1 Structured	-	-	-	-	x	-	-	-	-	x
2.2 Others	-	-	-	-	x	596,772	596,548	224	-	x
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2 Others	-	-	-	-	x	-	-	-	-	x
Total	**-**	**-**	**-**	**-**	**-**	**596,772**	**596,548**	**224**	**-**	**596,772**

Key
FV = fair value
FV* = fair value calculated excluding changes in value due to changes in creditworthiness of the issuer after the issue date
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

Section 6 – Hedging derivatives – Item 60

Hedging derivatives pertain exclusively to the banking group

6.1 Hedging derivatives: breakdown by hedge type and level

	Fair Value 31/12/2015			NV	Fair Value 31/12/2014			NV
	L1	L2	L3	31/12/2015	L1	L2	L3	31/12/2014
A. Financial derivatives	**-**	**128,513**	**-**	**767,277**	**-**	**154,020**	**-**	**847,918**
1) Fair value	-	128,513	-	767,277	-	154,020	-	847,918
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**128,513**	**-**	**767,277**	**-**	**154,020**	**-**	**847,918**

Key

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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	11,540	-	-	x	-	x	-	x	x
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x
4. Portfolio	x	x	x	x	x	116,973	x	-	x
5. Other transactions	-	-	-	-	-	x	-	x	-
Total assets	**11,540**	**-**	**-**	**-**	**-**	**116,973**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	x	-	x	-	x	x
2. Portfolio	x	x	x	x	x	-	x	-	x
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	-	-	-	-

Section 8 – Tax liabilities – Item 80

See section 14 of the assets.

Section 9 – Liabilities associated with assets held for sale – Item 90

See section 15 of the assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

	Total 31/12/2015	Total 31/12/2014
Amounts available to customers and banks for ongoing operations	4,576	3,250
Amounts payable to tax authorities on behalf of third parties	33,291	32,301
Items payable in transit	4,920	3,003
Accrued liabilities	548	697
Deferred income	1,645	1,636
Debts for social security/similar for staff	284	-
Adjustments for non-cash portfolio items	3,409	3,559
Balance of non-cash portfolio items	154	12,346
Bank transfers and other payments due	144,030	143,445
Due from suppliers and fees to be charged to sundry	57,536	49,639
Debts for personnel expenses	23,741	25,175
Debts to collective valuations of guarantees and commitments	1,514	1,449
Fees payable to statutory auditors and directors	2,346	2,052
Contributions payable to sundry agencies	9,460	9,557
Advances and deposits from customers	983	1,019
Debt deriving from direct insurance operations	391	1,239
Debt deriving from reinsurance operations	-	191
Commissions for premiums under collection	-	18
DIR	-	234
Tax liabilities (not income tax)	1,457	1,589
Provisional recoveries guaranteeing pending tax judgements	188	188
Other	9,483	11,561
Total	**299,956**	**304,149**

pertaining to the banking group

	Total 31/12/2015	Total 31/12/2014
Amounts available to customers and banks for ongoing operations	4,576	3,250
Amounts payable to tax authorities on behalf of third parties	33,271	31,426
Items payable in transit	4,920	3,003
Dividends and amounts available to shareholders	-	1
Accrued liabilities	531	690
Deferred income	1,637	1,632
Debts for social security/similar for staff	284	-
Adjustments for non-cash portfolio items	3,409	3,559
Balance of non-cash portfolio items	154	12,346
Bank transfers and other payments due	144,030	143,445
Due from suppliers and fees to be charged to sundry	56,864	48,591
Debts for personnel expenses	23,626	24,960
Debts to collective valuations of guarantees and commitments	1,514	1,449
Fees payable to statutory auditors and directors	2,321	2,033
Contributions payable to sundry agencies	9,397	9,435
Advances and deposits from customers	983	937
Debt deriving from direct insurance operations	391	1,135
Tax liabilities (not income tax)	1,452	1,570
Provisional recoveries guaranteeing pending tax judgements	188	188
Other	9,442	6,777
Total	**298,990**	**296,427**

pertaining to insurance companies

	Total 31/12/2015	Total 31/12/2014
Amounts payable to tax authorities on behalf of third parties	20	875
Accrued liabilities	17	7
Deferred income	8	4
Due from suppliers and fees to be charged to sundry	672	1,048
Debts for personnel expenses	115	215
Fees payable to statutory auditors and directors	25	19
Contributions payable to sundry agencies	63	122
Advances and deposits from customers	-	82
Debt deriving from direct insurance operations	-	104
Debt deriving from reinsurance operations	-	191
Commissions for premiums under collection	-	18
DIR	-	234
Tax liabilities (not income tax)	5	19
Other	41	4,784
Total	**966**	**7,722**

Section 11 – Employee severance indemnities – Item 110

11.1 Employee severance indemnities: annual changes

	31/12/2015	31/12/2014
A. Opening balance	**44,014**	**37,818**
B. Increases	**385**	**7,834**
B.1 Provisions for the year	273	382
B.2 Other changes	112	7,452
C. Decreases	**5,118**	**1,638**
C.1 Liquidations paid	2,575	1,356
C.2 Other changes	2,543	282
D. Closing balance	**39,281**	**44,014**

At 31/12/2014, the item included € 265 thousand relative to severance indemnities of CBA Vita. In 2015, this component was reclassified among liabilities held for sale.

As indicated in IAS Accounting Principle 19R (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 outlines were reviewed at the time of this evaluation, observing the experience of Group companies relative to the period from 01.07.2011–30.06.2015. The parameters shown in the following sections were applied to each company in question.

Demographic assumptions

- deaths: the ISTAT survival rate tables were used, broken down by age and sex, updated in 2014;

- retirement, resignations/dismissals, contract expiration: these causes were deduced by observing corporate data, with the exception of retirement, for which that foreseen in the current regulations was assumed. 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 evaluation considered the start dates for pension arrangements envisaged in Decree Law 201 of 6 December 2011, containing *"Urgent Provisions for growth, fairness and the consolidation of public accounts"* converted, with amendments by Law 214 of 22 December 2011, as well as the regulations to adjust the requirements to access the pension system to the increases in life expectancy pursuant to article 12 of Decree law 78 of 31 May 2010, converted, with amendments by Law 122 of 30 July 2010.

- indemnity advances: in order to take into account the effects that these advances may have on the timing of the severance pay and the discounting of the company's debt,

- the probability of outflows for accrued volumes were constructed. The annual advance frequency, deduced by observing corporate data, was 2%, (previously 1.9%) while the severance indemnity percentage requested as advance was reduced from 70% to 64%, which is the maximum percentage allowed under the current regulations;

- complementary pensions: those who have always paid all their severance indemnity contributions to supplementary pension funds relieve the Company from having to pay severance indemnities and, therefore, were not assessed. As regards other employees, the evaluation was carried out considering the choices made by employees at 31.12.2015, for Brosel at 30.11.2015;

- Additional amount of remuneration (Qu. I. R.): the employee's choice to exercise the option for a severance indemnity advance in their pay cheques may be made at any time between 1 March 2015 and 30 June 2018 and is irrevocable. Actuarial assessment was done considering the choices effectively made by employees as of the assessment date (31.12.2015) as communicated by Group companies, without making any hypotheses.

Economic - financial assumptions

The method established by IAS 19R 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 estimated debt of the Company as of the measurement date. The discount rate is, in fact, the main assumption significantly affecting the results of the processing.

More specifically, the following hypotheses are adopted in actuarial valuation:

1. inflation: a 1% rate was adopted for 2016 and 1.5% for the subsequent years, as the average scheduled inflation scenario taken from the “2015 Economy and Finance Update Note”.

2. wage rises: this phenomenon was considered by taking into account two components: the first regarding merit and contractual issues, the second inflation.

    - with reference to the first component, we adopted an annual increase rate of zero.
    - as regards the second component mentioned, we considered inflation levels mentioned above in point 1.

   Please remember that the assumption relating to salary trends was only adopted for the companies of the Group not required to deposit severance indemnity with the INPS-managed Treasury Fund insofar as only for these the actuarial valuation of severance indemnity continues to consider the shares of future annual severance indemnities accrued by employees (and not paid into social security funds).
3. discount rates: determined with reference to the market yield of leading company bonds at the measurement date. In this connection, the AA Composite rate curve was used (source: Bloomberg) as at 31 December 2015, and as at 30.11.2015 for Brosel.

pertaining to the banking group

	31/12/2015	31/12/2014
A. Opening balance	**43,277**	**37,119**
B. Increases	**364**	**7,756**
B.1 Provisions for the year	252	337
B.2 Other changes	112	7,419
C. Decreases	**4,781**	**1,598**
C.1 Liquidations paid	2,526	1,317
C.2 Other changes	2,255	281
D. Closing balance	**38,860**	**43,277**

pertaining to insurance companies

	31/12/2015	31/12/2014
A. Opening balance	**737**	**699**
B. Increases	**21**	**78**
B.1 Provisions for the year	21	45
B.2 Other changes	-	33
C. Decreases	**337**	**40**
C.1 Liquidations paid	49	39
C.2 Other changes	288	1
D. Closing balance	**421**	**737**

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Item/Component	31/12/2015	31/12/2014
1. Company pension funds	-	-
2. Other provisions for risks and charges	42,810	45,909
2.1 legal disputes and customer complaints	10,680	10,612
2.2 personnel expenses	2,056	3,678
2.3 operational risks	20,965	21,348
2.4 supplementary customer allowance and goodwill compensation for termination of agency relationship	4,806	4,136
2.5 other	4,303	6,135
Total	**42,810**	**45,909**

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. In April 2014, the Biella CTP filed the judgement of first instance, which was in the Bank's favour. Three second instance judgements have also 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 on the subject of taxable base for IRES (corporation tax) and IRAP (regional business tax). Period 2009. Total disputed amount (including taxes, interest and fines): approximately € 1.1 million. The findings involve, in particular, treatment of revenues for infragroup services for IRAP purposes, and treatment of negative differentials on repurchase agreements for IRES purposes. The measurement was also supported by opinions, issued by a major tax law firm, and by Assonime, in regards to repurchase agreements, that were both in support of the Bank's actions;

- Banca Sella Holding: inspection findings and report with allegations on the subject of taxable base for VAT, IRES (corporation tax) and IRAP (regional business tax). 2010 and 2011/12 period. Total disputed amount (including taxes and interest/fines for just the notices of findings): approximately € 0.7 million. In particular, the findings involve the treatment of revenues for infragroup services for IRAP purposes, VAT treatment of depository bank fees and the tax treatment of economic relationships with a former foreign subsidiary. The assessment was supported also by an opinion expressed by a leading tax law office, favourable to the Bank's conduct;

- Banca Sella (former Banca Sella Sud Arditi Galati, merged by incorporation in 2011): assessment notice with allegations on the subject of taxable base for IRES. Period 2005. Total disputed amount (including taxes, interest and fines): approximately € 0.7 million. Amounts paid provisionally while judgement is pending: approximately € 0.2 million. Judgement of first instance favourable. Awaiting judgement of second instance.

- Biella Leasing: assessment notices with allegations on the subject of taxable base for VAT on boat leasing operations. Periods 2003 and 2004. Total disputed amount (including taxes, interest and fines): approximately € 2.9 million. Judgement of first and second instance favourable to the Company with reference to 2004. The first instance judgement with reference to 2003 was filed in March 2015, partially in favour of the company. The assessment was supported also by an opinion expressed by a leading tax law office, favourable to the company's conduct;

- Sella Synergy India: assessment order with findings regarding the value of the infragroup disposal of the business unit. Period 2009/2010. Total disputed amount (including taxes and interest): approximately € 2.1 million at the end of year exchange rate. The assessment was supported also by an opinions expressed by a leading local professionals, favourable to the foreign company's conduct. Amounts paid provisionally for around € 0.4 million.

In February 2015, Banca Sella Holding S.p.A. – Biella and Miret S.A. – Luxembourg were served with write from the Court of Luxembourg. Based on an opinion obtained from a local independent attorney, acquired *pro veritate*, which confirms the inadmissibility and the substantial lack of grounds.

pertaining to the banking group

Item/Component	31/12/2015	31/12/2014
1. Company pension funds	-	-
2. Other provisions for risks and charges	42,792	45,771
2.1 legal disputes and customer complaints	10,680	10,612
2.2 personnel expenses	2,056	3,678
2.3 operational risks	20,949	21,313
2.4 supplementary customer allowance and goodwill compensation for termination of agency relationship	4,806	4,136
2.5 other	4,301	6,032
Total	**42,792**	**45,771**

pertaining to insurance companies

Item/Component	31/12/2015	31/12/2014
1. Company pension funds	-	-
2. Other provisions for risks and charges	18	138
2.1 legal disputes and customer complaints	-	-
2.2 personnel expenses	-	-
2.3 operational risks	16	35
2.4 supplementary customer allowance and goodwill compensation for termination of agency relationship	-	-
2.5 other	2	103
Total	**18**	**138**

12.2 Provisions for risks and charges: annual changes

Item/Component	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel expenses	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Other
A. Opening balance	**-**	**10,612**	**21,348**	**3,678**	**4,136**	**6,135**
B. Increases	**-**	**2,325**	**202**	**1,460**	**877**	**558**
B.1 Provisions for the year	-	2,175	50	1,336	877	554
B.2 Changes due to passing of time	-	13	23	1	-	3
B.3 Changes due to fluctuations in discount rate	-	11	114	-	-	-
B.4 Other changes	-	126	15	123	-	1
- Company aggregation operations	-	-	-	-	-	-
- exchange difference (-)	-	-	15	-	-	-
- Other changes (+)	-	126	-	123	-	1
C. Decreases	**-**	**2,257**	**585**	**3,082**	**207**	**2,390**
C.1 Utilization in the period	-	1,246	566	3,075	69	1,917
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-	1
C.3 Other changes	-	1,011	19	7	138	472
- Company aggregation operations	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	1,011	19	7	138	472
D. Closing balance	**-**	**10,680**	**20,965**	**2,056**	**4,806**	**4,303**

At 31/12/2014, the item included € 102 thousand relative to provisions for risks and charges for CBA Vita. In 2015, this component was reclassified among liabilities held for sale.

pertaining to the banking group

Item/Component	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel expenses	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Other
A. Opening balance	**-**	**10,612**	**21,313**	**3,678**	**4,136**	**6,032**
B. Increases	**-**	**2,325**	**202**	**1,460**	**877**	**556**
B.1 Provisions for the year	-	2,175	50	1,336	877	552
B.2 Changes due to passing of time	-	13	23	1	-	3
B.3 Changes due to fluctuations in discount rate	-	11	114	-	-	-
B.4 Other changes	-	126	15	123	-	1
- Company aggregation operations	-	-	-	-	-	-
- exchange difference (-)	-	-	15	-	-	-
- Other changes (+)	-	126	-	123	-	1
C. Decreases	**-**	**2,257**	**566**	**3,082**	**207**	**2,287**
C.1 Utilization in the period	-	1,246	566	3,075	69	1,916
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-	1
C.3 Other changes	-	1,011	-	7	138	370
- Company aggregation operations	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	1,011	-	7	138	370
D. Closing balance	**-**	**10,680**	**20,949**	**2,056**	**4,806**	**4,301**

pertaining to insurance companies

Item/Component	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel expenses	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Other
A. Opening balance	**-**	**-**	**35**	**-**	**-**	**103**
B. Increases	**-**	**-**	**-**	**-**	**-**	**2**
B.1 Provisions for the year	-	-	-	-	-	2
B.2 Changes due to passing of time	-	-	-	-	-	-
B.3 Changes due to fluctuations in discount rate	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-
- Company aggregation operations	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- Other changes (+)	-	-	-	-	-	-
C. Decreases	**-**	**-**	**19**	**-**	**-**	**103**
C.1 Utilization in the period	-	-	-	-	-	1
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-	-
C.3 Other changes	-	-	19	-	-	102
- Company aggregation operations	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	-	19	-	-	102
D. Closing balance	**-**	**-**	**16**	**-**	**-**	**2**

12.4 Provisions for risks and charges: other provisions

Note that section 12.4 was not filled out as the specifics for other provisions are provided in table 12.1

Section 13 – Technical reserves – Item 130

13.1 Technical reserves: breakdown

	Direct work	Indirect work	Total 31/12/2015	Total 31/12/2014
A. Non-life	**-**	**-**	**-**	**1,136**
A.1 Premium reserves	-	-	-	324
A.2 Claims reserves	-	-	-	229
A.3 Other reserves	-	-	-	583
B. Life business	**-**	**-**	**-**	**709,322**
B.1 Mathematical reserves	-	-	-	651,030
B.2 Reserves for amounts payable	-	-	-	7,523
B.3 Other reserves	-	-	-	50,769
C. Technical reserves where the investment risk is borne by the insurers	**-**	**-**	**-**	**4,190**
C.1 Reserves relating to investment and market index funds	-	-	-	4,190
C.2 Reserves deriving from pension fund management	-	-	-	-
D. Total technical reserves	**-**	**-**	**-**	**714,648**

Recall that the liabilities associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to the present item 90 “liabilities associated with assets held for sale”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

13.2 Technical reserves: annual changes

Item/Component	Non-life:						Life business						Technical reserves insurance risk			
	Premium reserves		Claims reserve		Other reserves		Actuarial reserves		Outstanding claims reserve		Other reserves		Investment and market index funds		Pension funds	
	Direct work	Indirect work	Direct work	Indirect work	Direct work	Indirect work	Direct work	Indirect work	Direct work	Indirect work	Direct work	Indirect work	Direct work	Indirect work	Direct work	Indirect work
A. Opening balance	**324**	**-**	**229**	**-**	**583**	**-**	**651,030**	**-**	**7,523**	**-**	**50,769**	**-**	**4,190**	**-**	**-**	**-**
Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Business combinations - mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Automatic foreign exchange (+)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in scope of consolidation (+)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in method of consolidation and % (+)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other changes (+)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decreases	**324**	**-**	**229**	**-**	**583**	**-**	**651,030**	**-**	**7,523**	**-**	**50,769**	**-**	**4,190**	**-**	**-**	**-**
- automatic foreign exchange (-)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- variation of consolidation area (-)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- change in method of consolidation and % (-)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- other changes (-)	324	-	229	-	583	-	651,030	-	7,523	-	50,769	-	4,190	-	-	-
B. Closing balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 15 – Shareholders' equity of the Group – Items 140,160,170,180,190,200 and 220

Assets of the Group: breakdown

	31/12/2015	31/12/2014
1. Capital	107,014	107,014
2. Share premiums	105,551	105,551
3. Legal reserve	544,189	472,550
4. Treasury shares	-	-
a) parent company	-	-
b) subsidiaries	-	-
5. Valuation reserves	46,416	18,382
6. Equity instruments	-	-
7. Profit (loss) for the year of the Group	28,503	70,475
Total	**831,673**	**773,972**

15.1 "Capital" and "Treasury shares": breakdown

	31/12/2015			31/12/2014		
	Shares issued	Shares subscribed and not yet paid up	Total	Shares issued	Shares subscribed and not yet paid up	Total
A. Capital						
A.1 ordinary shares	104,988	-	104,988	104,988	-	104,988
A.2 Savings shares	-	-	-	-	-	-
A.3 preference shares	-	-	-	-	-	-
A.4 Other shares	2,026	-	2,026	2,026	-	2,026
B. Treasury shares						
B.1 ordinary shares	-	-	-	-	-	-
B.2 Savings shares	-	-	-	-	-	-
B.3 preference shares	-	-	-	-	-	-
B.4 other shares	-	-	-	-	-	-

15.2 Share capital - Number of shares of the parent company: annual changes

Item/Type	Ordinary	Other
A. Total shares at start of period	**209,976,000**	**4,051,340**
- fully paid up	209,976,000	4,051,340
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening	**209,976,000**	**4,051,340**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business sale transactions	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing	**209,976,000**	**4,051,340**
D.1 Treasury shares (+)	-	-
D.2 Total shares at end of period	209,976,000	4,051,340
- fully paid up	209,976,000	4,051,340
- not fully paid up	-	-

15.3 Capital: other information (in Euro)

	Total 31/12/2015	Total 31/12/2014
Par value per share (zero if the shares have no nominal value)	0.5	0.5
- Fully paid up:		
Number	214,027,340	214,027,340
Value	107,013,670	107,013,670
Contracts in place for the sale of shares:		
Number of shares under contract	-	-
Total value	-	-

15.4 Retained earnings: other information

	31/12/2015	31/12/2014
Legal reserve	28,759	28,759
Statutory reserves	92,512	86,044
Other	422,918	357,747
Total reserves	**544,189**	**472,550**

Section 16 – Equity belonging to third parties - Item 210

Table 16.1 is not completed in that in the balance sheet there are no equity instruments within equity belonging to third parties. Below is the breakdown of equity belonging to third parties:

Equity belonging to third parties

	31/12/2015	31/12/2014
Capital	89,621	39,741
Share premiums	94,925	43,393
Reserves	13,727	8,439
Valuation reserves	9,439	2,238
Profit (loss) for the period pertaining to minority interests	3,124	(607)
Total	**210,836**	**93,204**

Other information

1. Guarantees Given and Commitments

Transactions	Amount 31/12/2015	Amount 31/12/2014
1) Financial guarantees issued	27,041	49,603
a) Banks	-	17,755
b) Customers	27,041	31,848
2) Commercial guarantees issued	184,509	198,384
a) Banks	384	190
b) Customers	184,125	198,194
3) Irrevocable commitments to disburse funds	272,912	410,959
a) Banks	17,084	28,748
i) for certain use	17,084	28,748
ii) usage uncertain	-	-
b) Customers	255,828	382,211
i) for certain use	76,033	77,561
ii) usage uncertain	179,795	304,650
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets used in guarantee of third-party obligations	22,972	21,153
6) Other commitments	-	10,733
Total	**507,434**	**690,832**

2. Assets pledged against own liabilities and commitments

Portfolios	Amount 31/12/2015	Amount 31/12/2014
1. Financial assets held for trading	54,245	92,761
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	366,117	548,650
4. Financial assets held to maturity	-	-
5. Due from banks	-	-
6. Due from customers	-	-
7. Tangible assets	-	-

The item Financial assets held for trading consists of securities used to guarantee:

- repurchase agreements;
- advances from the Bank of Italy;
- derivative transactions.

The item Financial assets available for sale consists of securities used to guarantee:

- repurchase agreements;

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 to € 25,822.84, 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

	Amount 31/12/2015	Amount 31/12/2014
I Land and buildings	-	-
II. Investments in Group companies and subsidiary companies	-	-
1. Equity	-	-
2. Bonds	-	-
3. Loans	-	-
III. Stakes in mutual funds	-	-
IV. Other financial investments	604,390	590,884
1. Equity	453,725	439,131
2. Bonds and other fixed-income securities	131,597	141,118
3. Deposits with credit institutions	-	-
4. Other financial investments	19,068	10,635
V. Other assets	-	-
VI. Cash and cash equivalents	55,662	39,789
Total	**660,052**	**630,673**

5. Management and broking for customer accounts:

Type of services	Amount 31/12/2015	Amount 31/12/2014
1. Orders carried out on behalf of customers	**121,521,842**	**120,503,006**
a) purchases	61,324,428	60,359,379
1. settled	61,224,578	60,330,021
2. not settled	99,850	29,358
b) sales	60,197,414	60,143,627
1. settled	60,126,779	60,116,718
2. not settled	70,635	26,909
2. Portfolio management	**4,212,869**	**3,672,482**
a) Individual	4,031,814	3,488,543
b) Collective	181,055	183,939
3. Custody and administration of securities	**33,852,309**	**32,988,734**
a) third-party securities on deposit as custodian bank (exclusive of portfolios managed)	-	-
1. securities issued by companies included within consolidation	-	-
2. other securities	-	-
b) third party securities on deposit (excluding portfolio management): other	11,526,355	11,318,047
1. securities issued by companies included within consolidation	576,355	635,189
2. other securities	10,950,000	10,682,858
c) third-party securities deposited with third parties	18,524,848	17,870,224
d) own securities deposited with third parties	3,801,106	3,800,463
4. Other transactions	**147,478,827**	**134,815,494**

The item “Other transactions” includes the volume of work of receiving and sending orders, which is divided as follows: purchases 74,822,170 thousand sales: 72,656,657 thousand.

The table below shows a breakdown of indirect funding for the Banca Sella Group:

Indirect deposits, breakdown

	31/12/2015	31/12/2014
a) Indirect deposits from management and broking for third parties (see previous table)		
- Portfolio management	4,212,869	3,672,482
- Custody and administration of securities:		
- third-party securities on deposit as custodian bank (exclusive of assets managed) - Other securities	-	-
- other third party securities on deposit (excluding asset management): other - Other securities	10,950,000	10,682,858
b) Indirect deposits from insurance policies	1,587,668	1,307,703
Total indirect deposits	**16,750,537**	**15,663,043**

6. Financial assets subject to netting in the balance sheet, or subject to framework netting agreements or similar

Technical types		Gross amount of financial assets (a)	Net amount of financial assets netted in the balance sheet (b)	Net amount of financial assets shown in the balance sheet (c=a-b)	Related amounts not subject to netting in balance sheet		Net amount 31/12/2015 (f=c-d-e)	Net amount 31/12/2014
					Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives		19,204	-	19,204	16,069	550	2,585	7,045
2. Repurchase agreements		347,020	-	347,020	346,742	-	278	59
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31/12/2015**	**366,224**	**-**	**366,224**	**362,811**	**550**	**2,863**	**x**
Total	**31/12/2014**	**88,495**	**-**	**88,495**	**80,841**	**550**	**x**	**7,104**

7. Financial liabilities subject to netting in the balance sheet or subject to framework netting agreements or similar

Technical types		Gross amount of financial liabilities (a)	Net amount of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities reported in the balance sheet (c=a-b)	Related amounts not subject to netting in balance sheet		Net amount 31/12/2015 (f=c-d-e)	Net amount 31/12/2014
					Financial instruments (d)	Cash deposits made as collateral (e)		
1. Derivatives		136,780	-	136,780	53,128	82,700	952	-
2. Repurchase agreements		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other transactions		-	-	-	-	-	-	-
Total	**31/12/2015**	**136,780**	**-**	**136,780**	**53,128**	**82,700**	**952**	**x**
Total	**31/12/2014**	**165,858**	**-**	**165,858**	**66,526**	**99,332**	**x**	**-**

Within the derivatives item found in the previous tables, OTC contracts consisted of swap, options on rates and options on currencies.

Rate swaps are evaluated according to the discounted cash flow (DCF) method, which is generally the market standard and uses the swap rate curve relative to the contact currency as the input data. 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 reasonable certainty in the estimate of the contract value, a valuation of the contract is requested from the counterparty of the transaction.

The rate options are only represented by cap and floor, and are evaluated according to the Black&Schole 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 an evaluation of the same is requested from a third party external to the transaction. These evaluations are part of the determination of the price together with the measurement provided by the counterpart in the transaction.

Relative to exposure to OTC derivatives, quantification of the CVA correctives (credit value adjustment) for exposures receivable and DVA (debit value adjustment) for exposures payable is carried out for all contracts, with the exception of those covered by netting and collateralisation agreements (e.g. ISDA, CSA, etc.).

Based on that established in IAS 32, paragraph 42: “An asset and a financial liability must be offset and the net balance shown in the balance sheet when and only when an entity:

(a) currently has an exercisable right to offset for amounts recognised for accounting purposes;

(b) intends to settle net, or realise the asset and simultaneously settle the liability.

In recognising an operation to transfer a financial asset that does not meet the conditions required for its elimination, the entity must not offset the asset transferred and the associated liability (see IAS 39, paragraph 36)”.

The Bank does not make use of such netting and therefore does not hold it necessary to provide the information requested in circular 262/05 and subsequent updates.

Part C – Information on the consolidated income statement

Section 1 – Interest – Items 10 and 20

1.1 interest receivables and similar income: breakdown

Item/Technical type	Debt securities	Loans	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Financial assets held for trading	8,127	-	1,749	9,876	11,535
2. Financial assets carried at fair value	-	-	-	-	1,752
3. Financial assets available for sale	27,102	16	-	27,118	34,408
4. Financial assets held to maturity	-	-	-	-	32,043
5. Due from banks	339	567	-	906	1,281
6. Due from customers	10	298,592	212	298,814	338,757
7. Hedging derivatives	x	x	7,484	7,484	7,613
8. Other assets	x	x	1,130	1,130	215
Total	**35,578**	**299,175**	**10,575**	**345,328**	**427,604**

Interest income comes to € 345.3 million (€ 410.7 million at the end of 2014) and reflects the continuation of the downward trend for both volumes of loans and average rates for the period ending at 31 December 2015, and the elimination of interest income from securities held to maturity, which were disposed of in the second half of 2014.

Below are details on interest accrued on bad loans, substandard loans, past-due/loans in excess of thresholds and restructured exposures:

Interest and similar income: breakdown of interest accrued on impaired loans

Item	31/12/2015	31/12/2014
- accrued on bad loans	553	258
- accrued on unlikely to pay positions	13,809	13,063
- accrued on loans past-due/overdue	1,708	2,726

pertaining to the banking group

Item/Technical type	Debt securities	Loans	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Financial assets held for trading	8,127	-	1,749	9,876	11,529
2. Financial assets carried at fair value	-	-	-	-	-
3. Financial assets available for sale	27,102	16	-	27,118	24,023
4. Financial assets held to maturity	-	-	-	-	27,543
5. Due from banks	339	567	-	906	994
6. Due from customers	10	298,592	212	298,814	338,757
7. Hedging derivatives	x	x	7,484	7,484	7,613
8. Other assets	x	x	1,130	1,130	215
Total	**35,578**	**299,175**	**10,575**	**345,328**	**410,674**

pertaining to insurance companies

Item/Technical type	Debt securities	Loans	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Financial assets held for trading	-	-	-	-	6
2. Financial assets carried at fair value	-	-	-	-	1,752
3. Financial assets available for sale	-	-	-	-	10,385
4. Financial assets held to maturity	-	-	-	-	4,500
5. Due from banks	-	-	-	-	287
6. Due from customers	-	-	-	-	-
7. Hedging derivatives	x	x	-	-	-
8. Other assets	x	x	-	-	-
Total	**-**	**-**	**-**	**-**	**16,930**

1.2 Interest and similar income: differentials relative to hedging transactions

Item	31/12/2015	31/12/2014
A. Positive differentials on hedging transactions	7,484	7,613
B. Negative differentials on hedging transactions	30,325	31,531
C. Balance (A-B)	**(22,841)**	**(23,918)**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies

Item	31/12/2015	31/12/2014
Interest income on financial assets in foreign currencies	2,248	1,040

1.3.2 Interest income on financial leases

Item	31/12/2015	31/12/2014
Interest income on financial leases	37,947	38,956

1.4 Interest liabilities and similar expenses: breakdown

Item/Technical type	Payables	Securities	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Due to central banks	474	x	-	474	952
2. Due to banks	3,246	x	-	3,246	4,811
3. Due to customers	37,553	x	1	37,554	63,684
4. Securities in issue	x	19,017	-	19,017	20,980
5. Financial liabilities held for trading	140	-	633	773	613
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and reserves	x	x	1,296	1,296	240
8. Hedging derivatives	x	x	30,325	30,325	31,531
Total	**41,413**	**19,017**	**32,255**	**92,685**	**122,811**

Interest expense comes to € 92.7 million and shows a downward trend in terms of the cost of funding, throughout the entire year.

pertaining to the banking group

Item/Technical type	Payables	Securities	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Due to central banks	474	x	-	474	952
2. Due to banks	3,246	x	-	3,246	4,811
3. Due to customers	37,553	x	1	37,554	63,684
4. Securities in issue	x	19,017	-	19,017	20,704
5. Financial liabilities held for trading	140	-	633	773	613
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and reserves	x	x	1,296	1,296	34
8. Hedging derivatives	x	x	30,325	30,325	31,531
Total	**41,413**	**19,017**	**32,255**	**92,685**	**122,329**

pertaining to insurance companies

Item/Technical type	Payables	Securities	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Due to central banks	-	x	-	-	-
2. Due to banks	-	x	-	-	-
3. Due to customers	-	x	-	-	-
4. Securities in issue	x	-	-	-	276
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and reserves	x	x	-	-	206
8. Hedging derivatives	x	x	-	-	-
Total	**-**	**-**	**-**	**-**	**482**

The income statement items associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to item 310 “Profit (loss) on groups of assets held for sale, net of tax”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

1.5 Interest liabilities and similar expenses: differentials relative to hedging transactions

Item	31/12/2015	31/12/2014
A. Positive differentials on hedging transactions	7,484	7,613
B. Negative differentials on hedging transactions	30,325	31,531
C. Balance (A-B)	**(22,841)**	**(23,918)**

1.6 Interest liabilities and similar expenses: other information

1.6.1 Interest expense on liabilities in foreign currencies

Item	31/12/2015	31/12/2014
Interest expense on financial liabilities in foreign currencies	2,907	1,668

Section 2 – Commissions – Items 40 and 50

2.1 Fee income: breakdown

Type of service/Value	Total 31/12/2015	Total 31/12/2014
a) sureties issued	3,671	3,451
b) credit derivatives	-	-
c) asset management, brokerage and advisory services:	142,703	131,267
1. financial instruments trading	760	1,579
2. currency trading	1,833	1,597
3. portfolio management	59,949	53,926
3.1. individual	39,103	32,202
3.2 collective	20,846	21,724
4. custody and administration of securities	1,899	2,012
5. depositary bank	15	-
6. placement of securities	33,548	27,426
7. activities related to receiving and sending orders	28,831	29,942
8. consultancy activities	1,434	1,226
8.1 regarding investments	883	660
8.2 regarding financial structure	551	566
9. distribution of third party services	14,434	13,559
9.1 portfolio management	52	88
9.1.1. individual	52	88
9.1.2. collective	-	-
9.2 insurance products	13,839	13,151
9.3 other products	543	320
d) collection and payment services	117,716	108,152
e) servicing of securitisation transactions	194	322
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) activities for management of multilateral trading facilities	-	-
i) current account keeping and management	23,000	23,217
j) other services	55,629	56,297
Total	**342,913**	**322,706**

The good performance of fee and commission income is mainly due to the component of revenues associated with indirect funding and to payment systems. In the business segment relative to indirect funding, excellent results were seen in comparison to 2014. In particular, the fund and SICAV management, life insurance and accessory investment services did well, driven by a context that saw growing volumes and transformation into asset management products. In terms of the payment systems sector, which was stable overall, we note growth in the acquiring (POS), e-commerce and traditional payment system areas, thanks to increased volumes, while a decrease was seen in the card component, due to the unfavourable context in terms of consumption, which led to a decrease in transaction volumes and margins.

Below is the breakdown of the subitem relative to other services:

Fee income: breakdown of subitem “Other services”

	31/12/2015	31/12/2014
- credit and debit cards	12,544	12,197
- expense recovery on loans to customers	12,914	13,304
- fees and commissions on relations with credit institutions	479	477
- safe deposit box leasing	214	189
- recovery of postal, printing and similar expenses	1,885	1,904
- fees on loans to customers	21,028	20,707
Other	6,565	7,519
Total “other services”	**55,629**	**56,297**

pertaining to the banking group

Type of service/Value	Total 31/12/2015	Total 31/12/2014
a) sureties issued	3,671	3,451
b) credit derivatives	-	-
c) asset management, brokerage and advisory services:	142,703	127,333
1. financial instruments trading	760	1,579
2. currency trading	1,833	1,597
3. portfolio management	59,949	49,992
3.1. individual	39,103	32,202
3.2 collective	20,846	17,790
4. custody and administration of securities	1,899	2,012
5. depositary bank	15	-
6. placement of securities	33,548	27,426
7. activities related to receiving and sending orders	28,831	29,942
8. consultancy activities	1,434	1,226
8.1 regarding investments	883	660
8.2 regarding financial structure	551	566
9. distribution of third party services	14,434	13,559
9.1 portfolio management	52	88
9.1.1. individual	52	88
9.1.2. collective	-	-
9.2 insurance products	13,839	13,151
9.3 other products	543	320
d) collection and payment services	117,716	108,152
e) servicing of securitisation transactions	194	322
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) activities for management of multilateral trading facilities	-	-
i) current account keeping and management	23,000	23,217
j) other services	55,629	56,208
Total	**342,913**	**318,683**

pertaining to insurance companies

Type of service/Value	Total 31/12/2015	Total 31/12/2014
a) sureties issued	-	-
b) credit derivatives	-	-
c) asset management, brokerage and advisory services:	-	3,934
1. financial instruments trading	-	-
2. currency trading	-	-
3. portfolio management	-	3,934
3.1. individual	-	-
3.2 collective	-	3,934
4. custody and administration of securities	-	-
5. depositary bank	-	-
6. placement of securities	-	-
7. activities related to receiving and sending orders	-	-
8. consultancy activities	-	-
8.1 regarding investments	-	-
8.2 regarding financial structure	-	-
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 of securitisation transactions	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) activities for management of multilateral trading facilities	-	-
i) current account keeping and management	-	-
j) other services	-	89
Total	**-**	**4,023**

The income statement items associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to item 310 “Profit (loss) on groups of assets held for sale, net of tax”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

2.2 Fee expense: breakdown

Service/Amount	Total 31/12/2015	Total 31/12/2014
a) sureties received	427	3,149
b) credit derivatives	-	-
c) asset management and brokerage services:	51,414	43,793
1. financial instruments trading	4,001	4,396
2. currency trading	-	1
3. portfolio management:	554	616
3.1 own	265	103
3.2 delegated by third-parties	289	513
4. custody and administration of securities	738	750
5. placement of financial instruments	937	1,059
6. off-site sales of financial instruments, products and services	45,184	36,971
d) collection and payment services	57,254	53,137
e) other services	5,482	5,560
Total	**114,577**	**105,639**

The item shows a significant decrease in fee and commission expense for guarantees received from the State. During 2015, the sole obligation associated with this guarantee was with Banca Sella Holding, for € 200 million and maturing on 16 February 2015, meaning that commissions were paid only during the first month and half of the year. Commissions paid on external marketing of financial instruments, products and services instead increased, mainly associated with Banca Patrimoni Sella & C., relative to financial advisor activities.

Below is the breakdown of the subitem relative to other services:

Fee expense: breakdown of subitem “Other services”

	31/12/2015	31/12/2014
Relations with banks	614	465
Loans	807	1,308
Brokering	-	-
Other	4,061	3,787
Total “Other services”	**5,482**	**5,560**

pertaining to the banking group

Service/Amount	Total 31/12/2015	Total 31/12/2014
a) sureties received	427	3,149
b) credit derivatives	-	-
c) asset management and brokerage services:	51,414	43,463
1. financial instruments trading	4,001	4,396
2. currency trading	-	1
3. portfolio management:	554	286
3.1 own	265	6
3.2 delegated by third-parties	289	280
4. custody and administration of securities	738	750
5. placement of financial instruments	937	1,059
6. off-site sales of financial instruments, products and services	45,184	36,971
d) collection and payment services	57,254	53,126
e) other services	5,482	5,557
Total	**114,577**	**105,295**

pertaining to insurance companies

Service/Amount	Total 31/12/2015	Total 31/12/2014
a) sureties received	-	-
b) credit derivatives	-	-
c) asset management and brokerage services:	-	330
1. financial instruments trading	-	-
2. currency trading	-	-
3. portfolio management:	-	330
3.1 own	-	97
3.2 delegated by third-parties	-	233
4. custody and administration of securities	-	-
5. placement of financial instruments	-	-
6. off-site sales of financial instruments, products and services	-	-
d) collection and payment services	-	11
e) other services	-	3
Total	**-**	**344**

The income statement items associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to item 310 “Profit (loss) on groups of assets held for sale, net of tax”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Item/Income	Total 31/12/2015		Total 31/12/2014	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	245	12	176	5
B. Financial assets available for sale	937	123	1,587	211
C. Financial assets carried at fair value	-	-	-	-
D. Equity investments	-	x	-	x
Total	**1,182**	**135**	**1,763**	**216**

pertaining to the banking group

Item/Income	Total 31/12/2015		Total 31/12/2014	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	245	12	171	5
B. Financial assets available for sale	937	123	1,587	211
C. Financial assets carried at fair value	-	-	-	-
D. Equity investments	-	x	-	x
Total	**1,182**	**135**	**1,758**	**216**

pertaining to insurance companies

In 2014, dividends from insurance companies came to € 5 thousand, relative to financial assets held for trading. 2015 does not show a figure, in that the income statement items associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to item 310 "Profit (loss) on groups of assets held for sale, net of taxes", since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Section 4 – Net income (losses) from trading activities – Item 80

4.1 Net gains/(losses) on trading activities: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains (losses) [(A+B) - (C+D)]
1. Financial assets held for trading	**1,662**	**26,519**	**(3,620)**	**(9,253)**	**15,308**
1.1 Debt securities	401	25,755	(3,307)	(8,891)	13,958
1.2 Equity securities	25	652	(223)	(355)	99
1.3 UCITS units	1,236	112	(90)	(7)	1,251
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**110**	**-**	**(25)**	**-**	**85**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	110	-	(25)	-	85
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**x**	**x**	**x**	**x**	**(7,878)**
4. Derivative instruments	**56,457**	**76,881**	**(58,020)**	**(73,023)**	**19,775**
4.1 Financial derivatives:	56,457	76,881	(58,020)	(73,023)	19,775
- On debt securities and interest rates	56,295	66,928	(57,737)	(65,279)	207
- On equity securities and stock indices	162	9,953	(283)	(7,743)	2,089
- On currencies and gold	x	x	x	x	17,480
- Others	-	-	-	(1)	(1)
4.2 Credit derivatives	-	-	-	-	-
Total	**58,229**	**103,400**	**(61,665)**	**(82,276)**	**27,290**

pertaining to the banking group

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains (losses) [(A+B) - (C+D)]
1. Financial assets held for trading	**1,662**	**26,519**	**(3,620)**	**(9,253)**	**15,308**
1.1 Debt securities	401	25,755	(3,307)	(8,891)	13,958
1.2 Equity securities	25	652	(223)	(355)	99
1.3 UCITS units	1,236	112	(90)	(7)	1,251
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**110**	**-**	**(25)**	**-**	**85**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	110	-	(25)	-	85
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**x**	**x**	**x**	**x**	**(7,878)**
4. Derivative instruments	**56,457**	**76,881**	**(58,020)**	**(73,023)**	**19,775**
4.1 Financial derivatives:	56,457	76,881	(58,020)	(73,023)	19,775
- On debt securities and interest rates	56,295	66,928	(57,737)	(65,279)	207
- On equity securities and stock indices	162	9,953	(283)	(7,743)	2,089
- On currencies and gold	x	x	x	x	17,480
- Others	-	-	-	(1)	(1)
4.2 Credit derivatives	-	-	-	-	-
Total	**58,229**	**103,400**	**(61,665)**	**(82,276)**	**27,290**

Section 5 – Result of hedging activity – Item 90

5.1 Net gains/(losses) on hedging activities: breakdown

Income components/Amounts	Total 31/12/2015	Total 31/12/2014
A. Income from:		
A.1 Fair value hedging derivatives	28,105	3,468
A.2 Hedged financial assets (fair value)	-	40,422
A.3 Hedged financial liabilities (fair value)	4,061	1,597
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total hedging income (A)	**32,166**	**45,487**
B. Expenses from:		
B.1 Fair value hedging derivatives	4,986	44,073
B.2 Hedged financial assets (fair value)	27,447	708
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**32,433**	**44,781**
C. Net gains/(losses) on hedging activities (A-B)	**(267)**	**706**

Section 6 – Profits (losses) from dismissal/buy-back - Item 100

6.1 Profit (Loss) from sales/repurchases: breakdown

Item/Income component	Total 31/12/2015			Total 31/12/2014		
	Gains	Losses	Net income/losses	Gains	Losses	Net income/losses
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	899	17,980	(17,081)	-	2,049	(2,049)
3. Financial assets available for sale	58,719	8,038	50,681	25,741	1,483	24,258
3.1 Debt securities	33,712	7,422	26,290	22,193	1,451	20,742
3.2 Equity securities	24,718	80	24,638	3,548	32	3,516
3.3 UCITS units	289	536	(247)	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	100,602	2,205	98,397
Total assets	**59,618**	**26,018**	**33,600**	**126,343**	**5,737**	**120,606**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	80	-	80
3. Securities in issue	2,341	2,578	(237)	4,830	6,861	(2,031)
Total liabilities	**2,341**	**2,578**	**(237)**	**4,910**	**6,861**	**(1,951)**

The increase is mainly due to the almost total disposal of the investment in the Istituto Centrale delle Banche Popolari Italiane by Banca Sella Holding, which led to gross capital gains of € 24.6 million, while financial year 2014 was influenced by the sales of financial assets held to maturity for net income of around € 98.4 million.

pertaining to the banking group

Item/Income component	Total 31/12/2015			Total 31/12/2014		
	Gains	Losses	Net income/losses	Gains	Losses	Net income/losses
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	899	17,980	(17,081)	-	2,049	(2,049)
3. Financial assets available for sale	58,719	8,038	50,681	24,253	1,477	22,776
3.1 Debt securities	33,712	7,422	26,290	20,705	1,445	19,260
3.2 Equity securities	24,718	80	24,638	3,548	32	3,516
3.3 UCITS units	289	536	(247)	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	100,298	2,205	98,093
Total assets	**59,618**	**26,018**	**33,600**	**124,551**	**5,731**	**118,820**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	80	-	80
3. Securities in issue	2,341	2,578	(237)	4,830	6,820	(1,990)
Total liabilities	**2,341**	**2,578**	**(237)**	**4,910**	**6,820**	**(1,910)**

pertaining to insurance companies

Item/Income component	Total 31/12/2015			Total 31/12/2014		
	Gains	Losses	Net income/losses	Gains	Losses	Net income/losses
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	-	-	-	1,488	6	1,482
3.1 Debt securities	-	-	-	1,488	6	1,482
3.2 Equity securities	-	-	-	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	304	-	304
Total assets	**-**	**-**	**-**	**1,792**	**6**	**1,786**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	-	-	-	-	40	(40)
Total liabilities	**-**	**-**	**-**	**-**	**40**	**(40)**

The income statement items associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to item 310 “Profit (loss) on groups of assets held for sale, net of tax”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Section 8 – Value adjustments for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		31/12/2015	31/12/2014
	Write-offs	Other		To	B	To	B		
A. Due from banks									
- Loans	-	-	-	-	-	-	228	228	(400)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers									
Impaired loans acquired									
- Loans	-	-	x	-	-	x	x	-	-
- Debt securities	-	-	x	-	-	x	x	-	-
Other receivables									
- Loans	(3,289)	(173,251)	-	16,639	24,213	-	6,493	(129,195)	(180,276)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(3,289)**	**(173,251)**	**-**	**16,639**	**24,213**	**-**	**6,721**	**(128,967)**	**(180,676)**

A= from interest B= from other write-backs

Net value adjustments on loans amounted to € 129 million at the end of the year, with respect to € 180.7 million in 2014, a decrease of -28.6%. To this value must be added the loss suffered on disposals of loans equal to 17.1 million, against 2.0 million in 2014. The decrease in write-backs nonetheless was affected by periodic updating of measurement parameters and implementation of all the evidence found during the Bank of Italy inspection during the first half of 2015. Write-downs mainly refer to Banca Sella and Consel.

8.2. Net write-downs due to deterioration of financial assets available for sale: breakdown

Transactions/Income components	Write-downs (1)		Write-backs (2)		Total 31/12/2015	Total 31/12/2014
	Specific		Specific			
	Write-offs	Other	To	B		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	(5,063)	-	-	(5,063)	(3,659)
C. UCITS units	-	-	x	x	-	-
D. Lending to banks	-	-	x	-	-	-
E. Lending to customers	-	(6)	-	-	(6)	(600)
F. Total	**-**	**(5,069)**	**-**	**-**	**(5,069)**	**(4,259)**

A= from interest B= from other write-backs

Write-downs mainly refer to write-downs made on minority investments. The most significant refer to Veneto Banca for around € 3 million and to Cassa di Risparmio di Bolzano for around € 1.8 million.

8.4 Net write-downs for impairment of other financial transactions: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		31/12/2015	31/12/2014
	Write-offs	Other		To	B	To	B		
A. Sureties issued	-	-	(66)	-	-	-	-	(66)	(426)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other operations	(99)	(196)	(3)	-	119	-	-	(179)	(630)
E. Total	**(99)**	**(196)**	**(69)**	**-**	**119**	**-**	**-**	**(245)**	**(1,056)**

A= from interest B= from other write-backs

Write-downs are relative to discounting of write-downs on judgements regarding the loan and to deductible losses from other loans recognised among other assets.

Write-backs refer to contingent assets for invoices issued for leases relative to 2012, 2013 and 2014, to revaluations relative to changes in estimates on some legal cases and surplus contingent assets for provisions for risks for other performing assets relative to taxes for customers who are not account holders.

Section 9 – Net premiums - 150

9.1 Net premiums: breakdown

Premiums deriving from insurance activity	Direct work	Indirect work	Total 31/12/2015	Total 31/12/2014
A. Life business				
A.1 Registered gross premiums (+)	-	-	-	326,902
A.2 Reinsurance premiums ceded (-)	-	x	-	(933)
A.3 Total	-	-	-	325,969
B. Non-life				
B.1 Registered gross premiums (+)	-	-	-	1,663
B.2 Reinsurance premiums ceded (-)	-	x	-	(682)
B.3 Change in the gross amount of the premiums reserve (+/-)	-	-	-	62
B.4 Change in the Reinsurers' share of premiums reserve (+/-)	-	-	-	(46)
B.5 Total	-	-	-	997
C. Total net premiums	-	-	-	**326,966**

The income statement items associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to item 310 “Profit (loss) on groups of assets held for sale, net of tax”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

Section 10 – Balance of other insurance management income and charges - Item 160

The income statement items associated with CBA Vita and Sella Life, as foreseen under accounting standard IFRS 5, were reclassified to item 310 “Profit (loss) on groups of assets held for sale, net of tax”, since in November 2015 a sales agreement was made with the HDI Assicurazioni Group which foresees that HDI Assicurazioni will purchase all of the shares held in CBA Vita, which controls Sella Life and holds a stake (of 49%) in InChiaro Assicurazioni.

10.1 Balance of other insurance management income and expenses: breakdown

	Total 31/12/2015	Total 31/12/2014
1. Net variation in technical reserves	-	(54,089)
2. Pertinent accidents paid during year	-	(282,980)
3. Other (net) insurance management income and expenses	-	503
Total	-	(336,566)

10.2 “Net variation in technical reserves”

Net variation in technical reserves	Total 31/12/2015	Total 31/12/2014
1. Life business		
A. Actuarial reserves	-	(77,033)
A.1 Gross annual amount	-	(76,852)
A.2 Reinsurers' shares (-)	-	(181)
B. Other technical reserves	-	395
B.1 Gross annual amount	-	411
B.2 Reinsurers' shares (-)	-	(16)
C. Technical reserves where the investment risk is borne by the policy holders	-	22,685
C.1 Gross annual amount	-	22,685
C.2 Reinsurers' shares (-)	-	-
Total “life business reserves”	**-**	**(53,953)**
2. Non-life:		
Change in other non-life technical reserves other than non life reserve net of reinsurance assignments	-	(136)

10.3 “Pertinent accidents during year”

Expenses for accident	Total 31/12/2015	Total 31/12/2014
Life business: expenses relative to accidents, net of reinsurance assignments		
A. Amounts paid	-	(281,364)
A.1 Gross annual amount	-	(282,054)
A.2 Reinsurers’ shares (-)	-	690
B. Change in the reserve for sums to be paid	-	(1,176)
B.1 Gross annual amount	-	(1,375)
B.2 Reinsurers’ shares (-)	-	199
Total Life business accidents	**-**	**(282,540)**
Non-life: expenses relative to accidents, net of recoveries and reinsurance assignments		
C. Amounts paid	-	(450)
C.1 Gross annual amount	-	(613)
C.2 Reinsurers’ shares (-)	-	163
D. Change in recoveries net of reinsurers’ shares	-	-
E. Variations in accidents reserve	-	10
E.1 Gross annual amount	-	12
E.2 Reinsurers’ shares (-)	-	(2)
Total Non-life accidents	**-**	**(440)**

10.4 “Other insurance management income and expenses”: details - life business

	Total 31/12/2015	Total 31/12/2014
Life business		
A. Income	-	428
- Other technical income net of reinsurance assignments	-	269
- Income and capital gains not realised relative to investments in favour of risk-bearing insured parties	-	-
- Change in commissions and other acquisition expenses to be amortized	-	-
- Commissions and sharing of profits received from reinsurers	-	159
- Other income	-	-
B. Expenses	-	(235)
- Other technical expenses net of reinsurance assignments	-	(98)
- Expenses and capital losses not realised relative to investments in favour of risk-bearing insured parties	-	-
- Acquisition commissions	-	(11)
- Other acquisition expenses	-	(4)
- Collection commissions	-	(122)
- Other charges	-	-
Total Life business (A - B)	**-**	**193**

10.4 “Other insurance management income and expenses”: details - non-life

	Total 31/12/2015	Total 31/12/2014
Non-life:		
A. Income	-	363
- Other technical income net of reinsurance assignments	-	21
- Change in commissions and other acquisition expenses to be amortized	-	-
- Commissions and sharing of profits received from reinsurers	-	342
- Other income	-	-
B. Expenses	-	(53)
- Other technical expenses net of reinsurance assignments	-	(50)
- Acquisition commissions	-	-
- Other acquisition expenses	-	-
- Collection commissions	-	(3)
- Other charges	-	-
Total Non-life (A - B)	**-**	**310**

Section 11 – Administrative Expenses - Item 180

11.1 Expenses for personnel: breakdown

Type of expense/Amount	Total 31/12/2015	Total 31/12/2014
1) Employees	223,525	219,157
a) Wages and Salaries	163,045	159,507
b) Social security contributions	39,816	38,254
c) Severance indemnities	4,094	4,821
d) Pension expenses	2,464	2,806
e) Provision for severance indemnities	284	971
f) Provision for pension fund and similar commitments:	-	-
– defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	6,419	6,076
– defined contribution	6,419	6,076
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) other employee benefits	7,403	6,722
2) Other current personnel	1,969	1,164
3) Directors and auditors	4,928	5,004
4) Retired personnel expenses	-	-
Total	**230,422**	**225,325**

The staff costs component amounts to € 230.4 million. At 31 December 2014, the item was 225.3. This value was influenced by the increase in staff both in the Italian and foreign companies with respect to 31 December 2014.

pertaining to the banking group

Type of expense/Amount	Total 31/12/2015	Total 31/12/2014
1) Employees	222,621	215,343
a) Wages and Salaries	162,430	156,838
b) Social security contributions	39,617	37,605
c) Severance indemnities	4,088	4,818
d) Pension expenses	2,464	2,806
e) Provision for severance indemnities	263	926
f) Provision for pension fund and similar commitments:	-	-
– defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	6,390	5,853
– defined contribution	6,390	5,853
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) other employee benefits	7,369	6,497
2) Other current personnel	1,865	1,057
3) Directors and auditors	4,768	4,167
4) Retired personnel expenses	-	-
Total	**229,254**	**220,567**

pertaining to insurance companies

Type of expense/Amount	Total 31/12/2015	Total 31/12/2014
1) Employees	904	3,814
a) Wages and Salaries	615	2,669
b) Social security contributions	199	649
c) Severance indemnities	6	3
d) Pension expenses	-	-
e) Provision for severance indemnities	21	45
f) Provision for pension fund and similar commitments:	-	-
– defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	29	223
– defined contribution	29	223
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) other employee benefits	34	225
2) Other current personnel	104	107
3) Directors and auditors	160	837
4) Retired personnel expenses	-	-
Total	**1,168**	**4,758**

11.2 Average number of employees per category

	Total 31/12/2015	Total 31/12/2014
1) Employees	**4,159**	**3,925**
a) executives	93	86
b) middle managers	1,071	971
c) remaining employees	2,995	2,868
2) Other personnel	**34**	**41**
Total	**4,193**	**3,966**

pertaining to the banking group

	Total 31/12/2015	Total 31/12/2014
1) Employees	**4,111**	**3,881**
a) executives	86	79
b) middle managers	1,060	960
c) remaining employees	2,965	2,842
2) Other personnel	**34**	**33**
Total	**4,145**	**3,914**

pertaining to insurance companies

	Total 31/12/2015	Total 31/12/2014
1) Employees	**48**	**44**
a) executives	7	7
b) middle managers	11	11
c) remaining employees	30	26
2) Other personnel	**-**	**8**
Total	**48**	**52**

11.4 Other employee benefits

Type of expense/Amount	Total 31/12/2015	Total 31/12/2014
- early retirement incentives and provision to support income	109	474
- benefits for dependent children	103	96
- benefits in kind	2,522	2,028
- insurance expenses	2,076	1,974
- professional training courses	1,033	1,051
- travel expenses	192	41
Other	1,368	1,058
Total	**7,403**	**6,722**

pertaining to the banking group

Type of expense/Amount	Total 31/12/2015	Total 31/12/2014
- early retirement incentives and provision to support income	109	474
- benefits for dependent children	103	96
- benefits in kind	2,522	2,028
- insurance expenses	2,053	1,848
- professional training courses	1,022	1,035
- travel expenses	192	41
Other	1,368	975
Total	**7,369**	**6,497**

pertaining to insurance companies

Type of expense/Amount	Total 31/12/2015	Total 31/12/2014
- early retirement incentives and provision to support income	-	-
- benefits for dependent children	-	-
- benefits in kind	-	-
- insurance expenses	23	126
- professional training courses	11	16
- travel expenses	-	-
Other	-	83
Total	**34**	**225**

11.5 Other administrative expenses: breakdown

Type of service/Value	Total 31/12/2015	Total 31/12/2014
Legal and notarial expenses	8,973	8,097
IT assistance and sundry advice	6,913	7,153
Leasing of electronic machines and software licences	1,481	1,254
Sundry rentals and expenses for services provided by third parties	35,583	30,832
Computer networks and telephone	4,893	4,627
Postal	4,013	4,778
Transport expenses	4,033	4,016
Cleaning of premises	1,214	1,238
Surveillance and escort of valuables	2,919	2,850
Electricity and heating	4,623	4,669
Rent of premises	15,814	16,050
Sundry insurance policies	1,849	1,916
Classified advertisements, publicity and entertainment expenses	4,259	3,375
Membership fees	1,734	1,759
Information and inspections	2,994	2,256
Other fees payable	910	1,669
Other	8,198	8,251
Maintenance and repair expenses	**9,858**	**9,984**
- Real estate	755	647
- Movables	2,787	2,721
Hardware and software	6,316	6,616
Indirect taxes	**70,948**	**59,891**
- Stamp duty	50,710	50,536
- Substitute tax Pres. Dec. 601/73	1,442	1,308
- Single municipal tax (IMU)	1,736	1,390
- DGS and SRF contribution	9,962	-
- Other indirect taxes and duties	7,098	6,657
Total	**191,209**	**174,665**

Other administrative expenses grew with respect to 31 December 2014. The main reason was that Legislative Decrees no. 180 and 181 took effect on 16 November 2015, which implemented in Italian legislation Directive 2014/59/EU (Banking Resolution and Recovery Directive, “BRRD”), creating a framework to restore and resolve credit institutions and investment companies and establishing the National Resolution Fund managed by the Bank of Italy. Payment of these contributions connected to the mechanism to establish these funds were recognised in administrative expenses in the Income Statement. In 2015, these contributions amounted to around € 9.9 million, divided between the Single Resolution Fund (SRF), with € 1.9 million as the ordinary portion and € 5.8 million as the extraordinary portion, and the Deposit Guarantee Scheme (DGS), with € 2.2 million as an ordinary contribution.

pertaining to the banking group

Type of service/Value	Total 31/12/2015	Total 31/12/2014
Legal and notarial expenses	8,972	7,765
IT assistance and sundry advice	6,908	7,055
Leasing of electronic machines and software licences	1,481	1,254
Sundry rentals and expenses for services provided by third parties	35,583	30,814
Computer networks and telephone	4,876	4,567
Postal	4,003	4,677
Transport expenses	4,013	3,967
Cleaning of premises	1,212	1,228
Surveillance and escort of valuables	2,919	2,850
Electricity and heating	4,616	4,662
Rent of premises	15,764	15,731
Sundry insurance policies	1,845	1,885
Classified advertisements, publicity and entertainment expenses	4,253	3,317
Membership fees	1,728	1,587
Information and inspections	2,994	2,256
Other fees payable	908	1,639
Other	7,902	7,547
Maintenance and repair expenses	**9,852**	**9,727**
- Real estate	755	643
- Movables	2,781	2,703
Hardware and software	6,316	6,381
Indirect taxes	**70,941**	**59,827**
- Stamp duty	50,709	50,531
- Substitute tax Pres. Dec. 601/73	1,442	1,308
- Single municipal tax (IMU)	1,736	1,390
- DGS and SRF contribution	9,962	-
- Other indirect taxes and duties	7,092	6,598
Total	**190,770**	**172,355**

pertaining to insurance companies

Type of service/Value	Total 31/12/2015	Total 31/12/2014
Legal and notarial expenses	1	332
IT assistance and sundry advice	5	98
Leasing of electronic machines and software licences	-	-
Sundry rentals and expenses for services provided by third parties	-	18
Computer networks and telephone	17	60
Postal	10	101
Transport expenses	20	49
Cleaning of premises	2	10
Surveillance and escort of valuables	-	-
Electricity and heating	7	7
Rent of premises	50	319
Sundry insurance policies	4	31
Classified advertisements, publicity and entertainment expenses	6	58
Membership fees	6	172
Information and inspections	-	-
Other fees payable	2	30
Other	296	704
Maintenance and repair expenses	**6**	**257**
- Real estate	-	4
- Movables	6	18
Hardware and software	-	235
Indirect taxes	**7**	**64**
- Stamp duty	1	5
- Substitute tax Pres. Dec. 601/73	-	-
- Single municipal tax (IMU)	-	-
- DGS and SRF contribution	-	-
- Other indirect taxes and duties	6	59
Total	**439**	**2,310**

Below are details as requested under article 2427 of the Civil Code, paragraph 16-bis, relative to fees paid to auditing firms:

Details of remuneration paid to the independent audit firm

	31/12/2015
Fees due for:	
- the legal auditing of the accounts	575
- other verification services	154
- tax advice	9
- non-audit services	142
Total	**880**

The table also includes fees relative to C.B.A. Vita and Sella Life for € 128 thousand.

Section 12 – Net allocations to provisions for risks and charges – Item 190

12.1 Net provisions for risks and charges: breakdown

	Balances as of: 31/12/2015	Balances as of: 31/12/2014
Relative to risks due to legal disputes and customer complaints	2,199	2,341
Relative to operating risks	188	810
Relative to staff expenses	1,370	3,392
Relative to other charges	1,433	4,241
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(1,012)	(756)
Reattributions to Income Statement relating to operational risks	-	(540)
Reattributions to Income Statement relating to personnel expenses	(6)	-
Reattributions to Income Statement relating to other expenses	(401)	(113)
Total	**3,771**	**9,375**

pertaining to the banking group

	Balances as of: 31/12/2015	Balances as of: 31/12/2014
Relative to risks due to legal disputes and customer complaints	2,199	2,341
Relative to operating risks	188	810
Relative to staff expenses	1,370	3,392
Relative to other charges	1,431	4,240
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(1,012)	(756)
Reattributions to Income Statement relating to operational risks	-	(540)
Reattributions to Income Statement relating to personnel expenses	(6)	-
Reattributions to Income Statement relating to other expenses	(382)	(113)
Total	**3,788**	**9,374**

pertaining to insurance companies

	Balances as of: 31/12/2015	Balances as of: 31/12/2014
Relative to risks due to legal disputes and customer complaints	-	-
Relative to operating risks	-	-
Relative to staff expenses	-	-
Relative to other charges	2	1
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	-	-
Reattributions to Income Statement relating to operational risks	-	-
Reattributions to Income Statement relating to personnel expenses	-	-
Reattributions to Income Statement relating to other expenses	(19)	-
Total	**(17)**	**1**

Section 13 – Net value adjustments on tangible assets – Item 200

13.1 Net adjustments of property, plant and equipment: breakdown

Asset/Income component	Amortisation/depreciation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 31/12/2015
A. Tangible assets				
A.1 Company owned	15,952	146	-	16,098
- For business purposes	15,009	146	-	15,155
- For investment	943	-	-	943
A.2 Assets acquired through financial leasing	287	176	-	463
- For business purposes	287	-	-	287
- For investment	-	176	-	176
Total	**16,239**	**322**	**-**	**16,561**

pertaining to the banking group

Asset/Income component	Amortisation/depreciation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 31/12/2015
A. Tangible assets				
A.1 Company owned	15,943	146	-	16,089
- For business purposes	15,000	146	-	15,146
- For investment	943	-	-	943
A.2 Assets acquired through financial leasing	287	176	-	463
- For business purposes	287	-	-	287
- For investment	-	176	-	176
Total	**16,230**	**322**	**-**	**16,552**

pertaining to insurance companies

Asset/Income component	Amortisation/depreciation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 31/12/2015
A. Tangible assets				
A.1 Company owned	9	-	-	9
- For business purposes	9	-	-	9
- For investment	-	-	-	-
A.2 Assets acquired through financial leasing	-	-	-	-
- For business purposes	-	-	-	-
- For investment	-	-	-	-
Total	**9**	**-**	**-**	**9**

Section 14 – Net value adjustments on intangible assets – Item 210

14.1 Net value adjustments on intangible assets: breakdown

Asset/Income component	Amortisation/depreciation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 31/12/2015
A. Intangible assets				
A.1 Company owned	14,865	33	-	14,898
- Generated internally by the company	2,537	-	-	2,537
- Other	12,328	33	-	12,361
A.2 Assets acquired through financial leasing	-	-	-	-
Total	**14,865**	**33**	**-**	**14,898**

pertaining to the banking group

Asset/Income component	Amortisation/depreciation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 31/12/2015
A. Intangible assets				
A.1 Company owned	14,859	33	-	14,892
- Generated internally by the company	2,537	-	-	2,537
- Other	12,322	33	-	12,355
A.2 Assets acquired through financial leasing	-	-	-	-
Total	**14,859**	**33**	**-**	**14,892**

pertaining to insurance companies

Asset/Income component	Amortisation/depreciation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 31/12/2015
A. Intangible assets				
A.1 Company owned	6	-	-	6
- Generated internally by the company	-	-	-	-
- Other	6	-	-	6
A.2 Assets acquired through financial leasing	-	-	-	-
Total	**6**	**-**	**-**	**6**

Section 15 – Other operating income and expenses – Item 220

Other operating expenses/income

	31/12/2015	31/12/2014
Total other operating expenses	9,273	11,065
Total other operating income	87,030	86,086
Other operating expenses/income	**77,757**	**75,021**

15.1 Other operating expenses: breakdown

	Total 31/12/2015	Total 31/12/2014
Amortization of expenses for improvements on third party assets	740	937
Losses connected to operating risk	2,349	3,800
Financial leasing management expenses	-	-
Advances on the account of customers	2,697	72
Service renderings related to credit recovery	530	502
Restitution of Fund/SICAV incentives to customers (MIFID)	31	1,122
Other charges	2,926	4,632
Total	**9,273**	**11,065**

Other operating charges decreased, mainly due to lower charges connected with returning SGR, SICAV and SICAF incentives to customers, as governed by the MiFID directive, relative to Banca Patrimoni Sella & C., and to lower operational risks for the Group.

pertaining to the banking group

	Total 31/12/2015	Total 31/12/2014
Amortization of expenses for improvements on third party assets	740	937
Losses connected to operating risk	2,349	3,800
Financial leasing management expenses	-	-
Advances on the account of customers	2,697	72
Service renderings related to credit recovery	530	502
Restitution of Fund/SICAV incentives to customers (MIFID)	31	1,122
Other charges	2,871	4,631
Total	**9,218**	**11,064**

pertaining to insurance companies

	Total 31/12/2015	Total 31/12/2014
Amortization of expenses for improvements on third party assets	-	-
Losses connected to operating risk	-	-
Financial leasing management expenses	-	-
Advances on the account of customers	-	-
Service renderings related to credit recovery	-	-
Restitution of Fund/SICAV incentives to customers (MIFID)	-	-
Other charges	55	1
Total	**55**	**1**

15.2 Other operating income: breakdown

	Total 31/12/2015	Total 31/12/2014
Rents and instalments receivable	1,548	1,416
Charges to third parties and refunds received:	49,700	48,978
- taxes recovered	48,180	46,586
- insurance premiums and refunds	1,520	2,392
Expenses recovered and other revenues on current accounts and deposits	9,046	10,047
Income for software services	2,489	1,571
Income on insurance brokerage activities	2,054	1,952
POS fees receivable	5,638	5,397
Expenses and service renderings advanced on behalf of customers	1,426	1,106
Expenses recovered for services rendered in relation to credit recovery	3,718	4,001
Income from the sale of the business unit	-	-
Other income	11,411	11,618
Total	**87,030**	**86,086**

pertaining to the banking group

	Total 31/12/2015	Total 31/12/2014
Rents and instalments receivable	1,548	1,416
Charges to third parties and refunds received:	49,700	48,978
- taxes recovered	48,180	46,586
- insurance premiums and refunds	1,520	2,392
Expenses recovered and other revenues on current accounts and deposits	9,046	10,047
Income for software services	2,489	1,571
Income on insurance brokerage activities	-	-
POS fees receivable	5,638	5,397
Expenses and service renderings advanced on behalf of customers	1,426	1,106
Expenses recovered for services rendered in relation to credit recovery	3,718	4,001
Income from the sale of the business unit	-	-
Other income	11,379	11,552
Total	**84,944**	**84,068**

pertaining to insurance companies

	Total 31/12/2015	Total 31/12/2014
Rents and instalments receivable	-	-
Charges to third parties and refunds received:	-	-
- taxes recovered	-	-
- insurance premiums and refunds	-	-
Expenses recovered and other revenues on current accounts and deposits	-	-
Income for software services	-	-
Income on insurance brokerage activities	2,054	1,952
POS fees receivable	-	-
Expenses and service renderings advanced on behalf of customers	-	-
Expenses recovered for services rendered in relation to credit recovery	-	-
Income from the sale of the business unit	-	-
Other income	32	66
Total	**2,086**	**2,018**

Section 16 – Income (losses) of equity investments – Item 240

16.1 Income (losses) from equity investments: breakdown

Income components/Sectors	31/12/2015	31/12/2014
1) Jointly controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other charges	-	-
Net income/losses	-	-
2) Companies subject to significant influence		
A. Income	1,115	1,288
1. Revaluations	1,044	1,288
2. Gains on sales	-	-
3. Write-backs	-	-
4. Other income	71	-
B. Expenses	(173)	(140)
1. Write-downs	(173)	(140)
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other charges	-	-
Net income/losses	942	1,148
Total	942	1,148

The revaluation is due to, for € 1 million, the investment in Martin Maurel Banque Privee, while the remaining portion refers to the investment in HI - Mtf.

Write-downs refer to Dpixel (€ 144 thousand) and Symbid Italia (€ 29 thousand).

pertaining to the banking group

Income components/Sectors	31/12/2015	31/12/2014
1) Jointly controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other charges	-	-
Net income/losses	-	-
2) Companies subject to significant influence		
A. Income	1,115	433
1. Revaluations	1,044	433
2. Gains on sales	-	-
3. Write-backs	-	-
4. Other income	71	-
B. Expenses	(173)	(140)
1. Write-downs	(173)	(140)
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other charges	-	-
Net income/losses	942	293
Total	942	293

pertaining to insurance companies

Income components/Sectors	31/12/2015	31/12/2014
1) Jointly controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other charges	-	-
Net income/losses	-	-
2) Companies subject to significant influence		
A. Income	-	855
1. Revaluations	-	855
2. Gains on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other charges	-	-
Net income/losses	-	855
Total	-	855

Section 18 – Value adjustments on goodwill – Item 260

18.1 Value adjustments on goodwill

	31/12/2015	31/12/2014
Goodwill impairment branches	442	1,048
Total	**442**	**1,048**

The item included the effects of the write-down on goodwill relative to the Banca Sella Camastra and Naro branches acquired in 2001 from the former BCC Unione di Camastra e Naro.

Section 19 – Income (losses) from disposal of investments – Item 270

19.1 Gains/(losses) on sales of investments: breakdown

Income component/Amount	Total 31/12/2015	Total 31/12/2014
A. Properties	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	(131)	(11)
- Gains on sales	18	9
- Losses on sales	(149)	(20)
Net income/losses	**(131)**	**(11)**

Section 20 – Income taxes on continuing operations for the period – Item 290

20.1 Income taxes for the year on continuing operations: breakdown

Income components/Sectors	Total 31/12/2015	Total 31/12/2014
1. Current taxes (-)	(18,186)	(81,396)
2. Change in current taxes of previous years (+/-)	225	4,324
3. Decreases in current taxes for the year (+)	54	122
3. bis Reduction in current taxes for the year for tax credits pursuant to law 214/2011 (+)	11,647	64
4. Changes in prepaid taxes (+/-)	(2,493)	31,940
5. Changes in deferred taxes (+/-)	1,033	1,971
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(7,720)	(42,975)

Income tax amounts to € 8.4 million, compared to 35.2 million the previous year, with a 76.1% reduction with respect to a 61.8% reduction in before tax profit. The tax rate, net of the components indicated above, thus fell from 33.5% of the previous year to 21% in financial year 2015. The reduction in the tax rate is due to the different impact of dividends and capital gains from disposals of investments on the before tax results, as they had the requirements set out in articles 89, paragraph 2 and 87 of Presidential Decree 917/86, making them almost entirely untaxable.

pertaining to the banking group

Income components/Sectors	Total 31/12/2015	Total 31/12/2014
1. Current taxes (-)	(18,042)	(79,668)
2. Change in current taxes of previous years (+/-)	225	4,322
3. Decreases in current taxes for the year (+)	54	122
3. bis Reduction in current taxes for the year for tax credits pursuant to law 214/2011 (+)	11,647	64
4. Changes in prepaid taxes (+/-)	(2,488)	31,885
5. Changes in deferred taxes (+/-)	1,033	1,547
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(7,571)	(41,728)

pertaining to insurance companies

Income components/Sectors	Total 31/12/2015	Total 31/12/2014
1. Current taxes (-)	(144)	(1,728)
2. Change in current taxes of previous years (+/-)	-	2
3. Decreases in current taxes for the year (+)	-	-
3. bis Reduction in current taxes for the year for tax credits pursuant to law 214/2011 (+)	-	-
4. Changes in prepaid taxes (+/-)	(5)	55
5. Changes in deferred taxes (+/-)	-	424
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(149)	(1,247)

20.2 Reconciliation between theoretical tax burden and actual tax burden in the financial statements

Description	taxable amount	rate	Income taxes
Pre-tax profit from current operations	29,666		
Nominal rate (*)		33.07%	9,811
IRES adjustments			
Effects net of the participation exemption and dividend taxation		-15.47%	-4,588
Non-deductible interest expense (so-called Robin Hood tax)		2.37%	704
Other changes - Ires taxable base		0.77%	229
Adjusted rate		20.75%	6,156
Other changes - Irap taxable base		5.27%	1,564
Effective rate		26.02%	7,720

Section 21 – Income (losses) of assets/liabilities net of taxes – Item 310

21.1 Income (losses) on assets/liabilities being divested net of taxes: breakdown

Income components/Sectors	Total 31/12/2015	Total 31/12/2014
1. Income	414,678	-
2. Expenses	(403,488)	-
3. Result of group evaluations of associated assets and liabilities	(485)	-
4. Realized income (losses)	840	-
5. Taxes and duties	(1,864)	-
Income (loss)	**9,681**	**-**

21.2 Details on income taxes related to being divested asset/liability groups

	Total 31/12/2015	Total 31/12/2014
1. Current taxes (-)	(2,069)	-
2. Changes in prepaid taxes (+/-)	330	-
3. Changes in deferred taxes (-/+)	(125)	-
4. Income tax for the year (-1+/-2+/-3)	**(1,864)**	**-**

Section 22 – Profit (losses) for the period pertaining to minority interest – Item 330

22.1 Breakdown of item 330 “Profit (loss) attributable to minority interests”

	31/12/2015	31/12/2014
Investments in consolidated companies with significant minority interests		
1. Banca Sella S.p.A.	1,328	4,762
2. Banca Patrimoni Sella & C. S.p.A.	2,286	3,301
3. Easy Nolo S.p.A.	285	202
4. CBA Vita S.p.A.	132	149
5. Sella Gestioni SGR S.p.A.	67	35
6. Consel S.p.A.	(1,138)	(9,128)
7. Family Advisory SIM S.p.A.	95	4
Other investments	69	68
Total	**3,124**	**(607)**

Section 24 – Equity per share

24.1 Average number of ordinary shares with diluted capital

	31/12/2015		31/12/2014	
	Ordinary	Other	Ordinary	Other
Profit for the period pertaining to the Parent Company *(thousands of Euro)*	28,503	28,503	70,475	70,475
Average number of shares outstanding	209,976,000	4,051,340	209,976,000	4,051,340
EPS base *(in euros)*	**0.01**	**0.01**	**0.02**	**0.02**

24.2 Other information

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.

The base EPS was calculated by dividing the economic result attributable to holders of ordinary and special Parent Company shares (numerator) by the weighted average of ordinary and special 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 and special shares in circulation was equal to the total number of ordinary and special shares in circulation at 31 December 2015 (that is 214,027,340) as:

- on 1 January 2015 there were 214,027,340 ordinary and special Banca Sella Holding shares in circulation;
- during the course of 2015 Banca Sella Holding did not issue any new ordinary or special shares;
- on 31 December 2015, Banca Sella Holding did not hold any treasury shares in its portfolio.

Part D – Comprehensive Consolidated Income

Analytical statement of consolidated comprehensive income				
	Item	Gross amount	Income taxes	Net amount
10.	**Operating profit (Loss)**	**X**	**X**	**31,627**
	Other income components without reversal to income statement	**2,534**	**(988)**	**1,546**
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	2,534	(988)	1,546
50.	Non-current assets held for sale:	-	-	-
60.	Share of valuation reserves in relation to investments evaluated via the equity method	-	-	-
	Other income components with reversal to income statement	**32,925**	**764**	**33,689**
70.	**Foreign investment hedging**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
80.	**Foreign exchange gains (losses):**	**786**	**(3)**	**783**
	a) fair value changes	786	(3)	783
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
90.	**Cash flow hedging:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
100.	**Financial assets available for sale:**	**30,229**	**1,527**	**31,756**
	a) fair value changes	53,832	(6,270)	47,562
	b) transfer to income statement	(23,603)	7,797	(15,806)
	- adjustments from impairment	-	-	-
	- realized income/losses	(23,603)	7,797	(15,806)
	c) other changes	-	-	-
110.	**Non-current assets held for sale:**	**1,911**	**(760)**	**1,151**
	a) fair value changes	5,201	(1,889)	3,312
	b) transfer to income statement	(133)	46	(87)
	c) other changes	(3,157)	1,083	(2,074)
120.	**Share of valuation reserves in relation to investments evaluated via the equity method:**	**(1)**	**-**	**(1)**
	a) fair value changes	(1)	-	(1)
	b) transfer to income statement	-	-	-
	- adjustments from impairment	-	-	-
	- realized income/losses	-	-	-
	c) other changes	-	-	-
130.	**Total, other income components after tax**	**35,459**	**(224)**	**35,235**
140.	**Comprehensive income (Items 10 +130)**			**66,862**
150.	Comprehensive consolidated income pertaining to third-parties			9,659
160.	**Comprehensive consolidated income pertaining to the Parent Company**			**57,203**

Part E – Information on risks and related hedging policies

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 III, 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, Credit Risk Control, Market Risk, Operational Risk, Capital and Risk Integration and Internal Validation. There is also an organisational structure within the Service.

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 risk

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 services (Credit Risk Management Unit and Credit Risk Control Unit) of Banca Sella Holding and the Credit Quality Control of Banca Sella.

Within the Risk Management Service, activities are structured as follows:

- The Credit Risk Management Office is responsible for quantifying and monitoring credit risk at the portfolio level. Monitoring is done also with benchmarking tools aimed at assessing positioning with respect to system figures. In addition, on the basis of the evidence resulting from analysis, risk management guidelines are identified.
- The Credit Risk Control Office is responsible for verifying the effectiveness of the credit risk management process and the adequacy of the write-downs applied to impaired positions.

The Banca Sella Credit Quality and Control Service is a first level control structure 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).

As of 2011, in the Group banks with the greatest credit volumes, a Specialised Credit structure was established, 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, an internal procedure is available to classify customers 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, defining *a priori* the types of products and services desired or not, an initial risk selection was performed coming from the initial existing check relative to a general mitigation of the loan disbursement process, regarding the process of selecting channels and customer acquisition.

In regards to consumer loans and credit cards issued by Consel SpA, assessment of creditworthiness during the acceptance stage is done by automatically calculating a score for each operation, querying of the main databases available on the market, and examining performance data relative to any relationships already existing with Consel. The information acquired from the CIS (Credit Information Systems), public databases and internal databases are an integral part of assessing loan requests.

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.

- 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 prepares reports on trends and monitors the main variables that impact credit risk, concentration risk and residual risk. In addition, the activities performed by the Risk Management Service include defining forecast analysis methods, preparing forecasts and analysing differences with respect to final figures, as well as carrying out analysis and research on specific risk profiling issues and preparing metrics for the Risk Appetite Framework and the risk limits system.

In terms of assessing insolvency risk, there are management processes and analysis tools which are selected on the basis of internal customer segmentation. 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 (accounting data). For corporate and large corporate enterprises a real and proper statutory accounting rating is calculated; this can be calculated for every customer or potential customer. An indispensable premise for calculation of the statutory accounting rating is possession of financial statements containing a Balance Sheet and an Income Statement. The statutory accounting score is also the maximum level of detail obtainable for the following categories of customer: financial companies, leasing companies, factoring companies and holdings companies. For small business customers and small/medium-sized enterprises a number of statutory accounting indicators are calculated, contributing to the final assessment of the customers' creditworthiness.

- Qualitative information For corporate and large corporate enterprises an enterprise rating is calculated. This derives from the integration between the statutory accounting rating and the qualitative component obtained after the account manager fills in a specific questionnaire. Like the statutory accounting rating, the enterprise rating is calculated on every corporate and large corporate borrower or potential borrower. In the case of a new customer, it is comparable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. For small business customers and small/medium-sized enterprises compilation of the qualitative questionnaire is provided for but this information does not affect the final judgement on the customer.

- Performance information (the bank's internal data and Central Credit Register data). For corporate and large corporate businesses, integration between the enterprise rating and the behavioural component makes it possible to determine the overall rating which represents the most detailed assessment possible of the creditworthiness of a corporate or large corporate customer. For small business customers and small/medium-sized enterprises a number of performance indicators are calculated, contributing to the final assessment of the customers' creditworthiness. The performance component can only be calculated for companies with performance data 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.

With specific reference to consumer loans and credit cards issued by Consel, at disbursement there are scoring systems and processes used to manage overrides.

Monitoring of credit risk after acceptance is done through detailed reports, the results of which are shared with the various relevant organisational units and with the Control Committees and Management. If necessary, risk mitigation actions are begun, for example to rationalise with dealers or to acquire collateral.

Write-downs of performing and impaired loans are done on a statistical basis, deriving from impairment rate calculation models and loss given default.

With specific reference to leases associated with Biella Leasing SpA, assessment of requests includes assessment of the counterparty's creditworthiness, which also includes rating of the balance sheet, assessment of the asset to be leased, and the presence of accessory guarantees.

Monitoring of leasing is done by preparing detailed reports, shared both within the company and with the Parent Company.

Write-downs on loans, in line with that done by the Group banks, is done using a statistical approach for performing loans, while impaired loans undergo analytical assessment.

In 2015, the Credit Risk Control Committee was established, with the objective of favouring coordinated monitoring of the credit risk profile of all the entities with credit exposure within the Banca Sella Group. During committee meetings, trends and forecasts for macroeconomic variables are discussed in relation to the evolution of loan risk profiles and risk metrics. The committee monitors differences between final monthly figures and expected figures relative to the Risk Appetite Framework (RAF) forecasts and for loan adjustments. It maintains a register which shows any major issues identified and responsibilities assigned, monitors respect for deadlines and the effectiveness of corrective actions for anomalies or after controls carried out pursuant to Circular 285 (former 263/2006). It plans research in regards to specific areas requiring attention and verifies whether the entities comply with the governance rules established in the Parent Company's risk management policy.

During the course of 2015 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 III, 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. 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 3, 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 supervisory legislation on the subject of large risks and the quantification of internal capital to cover concentration risk under the terms of the Second Pillar of Basel 3, the Parent Company has defined precise guidelines designed to mitigate concentration risk through fragmentation, both at the level of single entities, and in terms of business sector/geographical area. The loan disbursement process also provides for growing decision-making limits on the basis of the amounts being lent. Individual loan applications for which the total exposure of the debtor and of any group of customers associated with it exceeds certain thresholds are always examined by the Parent Company. Exposure to concentration risk is monitored monthly on the basis of objective indicators, such as the Herfindahl index, of which precise thresholds have been set to limit the overall exposure in individual business sectors/geographical areas and dimensional classes. As far as residual risk is concerned, the Parent Company has adopted a special process with the purpose of checking the acceptability of guarantees according to each specific and general requirement prescribed by the Supervisory Authority.

At the same time as drafting the ICAAP Report (analysis of capital adequacy in accordance with the Second Pillar of Basel 3) 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).

During 2015, activities continued to ensure full implementation of the 15th update to Bank of Italy circular 263/2006, included in Circular 285/2013, specifically:

- implementation of second level controls on credit risk by the Parent Company's Risk Management Service;
- assessment of the coherence between the RAF for significant operations and loan disbursement/renewal under the responsibility of the Board of Directors.

Furthermore, with regard to control at individual level, Banca Sella has equipped itself with an Anomalous Credit Managers service, now included in the Non-Performing Exposures area, which assists branches in managing relations with clientèle that have high levels of credit anomalies.

The Banca Sella Quality and Credit Control service, through the Credit Control service, carries out actions to verify the adequacy of credit risk supervision, with constant monitoring of performance and customer data and with controls on the operations of the Banca Sella distribution network and the Credit Area services assigned to disburse credit and manage non-performing loans. The activities performed by Credit Control are also provided to Banca Patrimoni Sella & C. Spa, Biella Leasing and Consel, through outsourcing.

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 compliance with internal regulations on the disbursement and management of loans;
- systematic controls on customer positions with anomalous trends and monitoring the timeliness of interventions by the distribution network and the Credit area services responsible for managing non-performing loans, requesting resolution and if necessary beginning escalation processes;
- sharing actions and schedules for resolving problems with managers responsible for customer relations;
- identifying proactive and early actions and associated procedure management;
- managing follow-up for activities performed.

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 belonging to the Loans Portfolio of the Group Banks (borrowers or customers with current facilities in place) into 4 classes according to 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.

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 classified as “Unlikely to pay, without revocation”. The class can be viewed in the ARC risk record integrated into the CRM. The data are updated every week.

TABLEAU DE BORD

This tool enables viewing of the trend of specific performance data with the possibility of segmenting the portfolio reports at the level of the Bank, a Territory, a District and a Branch.

Purpose: the *Tableau de Bord* has the purpose of monitoring the trend of specific performance anomalies and measuring the achievement of the targets assigned (unauthorised current account overdrafts, Frozen current accounts, Delinquency Ratio, Past-due invoices, Past-due resolutions, Past-due foreign loans, Subject-to-collection portfolio non-payments, Loan performance by ARC risk classes, non-revoked unlikely to pay, Past-due).

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, when possible, customised financial solutions;

- 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 3 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 the Regulation 575/2013 permits recourse to this type of valuation. To this end the Group makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;

- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

With specific reference to personal guarantees, the specific admission requirements for guarantors are quite strict and, substantially, they exclusively recognise guarantees issued by sovereign states, public bodies, multilateral development banks, supervised brokers and companies with good credit rating for the purposes of capital requirement mitigation against credit risk. It can be noted that the Group continued, also in 2014, 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). In addition, to further monitor the requirement for legal certainty, every mortgage, pledge and surety guarantee acquired by Banca Sella receives a first level check in terms of completeness and correctness of the documentation, carried out by the Quality and Credit Control service, through the Guarantee Control service, in order to guarantee mitigation of the associated credit risk and ensure that the guarantees required to reduce capital absorption are allowed under Basel regulations. These activities are also provided to Banca Patrimoni Sella & C., in outsourcing.

No concentration conditions were recognised for guarantee categories (in terms of credit or market risk). In particular:

- real guarantees on property: both mortgage loans and real-estate leasing transactions are mainly aimed at private customers or small enterprises. This allows maintaining a high level of risk sharing;

- real guarantees on financial instruments and personal sureties: despite the diversification of issuers and guarantors, we highlight that the Italian government is the issuer/guarantor towards whom the loan portfolio is most exposed.

- Impaired financial assets

The structure within Banca Sella carries out activity for Banca Sella itself and, for collection activities for disputed loans relative to revoked unlikely to pay positions and bad loans, it provides services through outsourcing to Banca Patrimoni Sella & C. and the 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.

Following the change to the organisational structure, activities performed by the Non-Performing Exposures service are aimed at meeting the need to achieve effective management of non-performing loans, harmonising and integrating actions, starting from the moment the initial signs of impairment are seen, through to situations with more serious and/or irreversible problems.

The Non-Performing Exposures service is responsible for non-performing loans in all the various categories, managing and assessing impaired loans.

The Non-Performing Exposures Service is divided into 4 services:

- Anomalous Loan Managers Service: composed of local specialised workers who manage relationships with non-performing customers classified as unlikely to pay and past due with amounts exceeding € 10,000, supporting and cooperating with the Distribution Network. Similar figures at the head offices provide coordination and control activities;

- Phone Collection Service: composed of individuals located at the head offices and the Group's Services Centre, managing phone collection for non-performing loans of non-significant amounts;

- Restructured Loans Service: composed of specialised workers at the head office responsible for significant positions, with exposures that involve multiple credit institutions or exposures that have special legal/economic aspects. They also work with customers in cooperation with the Anomalous Loan Managers and corporate employees in the Distribution Network;

- Dispute Service: composed of workers at the head office responsible for all positions for which a forced recovery stage has been begun, as the actions of the previous services did not obtain definitive resolution of the customer's problems.

Relative to the category of customers with lower exposures, support from Phone Collection makes it possible to manage a high number of customers effectively and continuously, as soon as the initial signs of impairment appear, while also allowing the Distribution Network to maintain focus on developing sales. The Phone Collection structure makes use of the Group's Services Centre with personnel working throughout the day, with consequent improvement in collection performance for smaller overdue amounts.

When there do not appear to be concrete prospects to return positions to performing, the transfer to the dispute service is made, to begin foreclosures.

For positions involving larger exposures, the Anomalous Loan Managers from the Non-Performing Exposures have the objective of working with the Distribution Network, promptly taking on direct management of impaired customers to resolve problems and identifying solutions to return these exposures to performing status.

In particular, management of these positions by Anomalous Loan Managers and the Restructured Loans sector is intended to:

- assess debtors' future prospects;
- adjusting the due dates of financial commitments to adjust them to situations of temporary difficulty;
- contribute to resolving performance anomalies identified;
- acquiring guarantees that mitigate credit risk;
- participate at the negotiating table with customers and the banking structure;
- analyse the documents provided by the customer and appointed consultants, in order to assess business and financial plans proposed to restore the debts;
- prepare appropriate investigations in the electronic credit line system to be submitted to the relevant decision-making bodies, with the solutions identified or being prepared by the customers;
- guarantee pricing adequate to the risk profile;
- not increasing the overall risk level when concrete prospects for recovery do not exist;
- determine proper impairment classification for the loan during trading;
- assess proper recoverability, applying the provisioning policy;

- assessing whether to start collections on the loan when performance and the overall situation for the customer lead to the decision to extricate the bank from the relationship.

In this latter case, and every time the requirements are met, non-performing positions must be transferred to the dispute office, which has the task of:

- revoking credit lines;
- acting in a timely manner to recover loans in default and acquiring further guarantees to cover exposure;
- beginning foreclosures in order to enforce guarantees, when the requirements to grant adjustments to payment schedules and/or other similar actions are no longer met;
- 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.

Decision-making responsibilities relative to the assessment of collections for non-performing customers and settlement proposals, in regards to Banca Sella spa, are granted directly to the manager of the service, with the exception of settlements for significant amounts. In this case, decision-making responsibilities are given to monocratic bodies within the context of the powers granted to the individual CEOs of Banca Sella.

For disputes associated with other companies managed through outsourcing, the powers are granted to the individual CEOs of the companies.

Forecasts for the recoverability of disputed loans is done through an analytical evaluation process, 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.

In particular, this evaluation takes the following into consideration:

- 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;
- the 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 the 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 a rate may correspond to the rate adopted at the time of 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;

- the last rate present on the contract prior to zeroing if available for all contracts that, as at 31 December 2004, had a zero rate; for lack of this data, the legal rate has been adopted.

Quantitative information

A. Credit quality

For the purpose of providing quantity 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 Impaired and performing loans: amounts, write-downs, changes, economic and territorial breakdown

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/Quality		Bad loans	Unlikely to pay	Impaired past due loans	Non-impaired past due loans	Non-impaired exposures	Total
1. Financial assets available for sale		-	1,818	-	-	2,555,625	2,557,443
2. Financial assets held to maturity		-	-	-	-	-	-
3. Due from banks		-	-	-	-	303,956	303,956
4. Due from customers		339,110	289,205	21,108	260,657	7,123,462	8,033,542
5. Financial assets carried at fair value		-	-	-	-	-	-
6. Non-current assets held for sale		-	-	-	-	965,819	965,819
Total	**31/12/2015**	**339,110**	**291,023**	**21,108**	**260,657**	**10,948,862**	**11,860,760**
Total	**31/12/2014**	**311,197**	**357,968**	**34,506**	**154,054**	**11,358,138**	**12,215,863**

Non-impaired past-due exposures at 31/12/2015 amounted to € 260.7 million. These are mainly relative to current account exposures, subsidies and sales advances, or to mortgages and loans with past-due instalments. Exposures mainly fall into the category of past-due within 90 days, in particular the segment between 1 and 30 days overdue, which account for around 60% of exposures recognised. As illustrated above, mortgages and loans account for most of this initial segment - technical types with repayment through instalments. It should be specified that, in the case of mortgages and loans, there may also be situations of “technical” past-due items that derive from misalignment between the due date for the instalment and the date the funds arrive in the account (for direct deposit of salaries and pensions), which lead to quickly covered past-due amounts. Exposures falling in the next segment of past-due items, which on the other hand may indicate signals of deterioration in creditworthiness, are much more limited and decline progressively. The remaining exposures are those that are past-due for more than 90 days, which are for minimal amounts that fall below the threshold for past-due recognition.

The portion of non-impaired past-due exposures supported by guarantees is sizeable, deriving from the type of technical form. The remaining exposures are a few cases of customers who are past-due for more than 90 days, which are for minimal amounts that fall below the threshold for past-due recognition. Analysis of exposures indicates a concentration of a small number of customers with exposures (both past-due and performing) totalling more than € 10,000, with the presence of collateral. Non-impaired past due exposures with a total balance (past due and not past due) exceeding € 50,000 represent around 70% of exposures recognised, while in the remaining cases average exposure is much lower. Relative to management of non-impaired past-due exposures, please refer to the qualitative information provided above.

A.1.2 Breakdown of credit exposure by portfolio and credit quality (gross and net amounts)

Portfolio / Quality		Non-performing assets: Gross exposure	Non-performing assets: Specific adjustments	Non-performing assets: Net exposure	Non-impaired assets: Gross exposure	Non-impaired assets: Portfolio adjustments	Non-impaired assets: Net exposure	Total (net exposure)
1. Financial assets available for sale		1,818	-	1,818	2,555,625	-	2,555,625	2,557,443
2. Financial assets held to maturity		-	-	-	-	-	-	-
3. Due from banks		-	-	-	304,145	(189)	303,956	303,956
4. Due from customers		1,242,916	(593,493)	649,423	7,429,718	(45,599)	7,384,119	8,033,542
5. Financial assets carried at fair value		-	-	-	X	X	-	-
6. Non-current assets held for sale		-	-	-	965,819	-	965,819	965,819
Total	**31/12/2015**	**1,244,734**	**(593,493)**	**651,241**	**11,255,307**	**(45,788)**	**11,209,519**	**11,860,760**
Total	**31/12/2014**	**1,355,410**	**(651,739)**	**703,671**	**11,377,718**	**(49,440)**	**11,512,192**	**12,215,863**

Portfolio / Quality		Assets with evident low creditworthiness: Cumulative capital losses	Assets with evident low creditworthiness: Net exposure	Other assets: Net exposure
1. Financial assets held for trading		-	9	356,511
2. Hedging derivatives		-	-	10,282
Total	**31/12/2015**	**-**	**9**	**366,793**
Total	**31/12/2014**	**-**	**-**	**-**

A.1.3 Banking Group - Cash exposures and off-balance sheet loans to banks: gross and net values and past-due segments

Type of exposure/amounts	Gross exposure					Specific value adjustments	Portfolio adjustments	Net exposure
	Non-performing assets				Non-impaired assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	Over 1 year				
A. CASH EXPOSURES								
a) Bad loans	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
c) Impaired past-due loans	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
d) Non-impaired past-due loans	X	X	X	X	-	X	-	-
- of which: exposures subject to forbearance	X	X	X	X	-	X	-	-
e) Other non-impaired exposures	X	X	X	X	651,621	X	189	651,432
- of which: exposures subject to forbearance	X	X	X	X	-	X	-	-
TOTAL A	**-**	**-**	**-**	**-**	**651,621**	**-**	**189**	**651,432**
B. OFF BALANCE SHEET EXPOSURES								
a) Impaired	-	-	-	-	X	-	X	-
b) non-impaired	X	X	X	X	22,215	X	1	22,214
TOTAL B	**-**	**-**	**-**	**-**	**22,215**	**-**	**1**	**22,214**
TOTAL (A+B)	**-**	**-**	**-**	**-**	**673,836**	**-**	**190**	**673,646**

A.1.6 Banking Group - Cash exposures and off-balance sheet loans to customers: gross and net values and past-due segments

Type of exposure/amounts	Gross exposure					Specific value adjustments	Portfolio adjustments	Net exposure
	Non-performing assets				Non-impaired assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	Over 1 year				
A. CASH EXPOSURES								
a) Bad loans	723	2,406	9,416	842,646	X	516,081	X	339,110
- of which: exposures subject to forbearance	-	624	2,848	38,505	X	19,202	X	22,775
b) Unlikely to pay	209,828	48,404	54,321	50,384	X	71,914	X	291,023
- of which: exposures subject to forbearance	129,472	27,951	27,636	21,901	X	29,463	X	177,497
c) Impaired past-due loans	2,116	8,316	7,212	8,962	X	5,498	X	21,108
- of which: exposures subject to forbearance	391	1,029	1,219	3,840	X	2,370	X	4,109
d) Non-impaired past-due loans	X	X	X	X	266,117	X	5,460	260,657
- of which: exposures subject to forbearance	X	X	X	X	52,584	X	2,582	50,002
e) Other non-impaired exposures	X	X	X	X	9,714,217	X	40,139	9,674,078
- of which: exposures subject to forbearance	X	X	X	X	139,572	X	5,411	134,161
TOTAL A	**212,667**	**59,126**	**70,949**	**901,992**	**9,980,334**	**593,493**	**45,599**	**10,585,976**
B. OFF BALANCE SHEET EXPOSURES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	7,148	-	-	-	X	-	X	7,148
b) non-impaired	X	X	X	X	517,913	X	1,513	516,400
TOTAL B	**7,148**	**-**	**-**	**-**	**517,913**	**-**	**1,513**	**523,548**
TOTAL (A+B)	**219,815**	**59,126**	**70,949**	**901,992**	**10,498,247**	**593,493**	**47,112**	**11,109,524**

A.1.7 Banking Group - Cash exposures to customers: changes in gross impaired exposures

Description/Category	Bad loans	Unlikely to pay	Impaired past due loans
A. Initial gross exposure	**868,750**	**443,043**	**43,617**
- of which: exposures sold but not derecognised	2,118	1,021	3,779
B. Increases	**293,296**	**255,430**	**62,234**
B.1 inflows from performing exposures	3,787	156,617	54,634
B.2 transfers from other categories of impaired exposures	259,812	41,667	1,851
B.3 other increases	29,697	57,146	5,749
C. Decreases	**306,855**	**335,536**	**79,245**
C.1 outflows to performing exposures	7,140	47,382	16,508
C.2 write-offs	224,600	1,042	59
C.3 collections	46,048	35,065	8,868
C.4 realizations through sales	26,177	-	-
C.5 losses on disposal	371	-	-
C.6 transfers to other impaired exposures	415	249,920	52,995
C.7 other decreases	2,104	2,127	815
D. Final gross exposure	**855,191**	**362,937**	**26,606**
- of which: exposures sold but not derecognised	3,088	5,666	1,159

A.1.8 Banking Group - Cash exposures to customers: changes in total adjustments

Description/Category	Bad loans	Unlikely to pay	Impaired past due loans
	Total	Total	Total
A. Initial total adjustments	**557,553**	**85,075**	**9,111**
- of which: exposures sold but not derecognised	759	214	1,095
B. Increases	**220,138**	**46,379**	**1,854**
B.1 write-downs	148,404	34,502	193
B.2 losses on disposal	22,352	-	-
B.3 transfers from other categories of impaired exposures	47,742	1,317	175
B.4 other increases	1,640	10,560	1,486
C. Decreases	**261,610**	**59,540**	**5,467**
C.1 write-backs on valuation	21,853	8,310	2,878
C.2 write-backs on collection	7,459	1,201	233
C.3 gains on disposal	5,276	-	-
C.4 write-offs	224,600	660	59
C.5 transfers to other impaired exposures	53	47,850	1,331
C.6 other decreases	2,369	1,519	966
D. Final total adjustments	**516,081**	**71,914**	**5,498**
- of which: exposures sold but not derecognised	852	206	13

A.2 Classification of exposures by 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						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash credit exposures	**76,439**	**484,338**	**2,730,984**	**455,797**	**30,504**	**1,661**	**7,479,224**	**11,258,947**
B. Derivatives	**10**	**17,029**	**1,681**	**721**	**-**	**11**	**9,450**	**28,902**
B.1 Financial derivatives	10	17,029	1,681	721	-	11	9,450	28,902
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Sureties issued	**-**	**42,025**	**10,731**	**22,676**	**991**	**116**	**156,505**	**233,044**
D. Commitments to disburse funds	**-**	**11,045**	**1,840**	**6,173**	**1,267**	**12**	**253,838**	**274,175**
E. Other	**-**	**-**	**270**	**-**	**-**	**-**	**9,371**	**9,641**
Total	**76,449**	**554,437**	**2,745,506**	**485,367**	**32,762**	**1,800**	**7,908,388**	**11,804,709**

External rating classes are shown based on the ECAI rating maps recognised by the Bank of Italy.

The mapping reported in the table is relative to the long-term ratings assigned by Fitch Ratings and by the Cerved Rating Agency, the latter used exclusively by Banca Sella to determine weighting ratios to calculate capital requirements for exposures to companies classified as capital companies.

- creditworthiness class 1 includes Fitch ratings from AAA to AA-;
- creditworthiness class 2 includes Fitch ratings from A+ to A- and Cerved ratings from A1.1 to A3.1;
- creditworthiness class 3 includes Fitch ratings from BBB+ to BBB- and Cerved ratings B1.1;
- creditworthiness class 4 includes Fitch ratings from BB+ to BB- and Cerved ratings from B1.2 to B2.2;
- creditworthiness class 5 includes Fitch ratings from B+ to B- and Cerved ratings C1.1;
- creditworthiness class 6 includes Fitch ratings CCC+ and lower and Cerved ratings from C1.2 to C2.1.

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 and by Cerved 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.

The unrated column mainly includes external unrated corporate exposures, retail companies, unrated entities and private customers.

A.2.2 Banking Group - Distribution of cash and “off balance sheet” exposures by internal rating classes

Exposures	Internal rating classes									Without rating	Total
	AAA/SA1	AA/SA2	A/SA3	BBB/SA4	BB/SA5	B/SA6	CCC/SA7	CC/SA8	C/SA9		
A. Cash exposures	**245,402**	**316,842**	**530,642**	**636,691**	**460,246**	**248,619**	**141,446**	**47,140**	**19,428**	**8,590,953**	**11,237,409**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,902**	**28,902**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	28,902	28,902
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Sureties issued	**40,937**	**19,809**	**20,929**	**22,288**	**17,202**	**7,458**	**1,834**	**397**	**468**	**101,722**	**233,044**
D. Commitments to disburse funds	**12,556**	**10,773**	**6,501**	**8,678**	**4,272**	**1,511**	**742**	**83**	**3,529**	**225,529**	**274,174**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,642**	**9,642**
Total	**298,895**	**347,424**	**558,072**	**667,657**	**481,720**	**257,588**	**144,022**	**47,620**	**23,425**	**8,956,748**	**11,783,171**

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 customer companies of the Banca Sella Group. The “No rating” column includes both exposures to companies with no internal rating and exposures to customers belonging to a different segment from the “companies” segment.

A.3 Distribution of guaranteed loan exposures by type of guarantee

A.3.1 Banking Group - Guaranteed credit exposure to banks

Part 1

	Net exposure value	Collateral securities (1)				Personal guarantees (2)		
						Credit derivatives		
							Other derivatives	
		Real estate, mortgages	Real estate, financial leasing	Securities	Other collateral	CLN	Governments and Central Banks	Other public bodies
1. Guaranteed cash credit exposures	8,034	-	-	8,017	-	-	-	-
1.1. totally guaranteed	8,034	-	-	8,017	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. "Off balance sheet" guaranteed credit exposures	-	-	-	-	-	-	-	-
2.1. totally guaranteed	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

A.3.1 Banking Group - Guaranteed credit exposure to banks

Part 2

	Personal guarantees (2)						Total (1)+(2)
	Credit derivatives		Guaranteed loans				
	Other derivatives						
	Banks	Other subjects	Governments and Central Banks	Other public bodies	Banks	Other subjects	
1. Guaranteed cash credit exposures	-	-	-	-	-	-	8,017
1.1. totally guaranteed	-	-	-	-	-	-	8,017
- of which impaired	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-
2. "Off balance sheet" guaranteed credit exposures	-	-	-	-	-	-	-
2.1. totally guaranteed	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-

A.3.2 Banking Group - Guaranteed credit exposures to customers

Part 1

	Net exposure value	Collateral securities (1)				Personal guarantees (2)		
						Credit derivatives		
							Other derivatives	
		Real estate, mortgages	Real estate, financial leasing	Securities	Other collateral	CLN	Governments and Central Banks	Other public bodies
1. Guaranteed cash credit exposures:	5,388,481	2,888,141	441,702	606,874	283,885	-	-	-
1.1. totally guaranteed	5,265,742	2,882,225	441,702	580,917	278,954	-	-	-
- of which impaired	521,798	339,279	49,164	1,625	9,029	-	-	-
1.2. partially guaranteed	122,739	5,916	-	25,957	4,931	-	-	-
- of which impaired	18,538	4,246	-	684	185	-	-	-
2. Off balance sheet guaranteed credit exposures:	158,663	12,901	-	16,534	20,602	-	-	-
2.1. totally guaranteed	88,262	1,048	-	10,999	17,659	-	-	-
- of which impaired	2,748	984	-	68	74	-	-	-
2.2. partially guaranteed	70,401	11,853	-	5,535	2,943	-	-	-
- of which impaired	2,096	-	-	6	150	-	-	-

A.3.2 Banking Group - Guaranteed credit exposures to customers

Part 2

	Personal guarantees (2)							
	Credit derivatives		Guaranteed loans					
	Other derivatives							
	Banks	Other subjects	Governments and Central Banks	Other public bodies	Banks	Other subjects	Total (1)+(2)
1. Guaranteed cash credit exposures:	-	-	7,443	1,294	1,096	841,135	5,071,570
1.1. totally guaranteed	-	-	7,443	794	752	805,922	4,998,709
- of which impaired	-	-	72	249	473	110,001	509,892
1.2. partially guaranteed	-	-	-	500	344	35,213	72,861
- of which impaired	-	-	-	-	24	10,432	15,571
2. Off balance sheet guaranteed credit exposures:	-	-	-	17	95	86,729	136,878
2.1. totally guaranteed	-	-	-	17	95	58,445	88,263
- of which impaired	-	-	-	-	-	1,622	2,748
2.2. partially guaranteed	-	-	-	-	-	28,284	48,615
- of which impaired	-	-	-	-	-	1,650	1,806

B Distribution and concentration of credit exposures

B.1 Banking Group – Sectoral distribution of credit exposure of cash and "off balance" sheet to customers (book value)

Part 1

Exposure/Counterparty		Governments			Other public bodies			Financial companies		
		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 Bad loans		-	-	x	-	-	x	1,025	1,274	x
- of which exposures subject to forbearance		-	-	x	-	-	x	-	-	x
A.2 Unlikely to pay		54	6	x	3,219	188	x	1,191	428	x
- of which exposures subject to forbearance		-	-	x	773	45	x	572	67	x
A.3 Impaired past-due loans		1	1	x	11	1	x	17	8	x
- of which exposures subject to forbearance		-	-	x	-	-	x	3	2	x
A.4 Non-impaired loans		2,392,161	x	5	10,337	x	27	584,455	x	449
- of which exposures subject to forbearance		-	x	-	1	x	-	358	x	31
Total A		**2,392,216**	**7**	**5**	**13,567**	**189**	**27**	**586,688**	**1,710**	**449**
B. Off balance sheet exposures										
B.1 Bad loans		-	-	x	-	-	x	-	-	x
B.2 Unlikely to pay		-	-	x	-	-	x	-	-	x
B.3 Other impaired assets		-	-	x	-	-	x	-	-	-
B.4 Non-impaired loans		44,025	x	-	5,325	x	2	28,709	x	33
Total B		**44,025**	**-**	**-**	**5,325**	**-**	**2**	**28,709**	**-**	**33**
Total (A+B)	**31/12/2015**	**2,436,241**	**7**	**5**	**18,892**	**189**	**29**	**615,397**	**1,710**	**482**
Total (A+B)	**31/12/2014**	**2,281,282**	**-**	**2**	**15,651**	**13**	**24**	**265,718**	**890**	**669**

B.1 Banking Group – Sectoral distribution of credit exposure of cash and “off balance” sheet to customers (book value)

Part 2

Exposure/Counterparty		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
A. Cash exposures										
A.1 Bad loans		-	-	x	256,408	370,797	x	81,677	144,010	x
- of which exposures subject to forbearance		-	-	x	16,379	14,863	x	6,396	4,339	x
A.2 Unlikely to pay		-	-	x	206,330	51,769	x	80,229	19,523	x
- of which exposures subject to forbearance		-	-	x	125,105	19,282	x	51,047	10,069	x
A.3 Impaired past-due loans		-	-	x	7,804	975	x	13,275	4,513	x
- of which exposures subject to forbearance		-	-	x	737	103	x	3,369	2,265	x
A.4 Non-impaired loans		18,866	x	23	3,538,098	x	30,339	3,390,818	x	14,756
- of which exposures subject to forbearance		-	x	-	90,312	x	4,632	93,492	x	3,330
Total A		**18,866**	**-**	**23**	**4,008,640**	**423,541**	**30,339**	**3,565,999**	**168,046**	**14,756**
B. Off balance sheet exposures										
B.1 Bad loans		-	-	x	918	-	x	554	-	x
B.2 Unlikely to pay		-	-	x	4,493	-	x	458	-	x
B.3 Other impaired assets		-	-	x	502	-	x	223	-	x
B.4 Non-impaired loans		1,097	x	3	293,129	x	1,403	134,473	x	72
Total B		**1,097**	**-**	**3**	**299,042**	**-**	**1,403**	**135,708**	**-**	**72**
Total (A+B)	**31/12/2015**	**19,963**	**-**	**26**	**4,307,682**	**423,541**	**31,742**	**3,701,707**	**168,046**	**14,828**
Total (A+B)	**31/12/2014**	**8,325**	**-**	**10**	**4,719,703**	**360,686**	**35,122**	**3,699,132**	**290,151**	**14,643**

B.2 Banking Group – Geographical distribution of credit exposure of cash and “off balance” sheet to customers (book value)

Part 1

Exposure/Geographical area		Italy		Other European Countries		America
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure
A. Cash exposures						
A.1 Bad loans		338,378	515,302	634	651	5
A.2 Unlikely to pay		290,007	71,822	1,016	92	-
A.3 Impaired past-due loans		21,088	5,493	16	4	4
A.4 Non-impaired loans		9,726,823	44,269	171,050	1,219	24,906
Total A		**10,376,296**	**636,886**	**172,716**	**1,966**	**24,915**
B. Off balance sheet exposures						
B.1 Bad loans		1,472	-	-	-	-
B.2 Unlikely to pay		4,951	-	-	-	-
B.3 Other impaired assets		725	-	-	-	-
B.4 Non-impaired loans		496,339	1,513	1,238	-	1,267
Total B		**503,487**	**1,513**	**1,238**	**-**	**1,267**
Total A+B	**31/12/2015**	**10,879,783**	**638,399**	**173,954**	**1,966**	**26,182**
Total A+B	**31/12/2014**	**10,791,021**	**701,327**	**147,538**	**710**	**13,857**

B.2 Banking Group – Geographical distribution of credit exposure of cash and “off balance” sheet to customers (book value)

Part 2

Exposure/Geographical area		America	Asia		Rest of the world	
		Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposures						
A.1 Bad loans		7	-	-	93	121
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due loans		1	-	-	-	-
A.4 Non-impaired loans		20	1,296	2	10,660	89
Total A		**28**	**1,296**	**2**	**10,753**	**210**
B. Off balance sheet exposures						
B.1 Bad loans		-	-	-	-	-
B.2 Unlikely to pay		-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-
B.4 Non-impaired loans		-	-	-	7,914	-
Total B		**-**	**-**	**-**	**7,914**	**-**
Total A+B	**31/12/2015**	**28**	**1,296**	**2**	**18,667**	**210**
Total A+B	**31/12/2014**	**21**	**685**	**1**	**36,709**	**151**

B.2 Banking Group – Geographical distribution of credit exposure of cash and "off balance" sheet to customers (book value)

Exposure/Geographical area		North West Italy		North East Italy		Central Italy		Southern Italy and Islands	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposures									
A.1 Bad loans		147,567	212,601	56,919	80,401	53,934	81,221	79,958	141,079
A.2 Unlikely to pay		124,684	35,148	48,380	8,503	52,056	12,791	64,887	15,380
A.3 Impaired past-due loans		8,477	1,909	1,523	380	3,697	1,001	7,391	2,203
A.4 Non-impaired loans		3,505,952	20,949	948,729	6,156	3,770,801	6,218	1,501,341	10,946
Total A		**3,786,680**	**270,607**	**1,055,551**	**95,440**	**3,880,488**	**101,231**	**1,653,577**	**169,608**
B. Off balance sheet exposures									
B.1 Bad loans		1,151	-	111	-	160	-	50	-
B.2 Unlikely to pay		2,779	-	1,033	-	522	-	617	-
B.3 Other impaired assets		394	-	170	-	45	-	116	-
B.4 Non-impaired loans		254,895	1,007	36,589	76	122,010	219	82,845	211
Total B		**259,219**	**1,007**	**37,903**	**76**	**122,737**	**219**	**83,628**	**211**
Total (A+B)	**31/12/2015**	**4,045,899**	**271,614**	**1,093,454**	**95,516**	**4,003,225**	**101,450**	**1,737,205**	**169,819**
Total (A+B)	**31/12/2014**	**4,249,304**	**273,834**	**1,107,248**	**96,897**	**3,605,045**	**115,673**	**1,829,426**	**214,922**

The previous table was completed given that, as required by circular 262/05, as updated, the Group mainly has relationships with subjects residing in Italy.

B.3 Banking Group – Geographical distribution of cash and “off balance” sheet exposures to banks (book value)

Part 1

Exposure/Geographical area		Italy		Other European Countries		America
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure
A. Cash exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due loans		-	-	-	-	-
A.4 Non-impaired loans		439,282	1	172,120	188	25,492
Total A		**439,282**	**1**	**172,120**	**188**	**25,492**
B. Off balance sheet exposures						
B.1 Bad loans		-	-	-	-	-
B.2 Unlikely to pay		-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-
B.4 Non-impaired loans		3,824	-	15,629	1	10
Total B		**3,824**	**-**	**15,629**	**1**	**10**
Total A+B	**31/12/2015**	**443,106**	**1**	**187,749**	**189**	**25,502**
Total A+B	**31/12/2014**	**1,247,683**	**(2)**	**202,843**	**(415)**	**22,429**

B.3 Banking Group – Geographical distribution of cash and “off balance” sheet exposures to banks (book value)

Part 2

Exposure/Geographical area		America	Asia		Rest of the world	
		Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due loans		-	-	-	-	-
A.4 Non-impaired loans		-	3,817	-	10,721	-
Total A		**-**	**3,817**	**-**	**10,721**	**-**
B. Off balance sheet exposures						
B.1 Bad loans		-	-	-	-	-
B.2 Unlikely to pay		-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-
B.4 Non-impaired loans		-	-	-	2,751	-
Total B		**-**	**-**	**-**	**2,751**	**-**
Total A+B	**31/12/2015**	**-**	**3,817**	**-**	**13,472**	**-**
Total A+B	**31/12/2014**	**-**	**4,158**	**-**	**16,357**	**(1)**

B.3 Banking Group – Geographical distribution of cash and “off balance” sheet exposures to banks (book value)

Exposure/Geographical area		North West Italy		North East Italy		Central Italy		Southern Italy and Islands	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposures									
A.1 Bad loans		-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-
A.3 Impaired past-due loans		-	-	-	-	-	-	-	-
A.4 Non-impaired loans		186,881	1	48,235	-	203,735	-	431	-
Total A		**186,881**	**1**	**48,235**	**-**	**203,735**	**-**	**431**	**-**
B. Off balance sheet exposures									
B.1 Bad loans		-	-	-	-	-	-	-	-
B.2 Unlikely to pay		-	-	-	-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-	-	-	-
B.4 Non-impaired loans		3,708	-	46	-	70	-	-	-
Total B		**3,708**	**-**	**46**	**-**	**70**	**-**	**-**	**-**
Total (A+B)	**31/12/2015**	**190,589**	**1**	**48,281**	**-**	**203,805**	**-**	**431**	**-**
Total (A+B)	**31/12/2014**	**176,575**	**1**	**44,500**	**-**	**1,019,756**	**-**	**6,854**	**1**

The previous table was completed given that, as required by the 3rd update to Circular 262/05, the Group mainly has relationships with subjects residing in Italy.

B.4 Large exposures

	Total
a) amount (book value)	3,232,346
b) amount (value weighted)	215,832
c) number	3

Positions relative to large exposures refer to the Tesoro dello Stato, Cassa di Compensazione e Garanzia and the Bank of Italy.

C. Securitisation transactions

This section does not include securitisation transactions in which banks from the same banking group were the originators or the total liabilities issued (e.g. ABS, loans in the "warehousing" phase) by vehicle companies, or subscribed at the time of issue by one or more companies in the same banking group (e.g. parent company bank).

Beginning in financial year 2000 the Group carried out 7 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 04 April 2008, 08 January 2009, 09 January 2012 and 09 April 2014, Banca Sella S.p.A. completed four transfer 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.

On 23 January 2014, 30 January 2014 and 23 April 2015, the operations begun in 2008, 2009 and 2005, respectively, were concluded. Banca Sella bought back the loans from the vehicle company, which provided for the early reimbursement of the securities still existing.

The role of servicer in various securitisation transactions was always played by the originators (Banca Sella S.p.A.).

Banca Sella S.p.A, as the originator of the operations, subscribed the entire amount of the junior titles issued in relation to the various securitisations. Junior securities for existing operations 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. In relation to the 2014 operation, the Bank fully subscribed the fixed rate senior tranche, while the variable rate senior tranche was placed on the market with institutional investors. The securities subscribed by the originator 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.

The assets sold continue to be represented in the financial statements in that the sale did not substantially transfer the risks to third-parties.

In 2013 and 2014, Consel carried out two securitisation operations, with the goal of achieving three results:

- diversification of financing sources;
- improving the liquidity position;
- optimising funding costs.

The securitisation operations were structured so as to obtain the maximum rating from the senior securities issued by the SPV and to consequently access funding at an extremely competitive cost.

For all public operations (ABS) existing and being structured, a rating for the securities was requested and obtained (exclusive of junior securities) from at least two of the four major ratings agencies (Standard&Poors, Moody's Investor Services, DBRS and Fitch Ratings).

In the securitisation operation, the Servicer role is fulfilled by the Originator company.

The Servicer role for the operations envisages that a series of qualitative parameters are met, connected to proper management of the assets underlying the securities issued by the SPV and an adequate organisational structure in terms of specialised management and personnel.

In terms of operations, the Service:

a) manages existing contracts according to its Credit and Collection Policies and regulations, in compliance with the SPV and the Noteholders Representative, and also with disclosure obligations associated with the Rating Agencies in the case of significant events;

b) registers Collections and Reimbursements, transferring the relative amounts. Collections performed by the Servicer for various operations are transferred to the SPV based on schedules established for each transaction (generally daily) and are kept in interest-bearing current accounts until the first useful payment date.

In the context of its Servicer role, Consel continually monitors securitised loans, including: quarterly "servicing reports" that are produced and sent to the Ratings Agencies, the SPV and the Calculation and Paying Agent. Annually, Consel appoints an independent auditing firm to audit the Servicer Report which is then sent to the Noteholders Representative.

Servicing activities are generally paid for by the SPV on a market basis.

In the securitisation transactions carried out by the company, the senior securities can be:

(a) subscribed by institutional investors in the case of public placement of the operation on the primary market;

(b) subscribed by the (Originator) company if the securities are used as collateral for loan operations;

(c) subscribed by the (Originator) company which then subsequently places them with institutional investors on the secondary market.

The Junior securities are fully subscribed by the Originator.

As the funding goal of the transaction was not met, Consel, as the sole subscriber of the junior securities (class J), and the sole Noteholder for the operation, in order to limit costs connected with management of the residual portfolio, to improve and optimise management of the Company's sales loans and improve operational and cost efficiency, on 20 January 2015, with the consent of Consel as the sole Junior Noteholder and after a disclosure sent to the Noteholder Representative, Monviso 2013 withdrew all the residual loans originally acquired in the context of the securitisation and, on 23 January 2015, used the income from said disposal to pay interest and repay capital on the remaining junior securities.

A brief account of the securitisation transactions is provided below.

Banca Sella S.p.A. securitisation of performing loans – financial year 2014

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 April 2014, while the securities were issued on 12 June 2014.

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 around € 489.0 million, 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 € 216.0 million, class A2 notes amounting to € 216.0 million, and Class D notes in the amount of € 67.7 million.

The Class A1 and A2 notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 both for class Aa2 and class A2 notes. 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.

Banca Sella S.p.A. subscribed the fixed rate class A2 securities, and the class D securities, while the variable rate class A1 securities were placed on the market with institutional investors. The sum paid for the subscription of the class D securities was used for the creation of a cash reserve.

At 31 December 2015, the Class A1 and A2 notes earned interest of about € 5.6 million. In financial year 2015, class D securities earned interest for € 8.6 million. Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services, as well as collecting disputed receivables, 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 and 0.05% of the amount of collections relative to disputed receivables achieved by Banca Sella S.p.A. during the reference quarter. At 31 December 2015, the servicing fees collected by Banca Sella S.p.A. were approximately € 0.45 million.

C.1*bis* Other self-securitisation operations not under quantitative information

a) 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, 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, class A2 notes amounting to € 235.4 million, and class D notes amounting to € 48 million.

The Class A1 and A2 notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 both for class A1 and class A2 notes. 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. The sum paid for the subscription of the class D securities was used for the creation of a cash reserve.

At 31 December 2015, the Class A1 and A2 notes earned interest of about € 4.4 million. In financial year 2015, class D securities earned interest for around € 3.9 million. Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services, as well as collecting disputed receivables, 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 and 0.05% of the amount of collections relative to disputed receivables achieved by Banca Sella S.p.A. during the reference quarter. At 31 December 2015, the servicing fees collected by Banca Sella S.p.A. were approximately € 0.26 million.

Consel S.p.A. securitisation of pecuniary loans – 2014

In 2014, the company completed the second securitisation, Monviso 2014.

This operation involved two phases, summarised below.

Phase 1

On 23/5/2014, a framework contract was stipulated with Consel S.p.A., registered office in Via V. Bellini, no. 2, Turin, registered with the Turin Companies Register under 948365, and under 32042 in the general list kept by the Bank of Italy pursuant to article 106 of Legislative Decree no. 385 of 1/9/1993, and under 32494 in the special list kept by the Bank of Italy pursuant to article 107 of the Consolidated Banking Act, in regards to the purchasing of a block of loans, pursuant to Law 130/99, and more specifically consumer loans and personal loans, identified on the basis of specific pre-established criteria.

The purchase of the portfolio was effective for economic purposes on 22/5/2014 (measurement date) and included:

(a) all capital and accrued interest components;

(b) all interest components;

(c) all expense components;

(d) all receivables due for interest on arrears, fees for early repayment, costs, indemnities and damages.

Payment of the transfer price for the initial portfolio, of € 369,830,833.53 was made on the date the securities were issued, using the income deriving from the relative placement.

At the same time the disposal contract was stipulated, the transferring company, on the basis of a specific assignment granted through a servicing contract, continued to administer the transferred portfolio, maintaining full and direct sales contact with customers.

Phase 2

The SPV, Monviso 2014 S.r.l. financed the payment of the purchase price for the loans, through the issue of Senior securities (class A), completed on 04/07/2014, in the amount of € 240,000,000 and Junior securities (class J) for € 132,300,000.

Specifically, with reference to the class A (senior) securities, 2,400 certificates were issued with a nominal value of € 100,000 each, denominated as Class A Asset Backed Fixed Rate, with maturity on 23/06/2027, ISIN code: IT0005027393.

The securities, issued at par, gain interest at an annual fixed rate of 1.40%. The securities were listed on the Luxembourg Stock Market. At the time of issue, the class A securities were given a rating of “AA+(sf)” (high quality - excellent rating) by Fitch and “AA(H)” (high quality - excellent rating) by DBRS. The senior securities were placed on the market with institutional investors.

As of the reporting date (31/12/2015), the balance of senior notes was € 137,786,788.80.

With reference to the class J (junior) securities, 1,323 certificates were issued with a nominal value of € 100,000 each, denominated as Class B Asset Backed Fixed Rate Notes, maturing on 23 April 2030, ISIN code: IT0005027609.

These securities are unrated and are not listed on any regulated market. The securities, issued at par, gain interest at an annual fixed rate of 3% plus a premium paid to the subscribers of the class J equal to available collections at every payment date, net of all expenses suffered, based on that foreseen in the contracts and the payment priority structure. The junior securities were directly subscribed by Consel S.p.A. As of the reporting date, the balance of these notes was € 132,300,000.

Revolving mechanism for the loans.

The operation contains a revolving mechanism for disposal of the loans, on the basis of which the SPV has the option (but not the obligation) to acquire additional loans from the Company for a period of twelve months from the date the securitisation begins, using the income deriving from reimbursement of the loans already acquired. The portfolio of loans acquired at the time the disposal contract was stipulated (the "Initial Loans") and the portfolio of loans acquired subsequently, on the basis of the aforementioned revolving mechanism (the "Subsequent Loans") constitute a single portfolio that protects the interests of those holding the securities issued in the context of the securitisation and all of the SPV's other creditors in the context of the same securitisation.

The revolving structure allows for amortisation of the fixed costs associated with the operation over a longer period, optimising the cost of the operation.

At the end of the revolving period, the securities issued are repaid with an amortisation structure that follows that used for the underlying loans.

In the context of the disposal programme indicated in the notice of transfer published in the Official Journal of the Republic of Italy, no. 64, 31 May 2014, Consel transferred to Monviso 2014 S.r.l. without recourse, on 16 December 2014 and on 16 June 2015, two subsequent portfolios, respectively for € 92,652,490.34 and € 77,046,812.09.

Performance of the Operation

The securitised portfolio is subject to continuous monitoring: quarterly "servicing reports" and "payment & investor reports" are produced and sent to the ratings agencies, the SPV and the Calculation and Paying Agent (BNY Mellon - The Bank of New York Mellon (Luxembourg) S.A. Italian Branch).

In terms of management, the performance of the securitised loans do not show significant difference from the performance analysis used during the structuring process and sent to the ratings agencies to simulate cash flows, and hence for assignment of the AA+ ratings to the senior securities.

In addition, periodically the ratings agencies monitor the performance of the entire underlying loan portfolio in order to:

- continuously verify that the rating assigned when the operation was structured remains valid through the conclusion of the operation;
- verify that minimum servicing standards are respected.

At 31/12/2015, the portfolio (including the transfer of the two subsequent portfolios) consisted of 75,467 loans for an outstanding value of € 268,545,385. On the same date, the cumulative gross default amount was equal to zero, also as a consequence of the possibility granted to the servicer (Consel SpA), on the basis of article 13 of the Transfer Agreement, to repurchase loans transferred for a percentage not to exceed 12% of the initial portfolio. At 31/12/2015 the servicer had repurchased € 14.3 million of non-defaulted loans (equal to 3.88% of the initial portfolio).

Quantitative information

C.1 Exposures deriving from main "own" securitisation operations divided by type of securitised assets and type of exposures

Type of securitised assets/Exposures	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Write-downs/Write-backs	Book value	Write-downs/Write-backs	Book value	Write-downs/Write-backs
A. Subject to total cancellation in the financial statements	-	-	-	-	-	-
B. Subject to partial cancellation in the financial statements	-	-	-	-	-	-
C. Not cancelled from the financial statements						
C.1 Mars 2600 S.r.l.						
- Performing loans	158,057	-	-	-	67,700	(210)
C.2 Monviso 2013 S.r.l.						
- Consumer credit	-	-	-	-	-	-
C.3 Monviso 2014 S.r.l.						
- Consumer credit	-	-	-	-	133,856	(1,743)

C.1 Exposures deriving from main "own" securitisation operations divided by type of securitised assets and type of exposures

Type of securitised assets/Exposures	Guarantees issued					
	Senior		Mezzanine		Junior	
	Book value	Write-downs/Write-backs	Book value	Write-downs/Write-backs	Book value	Write-downs/Write-backs
A. Subject to total cancellation in the financial statements	-	-	-	-	-	-
B. Subject to partial cancellation in the financial statements	-	-	-	-	-	-
C. Not cancelled from the financial statements						
C.1 Mars 2600 S.r.l.						
- Performing loans	-	-	-	-	-	-
C.2 Monviso 2013 S.r.l.						
- Consumer credit	-	-	-	-	-	-
C.3 Monviso 2014 S.r.l.						
- Consumer credit	-	-	-	-	-	-

C.1 Exposures deriving from main "own" securitisation operations divided by type of securitised assets and type of exposures

Type of securitised assets/Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Book value	Write-downs/Write-backs	Book value	Write-downs/Write-backs	Book value	Write-downs/Write-backs
A. Subject to total cancellation in the financial statements	-	-	-	-	-	-
B. Subject to partial cancellation in the financial statements	-	-	-	-	-	-
C. Not cancelled from the financial statements						
C.1 Mars 2600 S.r.l.						
- Performing loans	-	-	-	-	-	-
C.2 Monviso 2013 S.r.l.						
- Consumer credit	-	-	-	-	-	-
C.3 Monviso 2014 S.r.l.						
- Consumer credit	-	-	-	-	-	-

C.3 Banking group - Interests in special purpose vehicles for securitisation

Company name	Registered office	Consolidation	Assets			Liabilities		
			Receivables	Debt securities	Other	Senior	Mezzanine	Junior
Mars 2600 Srl	Treviso	YES	612,265	-	54,534	511,488	-	115,700
Monviso 2014 Srl	Milan	YES	256,760	-	16,890	137,835	-	135,473

D. Disclosure of structured entities (other than special purpose vehicles for the securitisation)

Qualitative information

The Bank has exposures with non-consolidated structured entities due to investments in units issued by investment funds (UCITS), which are classified as structured entities under IFRS 12.

Quantitative information

Disclosure on structured entities not consolidated for accounting purposes (other than special purpose vehicles for the securitisation)

balance sheet item/type of structured entity	accounting portfolio of assets	total assets (A)	accounting portfolio of liabilities	total liabilities (B)	net book value (C=A-B)	maximum exposure to risk of loss (D)	difference between exposure to risk of loss and book value (E=D-C)
UCITS	HFT	16,590	-	-	16,590	16,590	-
UCITS	AFS	4,950	-	-	4,950	4,950	-

E. 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 securitisations carried out by Banca Sella and Consel and to repurchase agreements with the counterpart Cassa Compensazione e Garanzia with underlying Italian government securities.

Quantitative information

E.1 Banking Group - Financial assets sold but not derecognised: book value and full value

Part 1

Technical type/Portfolio	Financial assets held for trading			Financial assets carried at fair value		
	To	B	C	To	B	C
A. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**-**	**x**	**x**	**x**
Total 31/12/2015	**-**	**-**	**-**	**-**	**-**	**-**
of which impaired	-	-	-	-	-	-
Total 31/12/2014	**3,885**	**-**	**-**	**-**	**-**	**-**
of which impaired	-	-	-	-	-	-

A = financial assets sold and fully recognised (book value)
B = financial assets sold and partially recognised (book value)
C = partially recognised financial assets (full value)

E.1 Banking Group - Financial assets sold but not derecognised: book value and full value

Part 2

Technical type/Portfolio	Financial assets available for sale			Financial assets held to maturity		
	To	B	C	To	B	C
A. Cash assets	**15,340**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	15,340	-	-	-	-	-
2. Equities	-	-	-	x	x	x
3. UCITS	-	-	-	x	x	x
4. Loans	-	-	-	-	-	-
B. Derivative instruments						
Total 31/12/2015	**15,340**	**-**	**-**	**-**	**-**	**-**
of which impaired	-	-	-	-	-	-
Total 31/12/2014	**33,208**	**-**	**-**	**-**	**-**	**-**
of which impaired	-	-	-	-	-	-

E.1 Banking Group - Financial assets sold but not derecognised: book value and full value

Part 3

Technical type/Portfolio	Due from banks			Due from customers			Total	
	To	B	C	To	B	C	31/12/2015	31/12/2014
A. Cash assets	**-**	**-**	**-**	**619,346**	**-**	**-**	**634,686**	**1,079,457**
1. Debt securities	-	-	-	-	-	-	15,340	37,093
2. Equities	x	x	x	x	x	x	-	-
3. UCITS	x	x	x	x	x	x	-	-
4. Loans	-	-	-	619,346	-	-	619,346	1,042,364
B. Derivative instruments	**x**	**x**	**x**	**x**	**x**	**x**	**-**	**-**
Total 31/12/2015	**-**	**-**	**-**	**619,346**	**-**	**-**	**634,686**	**x**
of which impaired	-	-	-	8,741	-	-	8,741	x
Total 31/12/2014	**-**	**-**	**-**	**1,042,364**	**-**	**-**	x	**1,079,457**
of which impaired	-	-	-	6,724	-	-	x	6,724

A = financial assets sold and fully recognised (book value)
B = financial assets sold and partially recognised (book value)
C = partially recognised financial assets (full value)

E.2 Banking Group – Financial liabilities against financial assets sold but not derecognised: book value

Liability/Asset portfolio		Financial assets held for trading	Financial assets carried at fair value	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers		**-**	**-**	**15,329**	**-**	**-**	**-**	**15,329**
a) against fully recognised assets		-	-	15,329	-	-	-	**15,329**
b) against partially recognised assets		-	-	-	-	-	-	**-**
2. Due to banks		**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) against fully recognised assets		-	-	-	-	-	-	**-**
b) against partially recognised assets		-	-	-	-	-	-	**-**
3. Securities in issue		**-**	**-**	**-**	**-**	**-**	**295,703**	**295,703**
a) against fully recognised assets		-	-	-	-	-	295,703	295,703
b) against partially recognised assets		-	-	-	-	-	-	**-**
Total	**31/12/2015**	**-**	**-**	**15,329**	**-**	**-**	**295,703**	**311,032**
Total	**31/12/2014**	**3,863**	**-**	**33,231**	**-**	**2,139**	**46,099**	**85,332**

The amounts refer to repurchase agreements associated with Banca Sella and Banca Patrimoni Sella & C. for amounts due to customers, and to securitisations carried out by Banca Sella and Consel for securities in issue.

E.3 Banking group - Sale transactions with liabilities having recourse only to the assets sold: fair value

Part 1

Technical type/Portfolio	Financial assets held for trading		Financial assets carried at fair value		Financial assets available for sale		Held-to-maturity financial assets (fair value)
	To	B	To	B	To	B	To
A. Cash assets	**-**	**-**	**-**	**-**	**15,340**	**-**	**-**
1. Debt securities	-	-	-	-	15,340	-	-
2. Equities	-	-	-	-	-	-	
3. UCITS	-	-	-	-	-	-	
4. Loans	-	-	-	-	-	-	-
B. Derivative	**-**	**-**	-	-	-	-	-
Total Assets	**-**	**-**	**-**	**-**	**15,340**	**-**	**-**
C. Liabilities associated	**-**	**-**	**-**	**-**	**15,329**	**-**	**-**
1. Due to customers	-	-	-	-	15,329	-	-
2. Due to banks	-	-	-	-	-	-	-
3. Securities in issue	-	-	-	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**	**15,329**	**-**	**-**
Net Value 31/12/2015	**-**	**-**	**-**	**-**	**11**	**-**	**-**
Net Value 31/12/2014	**22**	**-**	**-**	**-**	**(23)**	**-**	**-**

A =financial assets sold and fully recognised B = financial assets sold and partially recognised

E.3 Sale transactions with liabilities having recourse only to the assets sold: fair value

Part 2

Technical type/Portfolio	Held-to-maturity financial assets (fair value)	Loans to banks (fair value)		Loans to customers (fair value)		Total	
	B	To	B	To	B	31/12/2015	31/12/2014
A. Cash assets	**-**	**-**	**-**	**619,346**	**-**	**634,686**	**37,093**
1. Debt securities	-	-	-	-	-	15,340	37,093
2. Equities	x	x	x	x	x	-	-
3. UCITS	x	x	x	x	x	-	-
4. Loans	-	-	-	619,346	-	619,346	-
B. Derivative instruments	x	x	x	x	x	**-**	**-**
Total Assets	**-**	**-**	**-**	**619,346**	**-**	**634,686**	**37,093**
C. Liabilities associated	**-**	**-**	**-**	**295,703**	**-**	x	x
1. Due to customers	-	-	-	-	-	x	x
2. Due to banks	-	-	-	-	-	x	x
3. Securities in issue	-	-	-	295,703	-	x	x
Total Liabilities	**-**	**-**	**-**	**295,703**	**-**	**311,032**	**39,233**
Net Value 31/12/2015	**-**	**-**	**-**	**323,643**	**-**	**323,654**	x
Net Value 31/12/2014	**-**	**(2,139)**	**-**	**-**	**-**	x	**(2,140)**

A =financial assets sold and fully recognised B = financial assets sold and partially recognised

B. Financial assets sold and cancelled fully with recognition of continuous involvement

In 2015, the Group did not have this type of asset.

F. Banking Group - models for measuring credit risk

The Group does not use internal portfolio models to measure exposure to credit risk.

1.2 Banking group - 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 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 expose themselves 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 consider only financial instruments (assets and liabilities) held in the "regulatory trading book", as defined in the provisions on market risk regulatory reporting (see Bank of Italy Circular no. 286 of 17 December 2013). 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 capital adequancy in accordance with the Second Pillar of Basel 3) 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 Finance area of the Parent Company has the mission of managing market risk and coordinating the finance activities of the Banca Sella Group (management of owned portfolios, treasury and management of minority shares), also carrying out the specialised activities within the Parent company (trading on own account).

The Parent Company's Risk Management service is responsible for the market risk monitoring methods of all Group companies, and also has an advisory and recommendatory role in the definition of methodological guidelines for the creation of Group risk measurement and control models.

For prudential purposes to measure the interest rate and price risks inherent in the regulatory trading book the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular no. 285/2013, and subsequent updates. Hence, capital absorption to cover market risk is represented by the sum of the capital requirements for each individual risk that makes up market risk, on the basis of the so-called building block approach.

Quantitative information

1. Regulatory trading book: distribution for remaining duration (re-pricing date) of the financial assets and liabilities in cash and financial derivatives

As allowed by Circular 262/2005 and subsequent updates, 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, as reported below.

2. Regulatory trading book: distribution of exposures in equity securities and equity indices by main quotation market countries

As allowed by Circular 262/2005 and subsequent updates, 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, as reported below.

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 kept 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 severe market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

The Group's Risk Management service carries out checks on VaR trends (time horizon: 10 days and 3 months and confidence level: 99%) on the own portfolios of companies in the Banca Sella Group, and carries out sensitivity analysis, including: portfolio duration, effects of sudden interest rate shocks. Finally, operating limits on securities investments are also continuously monitored.

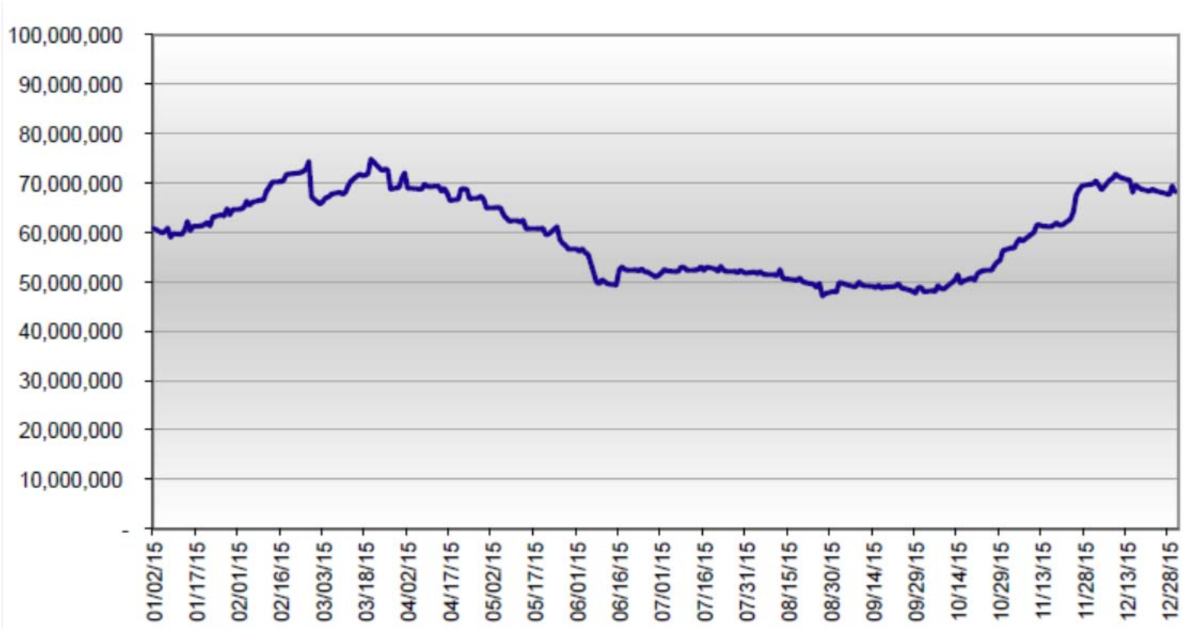
The average duration of the trading book is 1.41 year while the sensitivity, estimated on a parallel shift of +100 basis points of the interest rate curve is about € 39,147 million (about 1.41% of the portfolio) [3].

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[2]

[3] For the Banca Sella Group, the average duration is calculated as the weighted average of the own floating portfolios held by Group companies.
[2] This refers to the Held For Trading (HFT) and Available For Sale (AFS) components of the securities portfolios held by Group companies.

Market Risks VaR (time horizon three months – confidence interval 99%)



The Risk Management service also monitors own-account trading operations.

The trend of the VaR (horizon 10 days, confidence interval 99%) of Banca Sella Holding's trading activity is shown in the table below:

VaR Decomposition – Banca Sella Holding at 31.12.2015

Trading Book – Finance Area
10 day horizon, confidence interval 99%

Figures at		**31-dic-15**			**30-giu-15**		
		Average VaR	Minimum VaR	Maximum VaR	Average VaR	Minimum VaR	Maximum VaR
Risk Type							
Fixed Income	€	583,503	117,732	1,767,950	512,265	156,544	1,078,292
Corporate	€	160,059	43,541	453,822	165,677	43,541	453,822
Foreign Exchange	€	1,594	522	6,172	1,804	841	6,172
Equities	€	-	-	-	-	-	-
Equity Derivatives	€	147,306	34,345	498,644	145,295	36,515	400,427
Treasury	€	8,971	2,132	23,154	6,714	2,132	12,694
Total VaR[(b)]	€	**901,433**	**198,272**	**2,749,741**	**831,755**	**239,572**	**1,951,407**

(b) Total value at risk calculated as the sum of individual VaRs 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. General aspects, management procedures and measurement methods for measuring interest rate risk and price risk

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 credit is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the loan portfolio disbursed and the average maturities of this portfolio. Other interest rate swaps are implemented when fixed-rate bond 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 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.

Quantitative information

1. Banking book: distribution for remaining duration (re-pricing date) of the financial assets and liabilities

As allowed by Circular 262/2005 and subsequent updates, 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, as reported below.

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 regulations, the internal organisation has been provided with more prudential danger thresholds, which, when exceeded, lead to 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. 285/2013, 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 -35 basis points (lowering, compatible with the constraint of a non-negativity of rates.

The sensitivity analysis figures at 31/12/15 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 / -35 bps	6.54	1,057.4	0.62%

Amounts in Euro millions

The price risk of the portfolio is attributable mainly to equity interests mainly held by the Parent Company for long-term investment purposes. These are positions assumed directly on the basis of resolutions of the Board of Directors and operationally managed by the Finance Department of the Parent Company.

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 procedures 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. Foreign exchange risk is monitored with the "standardised method" defined by the Bank of Italy in Circular no. 285/2013. At 31.12.2015, the net open position in foreign currency for Banca Patrimoni Sella & C. exceeds the regulatory limit of 2% of own funds, which leads to capital requirements for foreign exchange risk of € 295,931. This exposures is mainly generated by securities in foreign currencies held in the Bank's portfolio.

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 exchange rate risk hedging activities for the Group's banks and companies.

Micro-hedging is instead put in place, with third parties, with the aim of mitigating the risk of simple derivatives such as domestic currency swaps, currency options and forward contracts traded by customers with the Bank.

Quantitative information

1. Distribution by currency of denomination of assets, liabilities and derivatives

Item	Currency					
	USD	CHF	AUD	GBP	JPY	OTHER CURRENCIES
A. Financial assets	**29,534**	**30,284**	**5,108**	**2,096**	**1,004**	**9,262**
A.1 Debt securities	6,741					813
A.2 Equity securities	386	22,927		3		-
A.3 Loans and advances to banks	2,635	3,118	175	1,284	552	5,900
A.4 Loans and advances to customers	19,772	4,239	4,933	809	452	2,549
A.5 Other financial assets		-				
B. Other assets	**2,131**	**1,778**	**181**	**951**	**119**	**3,573**
C. Financial liabilities	**169,548**	**24,088**	**3,381**	**17,896**	**802**	**3,460**
C.1 Due to banks	300	34	-	-	-	18
C.2 Due to customers	169,248	24,054	3,381	17,896	802	3,442
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities	**762**			**13**		**1,776**
E. Financial derivatives	**142,665**	**(7,349)**	**(1,935)**	**14,810**	**(374)**	**(1,383)**
- Options						
+ Long positions	67,045	2,282	2,139	2,382	9,880	828
+ Short positions	66,913	2,307	2,110	2,392	9,919	819
- Other derivatives						
+ Long positions	295,791	7,685	2,198	27,417	13,869	6,329
+ Short positions	153,258	15,009	4,162	12,597	14,204	7,721
Total Assets	**394,501**	**42,029**	**9,626**	**32,846**	**24,872**	**19,992**
Total Liabilities	**390,481**	**41,404**	**9,653**	**32,898**	**24,925**	**13,776**
Imbalance (+/-)	**4,020**	**625**	**(27)**	**(52)**	**(53)**	**6,216**

2. Internal models and other methods used for sensitivity analysis

Relative to foreign exchange risk, the Group carries out sensitivity analysis. Please see that indicated above.

1.2.4 – Derivative instruments

The tables below show the stand alone financial and credit derivatives and derivatives incorporated into hybrid instruments.

A. Financial derivatives

A.1 Regulatory trading book: notional amounts at the end of the period

Underlying assets/Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**331,785**	**-**	**505,975**	**-**
a) Options	82,487	-	37,404	-
b) Swaps	212,052	-	427,149	-
c) Forward	1,189	-	-	-
d) Futures	36,057	-	41,422	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**3,252**	**5,720**	**2,889**	**1,400**
a) Options	3,070	-	2,889	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	70	5,720	-	1,400
e) Other	112	-	-	-
3. Currencies and gold	**872,436**	**-**	**676,969**	**-**
a) Options	442,488	-	294,893	-
b) Swaps	65,520	-	104,224	-
c) Forward	364,428	-	277,852	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**1,207,473**	**5,720**	**1,185,833**	**1,400**

A.2 Banking portfolio: notional values at end of period and average

A.2.1 For hedging

Underlying assets/Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**968,916**	**-**	**1,120,692**	**-**
a) Options	-	-	-	-
b) Swaps	968,916	-	1,120,692	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**968,916**	**-**	**1,120,692**	**-**

A.2.2 Other derivatives

Underlying assets/Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**2,819,592**	**-**	**3,269,538**	**-**
a) Options	2,819,592	-	3,269,538	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**11,368**	**-**	**10,014**	**-**
a) Options	11,368	-	10,014	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**2,830,960**	**-**	**3,279,552**	**-**

A.3 Financial derivatives: gross positive fair value - breakdown by product

Portfolio/Type of derivatives	Positive fair value			
	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A Regulatory trading book	**14,093**	**-**	**19,344**	**-**
a) Options	5,444	-	4,732	-
b) Interest Rate Swaps	5,313	-	9,501	-
c) Cross currency swap	117	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	2,546	-	3,938	-
f) Futures	-	-	-	-
g) Other	673	-	1,173	-
B. Banking portfolio - hedging	**10,282**	**-**	**14,749**	**-**
a) Options	-	-	-	-
b) Interest Rate Swaps	10,282	-	14,749	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**4,527**	**-**	**4,026**	**-**
a) Options	4,527	-	4,026	-
b) Interest Rate Swaps	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**28,902**	**-**	**38,119**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by product

Portfolio/Type of derivatives	Negative fair value			
	Total	31/12/2015	Total	31/12/2014
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A Regulatory trading book	**14,586**	**-**	**18,847**	**-**
a) Options	5,339	-	4,722	-
b) Interest Rate Swaps	5,361	-	9,866	-
c) Cross currency swap	32	-	34	-
d) Equity Swap	-	-	-	-
e) Forward	2,559	-	3,024	-
f) Futures	-	-	-	-
g) Other	1,295	-	1,201	-
B. Banking portfolio - hedging	**128,513**	**-**	**154,020**	**-**
a) Options	-	-	-	-
b) Interest Rate Swaps	128,513	-	154,020	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**4,274**	**-**	**4,385**	**-**
a) Options	4,274	-	4,385	-
b) Interest Rate Swaps	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**147,373**	**-**	**177,252**	**-**

A.5 OTC financial derivatives - regulatory trading book: notional values, gross positive and negative fair value by counterparty - contracts not included under netting agreements

Contracts not covered by netting agreements	Governments and Central Banks	Other public bodies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional value	-	-	37,246	11,000	-	129,367	4,421
- positive fair value	-	-	5	894	-	4,417	73
- negative fair value	-	-	9	-	-	220	19
- future exposure	-	-	18	55	-	562	6
2. Equity securities and equity indices							
- notional value	2,835	-	70	116	-	228	-
- positive fair value	11	-	-	225	-	153	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	4	22	-	119	-
3. Currencies and gold							
- notional value	13,625	-	21,434	-	-	358,303	34,939
- positive fair value	-	-	127	-	-	2,880	849
- negative fair value	535	-	153	-	-	5,274	108
- future exposure	142	-	213	-	-	2,784	380
4. Other securities							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives - Regulatory trading book: notional values, gross positive and negative fair value by counterparty - contracts included under netting agreements

Contracts covered by netting agreements	Governments and Central Banks	Other public bodies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional value	-	-	74,884	74,867	-	-	-
- positive fair value	-	-	263	12	-	-	-
- negative fair value	-	-	4,804	648	-	-	-
2. Equity securities and equity indices							
- notional value	-	-	2	-	-	-	-
- positive fair value	-	-	82	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	444,136	-	-	-	-
- positive fair value	-	-	4,102	-	-	-	-
- negative fair value	-	-	2,816	-	-	-	-
4. Other securities							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives - banking book: notional values, gross positive and negative fair value by counterparty - contracts not included under netting agreements

Contracts not covered by netting agreements	Governments and Central Banks	Other public bodies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional value	-	53	-	3,421	-	896,675	1,570,980
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	66	4,208
- future exposure	-	-	-	-	-	-	1
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	-	-	-	6,932	4,436
- positive fair value	-	-	-	-	-	35	29
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	67	44
4. Other securities							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives - banking book: notional values, gross positive and negative fair value by counterparty - contracts included under netting agreements

Contracts covered by netting agreements	Governments and Central Banks	Other public bodies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional value	-	-	1,317,379	-	-	-	-
- positive fair value	-	-	14,745	-	-	-	-
- negative fair value	-	-	113,251	15,262	-	-	-
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Other securities							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

Underlying asset/Residual life		Up to 1 year	From 1 year to 5 years	More than 5 years	Total
A Regulatory trading book		**933,782**	**190,961**	**82,730**	**1,207,473**
A.1 Financial derivatives on debt securities and interest rates		75,896	175,994	79,895	331,785
A.2 Financial derivatives on equity securities and equity indices		145	271	2,835	3,251
A.3 Financial derivatives on exchange rates and gold		857,741	14,696	-	872,437
A.4 Financial derivatives on other securities		-	-	-	-
B. Banking book		**322,086**	**806,035**	**2,671,755**	**3,799,876**
B.1 Financial derivatives on debt securities and interest rates		310,718	806,035	2,671,755	3,788,508
B.2 Financial derivatives on equity securities and equity indices		-	-	-	-
B.3 Financial derivatives on exchange rates and gold		11,368	-	-	11,368
B.4 Financial derivatives on other securities		-	-	-	-
Total	**31/12/2015**	**1,255,868**	**996,996**	**2,754,485**	**5,007,349**
Total	**31/12/2014**	**1,366,940**	**1,068,544**	**3,150,594**	**5,586,078**

B. Credit derivatives

As 31 December 2015 and during the year, the Bank did not have any operations of this type.

C. Financial and credit derivatives

C.1 Financial derivatives and OTC credit derivatives: net fair values and future exposure by counterparty

	Governments and Central Banks	Other public bodies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1) Bilateral Financial Derivatives	**-**	**-**	**176,646**	**18,770**	**-**	**-**	**-**
- positive fair value	-	-	19,192	12	-	-	-
- negative fair value	-	-	120,871	15,910	-	-	-
- future exposure	-	-	14,712	1,090	-	-	-
- net counterparty risk	-	-	21,871	1,758	-	-	-
2) Bilateral Credit Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) “Cross product” agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

1.3 Liquidity Risk
Qualitative information

A. General aspects, management procedures and methods for measuring liquidity risk

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).

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. Such strategies are an integral part of the emergency plan called *Contingency Liquidity Plan.*

The governance model defined for managing and controlling the Banca Sella Group's liquidity risk is based on the following principles:

- conformity of liquidity risk management and monitoring processes and methods with prudential regulatory indications;
- decision-sharing and clarity on responsibilities of management, controlling and operating bodies;

Monitoring of the Group's liquidity is done in compliance with the directives issued in Circular 285/2013 (Part II, Chapter 11), as updated. This regulation, in addition to rationalising the national regulations previously in effect (mainly Circular 263/2006), has the objective of implementing and adding to the standards found in EU Regulation 575/2013 (CRR).

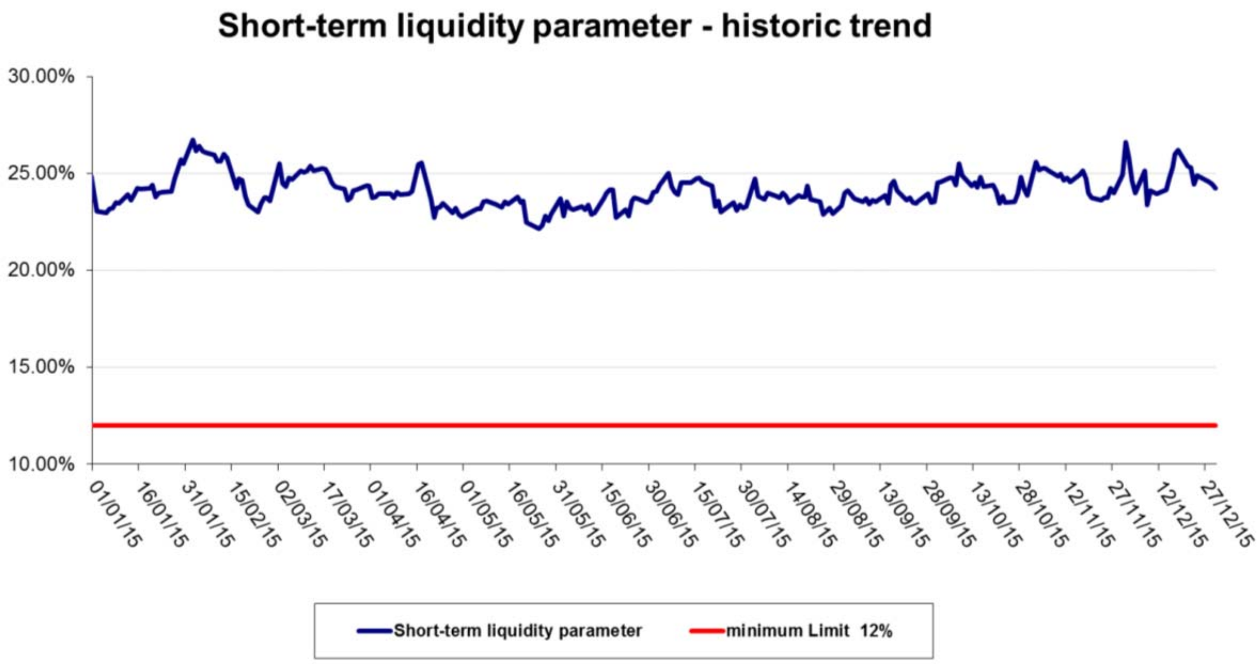
The liquidity level is managed by the Banca Sella Holding Finance Department which in case of need promptly takes remedial action with the support of the ALM Committee. The second level audits of liquidity risk are performed by the Parent Company Risk Management Service.

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.

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.

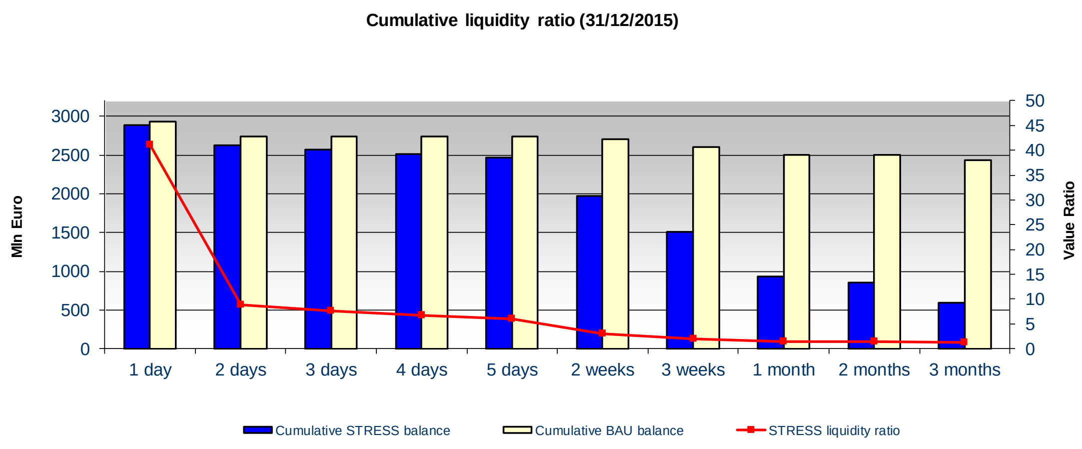
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[4], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated under the 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.

[4] A Maturity Ladder is the projection of the net financial position over time.

***Stress Scenario*: Projection of cumulative net financial position and liquidity ratio (Stress test at 31 December 2015)**



The scenario analysis envisaged by the Banca Sella Group is structured from different stress hypotheses, in compliance with the provisions of Bank of Italy Circular no. 285/2013 (New provisions of prudential supervision for banks, Title III, Chapter 1) as subsequently amended and consider the onset of events that may alter some items during the various bands comprising the maturity ladder.

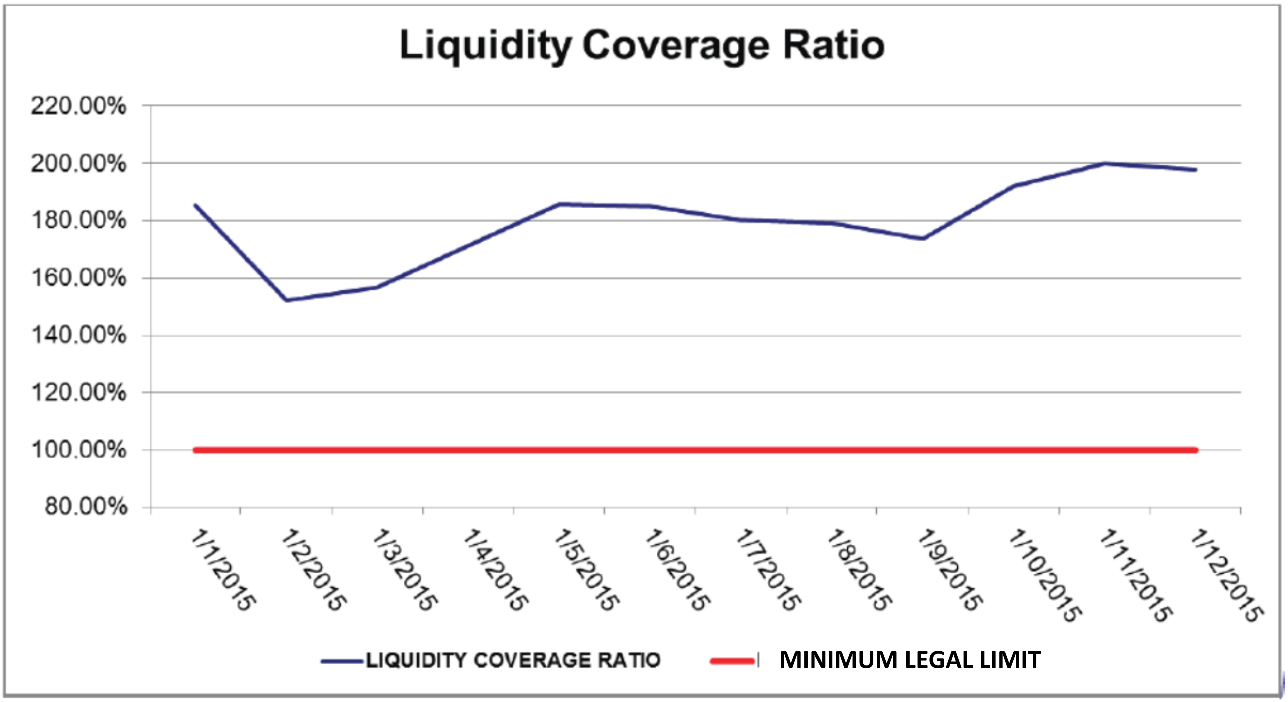
The two hypotheses, which are linked to an equal number of occurrence configurations (frequency of onset) and severity (impact on the bank) are:

- 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, 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 current regulations. At the end of 2015, the two indicators were amply greater than that currently envisaged in Basel III.

Below is the trend of the liquidity coverage ratio for the Banca Sella Group, which indicates the Group's capacity to face net cash outflows over a 30 day horizon with its stock of high quality liquid assets. The minimum regulatory limit for this ratio is 100%[5].

[5] The 100% regulatory limit will take effect as of 1 January 2018. At present, the DELEGATED EU REGULATION 61/2015 is still in effect, which envisages a 3-year phase in period. As of 1 October 2015, the regulatory limit is 60%.



Quantitative information

1. Time distribution of financial assets and liabilities by residual contractual term

Currency: EURO

Item/ Time band	On demand	More than 1 day to 7 days	More than 7 days 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	**902,220**	**520,149**	**127,407**	**144,179**	**804,915**	**639,547**	**1,228,809**	**4,268,734**	**2,622,487**	**108,138**
A.1 Government securities	20	802	7,119	324	99,521	77,564	466,300	1,275,596	422,254	-
A.2 Other debt securities	537	23	11,866	21,995	38,413	39,978	91,205	265,094	38,872	3,700
A.3 UCITS units	21,541	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	880,122	519,324	108,422	121,860	666,981	522,005	671,304	2,728,044	2,161,361	104,438
- Banks	46,996	79,210	1	-	-	-	-	-	-	104,426
- Customers	833,126	440,114	108,421	121,860	666,981	522,005	671,304	2,728,044	2,161,361	12
Cash liabilities	**8,359,841**	**15,867**	**27,035**	**55,934**	**211,378**	**165,206**	**421,882**	**1,340,178**	**208,788**	**-**
B.1 Deposits and current accounts	8,222,104	8,851	16,440	38,849	135,346	126,873	162,927	519,190	21,685	-
- Banks	146,420	-	-	37	1,953	771	10,810	136,625	20,466	-
- Customers	8,075,684	8,851	16,440	38,812	133,393	126,102	152,117	382,565	1,219	-
B.2 Debt securities	1,774	4,305	7,098	10,648	47,823	31,003	169,408	416,821	175,263	-
B.3 Other liabilities	135,963	2,711	3,497	6,437	28,209	7,330	89,547	404,167	11,840	-
Off balance sheet transactions										
C.1 Financial derivatives with equity swaps										
- Long positions	323	68,996	16,875	14,088	47,638	44,893	55,901	24,452	19,713	-
- Short positions	323	160,989	76,050	12,196	70,278	45,505	32,679	20,502	18,792	-
C.2 Financial derivatives without equity swaps										
- Long positions	20,704	-	-	-	-	-	-	-	-	-
- Short positions	134,205	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to provide funds										
- Long positions	156,964	297	4	105	901	3,342	7,609	26,545	25,959	-
- Short positions	131,853	1,458	-	-	27,498	15,501	45,418	-	-	-
C.5 Financial guarantees issued	-	-	9	-	-	-	10	33	190	-
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	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term

Currency: OTHER CURRENCIES

Item/ Time band	On demand	More than 1 day to 7 days	More than 7 days 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	**24,736**	**1,463**	**2,467**	**4,062**	**10,530**	**4,192**	**411**	**4,489**	**3,146**	**459**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	1,607	-	465	71	64	1,808	339	2,612	2,078	459
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	23,129	1,463	2,002	3,991	10,466	2,384	72	1,877	1,068	-
- Banks	11,950	-	-	-	-	-	-	1,494	-	-
- Customers	11,179	1,463	2,002	3,991	10,466	2,384	72	383	1,068	-
Cash liabilities	**160,526**	**-**	**362**	**505**	**15,060**	**22,991**	**19,474**	**-**	**-**	**-**
B.1 Deposits and current accounts	157,723	-	362	505	15,060	22,991	19,474	-	-	-
- Banks	352	-	-	-	-	-	-	-	-	-
- Customers	157,371	-	362	505	15,060	22,991	19,474	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2,803	-	-	-	-	-	-	-	-	-
Off balance sheet transactions										
C.1 Financial derivatives with equity swaps										
- Long positions	5	166,539	83,995	12,650	75,600	44,738	35,537	3,828	3,371	-
- Short positions	5	79,056	24,626	14,658	51,968	43,891	58,764	3,779	3,361	-
C.2 Financial derivatives without equity swaps										
- Long positions	372	-	-	-	-	-	-	-	-	-
- Short positions	1,295	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to provide 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	-	-	-	-	-	-	-	-	-	-

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 III, 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;
- mitigation and control organisational structures;
- operational risk exposure assessment;
- output and tools to assist in managing operational risk.

Through the data collection activity the necessary information is collected to assess the exposure to operational risk of the Group as a whole and of individual Companies. In addition, the data collection activity allows to promptly inform the Risk Management service about operational risks taking place inside the Group and the respective operating loss, in order to take remedial action. The operational risk detection instruments include:

- the computer applications for the collection of operating losses (Anomaly Detection procedure to support the "Control Cycle" process);
- operating risk loss data from external sources (DIPO – Italian Operational Loss Database, joined by the Banca Sella Group)[6];
- 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).

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.

[6]DIPO information also allow comparing internal operating loss data and system operating loss data (DIPO – Italian Operational Loss Database).

The beforehand and after the fact organisational protections, established to mitigate and control operational risk, make it possible to monitor and limit the occurrence of operational risk events and their associated losses. In fact, effective organisational protections allow for timely identification of any inefficiencies and the establishment of appropriate mitigation strategies.

Among the main organisational supervisory items adopted by the Banca Sella Group to mitigate and control operating risk, in addition to the above-mentioned Control Cycle process, are activities of mapping and validating company processes, certifying and reporting service levels and line controls, and controls by means of the "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, end to end mapping of business processes was carried out[7]. 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;

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.

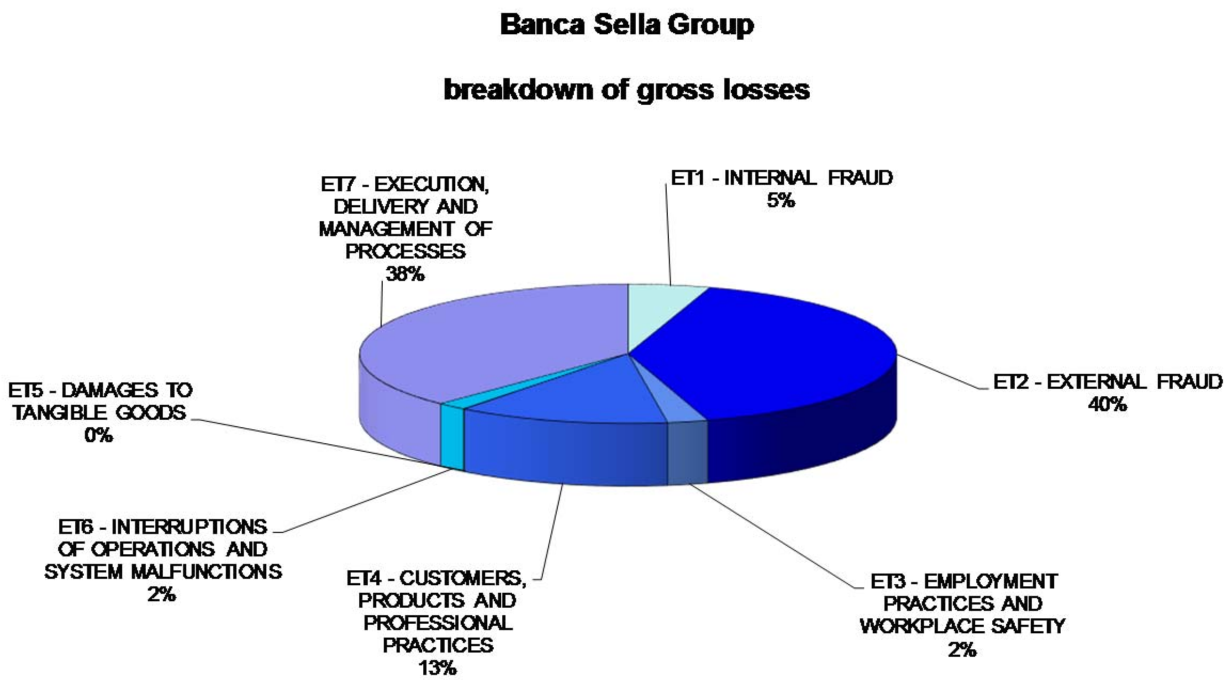
[7]The process is defined as end-to-end when it is set up in such a way as to form a "value flow" in complete logic of satisfying the intended purposes of the customer, whether internal or external, starting from the request and running through to delivery of the service.

Regarding legal issues, 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.

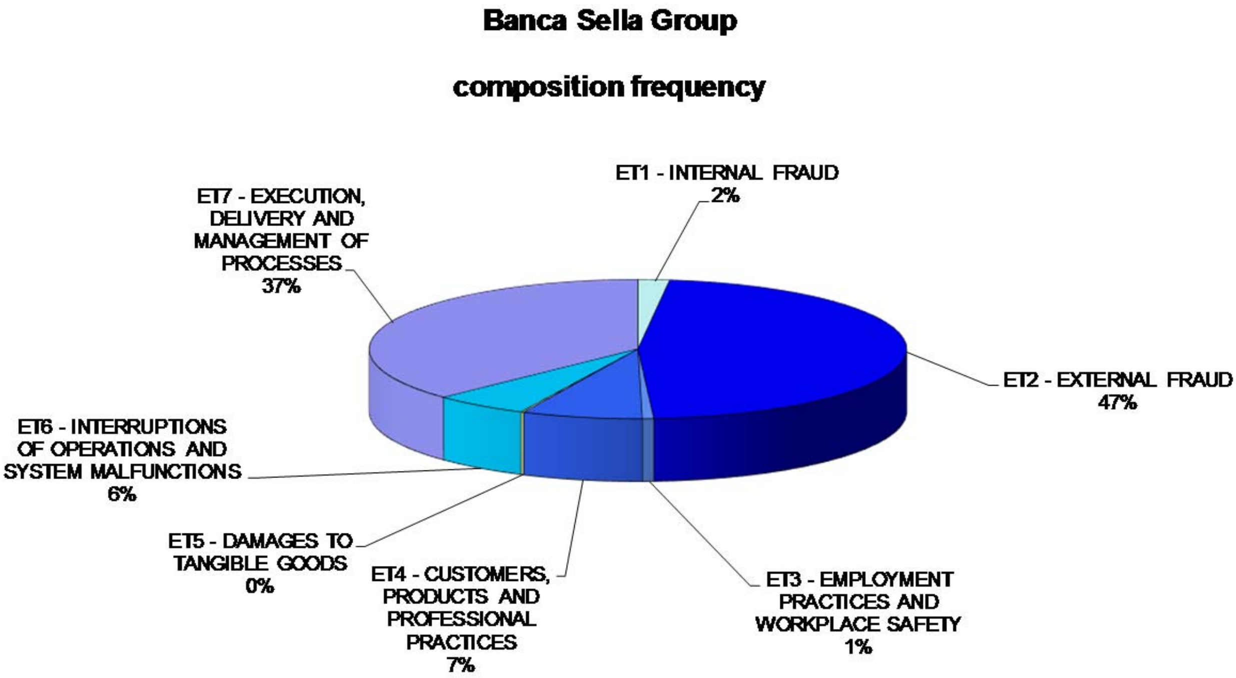
For the purposes of calculation of the capital requirement to cover exposure to operational risk, the method adopted is the Basic Indicator Approach (BIA). In the basic approach, capital requirements are calculated by applying a fixed regulatory ratio of 15% to the three-year average of the relative indicator[8].

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 01/01/2015–31/12/2015, classified by type of event according to Basel 3 and subdivided in terms of impact and frequency.



[8] Article 316 - Title III - PART THREE of EU Regulation 575/2013 issued by the European Parliament and Council on 26 June 2013 details the elements included when calculating the relative indicator. Table 1 of this article indicates: 1) interest and similar income; 2) interest and similar expense; 3) income from shares, units and other securities with variable/fixed income; 4) income from commissions/fees; 5) charges for commissions/fees; 6) profit (loss) from financial operations; 7) other operating income


Banca Sella Group
composition frequency
ET1 - INTERNAL FRAUD
2%
ET2 - EXTERNAL FRAUD
47%
ET3 - EMPLOYMENT PRACTICES AND WORKPLACE SAFETY
1%
ET4 - CUSTOMERS, PRODUCTS AND PROFESSIONAL PRACTICES
7%
ET5 - DAMAGES TO TANGIBLE GOODS
0%
ET6 - INTERRUPTIONS OF OPERATIONS AND SYSTEM MALFUNCTIONS
6%
ET7 - EXECUTION, DELIVERY AND MANAGEMENT OF PROCESSES
37%

Section 2 – Insurance company risks

The Banca Sella Group holds a majority interest in two Insurance Companies located respectively in Ireland and Italy, specialised in terms of their products and customers. The first, Sella Life Ltd., focusses on a private audience, offering products that are better able to satisfy investment diversification requirements, while the second, C.B.A. Vita S.p.A. works with a diversified clientèle, offering a complete range to cover risks connected with the duration of human life.

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 coverage provided by the company are differentiated based on the various generations of products and, when relevant, are appropriately reinsured.

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.

2.1 Insurance risks

Qualitative information

The risk management system is proportionate to the size, nature and complexity of the activities carried out, which makes it possible to identify and assess, also in terms of outlook, and control 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, which is found in each company, participates in the categorisation of risks, definition of the methods used to measure them and the identification of operational limits. In addition, the function defines the procedures 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 includes, in addition to qualitative assessment, a periodic 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 those most recently adopted for measurement in the context of Solvency II. 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 level of the insurance group are 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 insurance group's NAV which, at 31/12/2015, net of the dividend distributed by the parent company, came to 69 million. As a whole, taking into account tax benefits and the effects of diversification, capital absorbed in regard to risks is equal to 77% of the group's net asset value. Risk generated by exposures relative to corporate bonds, strategic investments and exposures relative to mutual investment funds accounts for 64% of total market risk. Note that own funds amount to a total of 75 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 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 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 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

With reference to longevity risk, to which solely C.B.A. Vita 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 with non-updated demographic foundations, C.B.A. Vita 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 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, C.B.A. Vita 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.

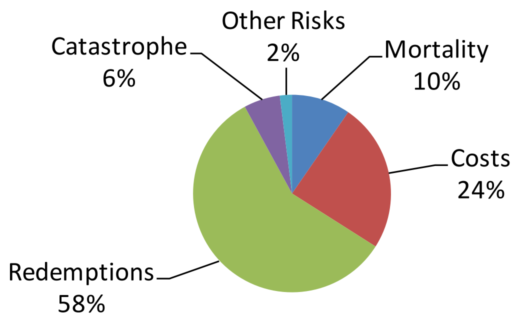
In order to maintain exposure levels that are appropriate for its equity structure, the company makes use of reinsurance coverage, both proportional and non-proportional. The process of determining rates, additionally, considers technical information, generally agreed upon with the reference reinsurer, increased by appropriate safety loads.

The results of the stress test analyses confirm the irrelevance of this type of risk for the insurance group's business.

Results of stress test analyses for insurance risks

Globally, insurance risk represents 27% 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:



Quantitative information

For quantitative information, please see that outlined above.

2.2 Financial risks

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 unrestricted equity and the investments allocated to cover the reserves.

Risk management activities relative to the 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 class III policies. The table below shows that this portfolio is 64% invested in securities with maturity of less than 5 years and 94.5% invested in securities with maturity of less than 10 years.

Bond portfolio broken down by maturity

Amounts in Euro thousands

Maturity	AFS securities	FV securities	Loan securities	Total	% total
Within 1 year	153,519	27	4,941	158,486	20%
Between 1 and 3 years	123,229	37	0	123,266	15%
Between 3 and 5 years	226,681	0	2,371	229,052	29%
Between 5 and 10 years	243,164	0	0	243,164	30%
Between 10 and 15 years	9,785	0	0	9,785	1%
Greater than 15 years	34,576	0	0	34,576	4%
Total	790,954	64	7,312	798,329	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: average increasing shocks of 100 basis points and decreasing shocks of 64 basis points on the forward reference interest-rate structure over a 40 year horizon.

Stock market risk

The insurance parent company's stock exposure is mainly limited to strategic investments and mutual investment funds, while for the subsidiary, exposure is related to the hedging portfolio 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% was hypothesised for strategic investments and 37% or 47% on the market value of all other shares in the portfolio based on whether or not they are equity instruments listed on regulated markets in member countries.

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	*AFS securities*	*FV securities*	*Loan securities*	*Total*
From AAA to AA	1%	0%	27%	1%
From AA- to A-	2%	0%	0%	2%
From BBB+ to BBB-	90%	100%	73%	89%
From BB+ to B-	7%	0%	0%	7%
NR	1%	0%	0%	1%
	100%	100%	100%	100%

The spread risk analysis is carried out for assets and liabilities whose value is affected by changes in the credit spread or the ratings of their issuers.

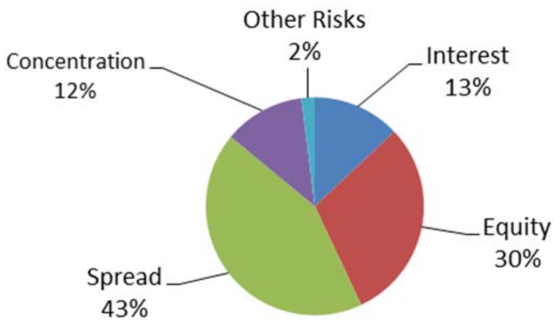
The measurement is based on a factorial model, that varies based on the different types of investments, which makes it possible to quantify the risk deriving from both a ratings downgrading and an increase in the credit spread.

Concentration, exchange-rate and real-estate risk

These risks constitute a contained component of the market risk to which the group is exposed, specifically 12%. In more detail, concentration, exchange-rate and real-estate risk are quantified using the methods and shock hypotheses envisaged for measurements in the context of Solvency II.

Results of stress test analyses for market risk

Globally, market risk represents 64% 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	Rating - Moody's	Rating - S&P	Rating - Fitch	Exposure at 31/12/2015 (Euro)	Exposure at 31/12/2015 (% of total)	Maximum exposure (Euro)
Swiss Reinsurance Company	Aa3	AA-	A+	484,019	9.75%	10,000,000
Scor Global Life (rating parent company Scor SE)	A1	A+	A+	1,899,271	38.24%	10,000,000
Hannover A.G.		AA-	AA-	995,646	20.05%	10,000,000
Cardiff (rating parent company BNP Paribas)	A1	A+	A+	1,587,345	31.96%	10,000,000
Total				**4,966,281**	**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 counterparty risk is done by applying the methods and shock hypotheses used for measurements in the context of Solvency II, which consider exposures to rated and unrated counterparties in a different manner.

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 7% 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.

Quantitative information

For quantitative information, please see that outlined above.

2.3 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 two 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 22% 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.

Part F – Information on consolidated equity

As required by Bank of Italy Circular no. 263 of 27 December 2006, as amended, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notes to the Public at the consolidated levels is published on the Banca Sella Group website, www.gruppobancasella.it.

Section 1 – Consolidated equity

A. Qualitative information

As of 1 January 2014, the new harmonised regulations for banks and investment companies took effect, as contained in regulation 575/2013 ("CRR") and Directive 2013/36/EU ("CRD IV"), which transfer to the European Union the standards defined by the Basel Committee for bank regulation (Basel 3).

To implement and support application of the new EU regulations, as well as to achieve comprehensive review and simplification of the bank supervisory regulations, on 17 December 2013 the Bank of Italy issued Circular 285 "Supervisory provisions for banks", with subsequent updates which:

i) implemented the provisions of CRD IV, for which implementation is the responsibility of the Bank of Italy pursuant to the Consolidated Banking Act;

ii) indicates the methods through which the national discretion attributed to national authorities in the EU regulations was exercised;

iii) outlines a complete, organic and rational regulatory framework, integrated with the directly applicable EU provisions, so as simplify use by operators.

In the Banca Sella Group, supervision of capital adequacy is ensured by capital management activities.

The Capital Management Plan is defined at the same time as the strategic plan and the Risk Appetite Framework (RAF) and includes an assessment of the impact of ordinary activities and definition of any extraordinary operations with an eye to meeting the capitalisation objectives (represented by the Common Equity Tier 1 ratio and the Total Capital ratio) held necessary and appropriate to give the Group current and prospective solidity and sustainability.

The Capital Management plan is systematically monitored by the Parent Company Risk Management area, through activities that supervise capital amounts and absorption, including:

i) monthly calculation of final figures, based on operating profit achieved;

ii) quarterly simulation of future trends, aimed at preventing any situations in which the established levels are not respected.

The Group's solvency ratios, at the consolidated and individual levels, constitute part of the monthly reports prepared for the Board of Directors of the Parent Company and the Group companies, for the Group's Alignment and Trend Verification Meeting and the Group's ALM Committee.

B. Quantitative information

B.1 Consolidated equity: breakdown by type of company

	Banking Group	Insurance companies	Other companies	Eliminations and adjustments on consolidation	Total
1. Capital	195,303	1,332	-	-	196,635
2. Share premiums	200,475	-	-	-	200,475
3. Reserves	572,552	42,077	-	(56,713)	557,916
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	-	-	-	-	-
6. Valuation reserves	53,715	4,216	-	(2,075)	55,856
- Financial assets available for sale	52,852	-	-	-	52,852
- Foreign exchange gains (losses)	(1,229)	-	-	-	(1,229)
- Non-current assets and asset groups held for sale	-	4,268	-	(2,075)	2,193
- Actuarial profits (losses) in relation to defined benefit pension plans	(4,599)	(52)	-	-	(4,651)
- Share of valuation reserves relating to investments carried at equity	(3)	-	-	-	(3)
- Special revaluation laws	6,694	-	-	-	6,694
7. Profit (loss) for the period	27,415	3,814	-	398	31,627
Total	**1,049,460**	**51,439**	**-**	**(58,390)**	**1,042,509**

B.2 Valuation reserves of financial assets available for sale: breakdown

Asset/Amount	Banking group		Insurance companies		Other companies		Eliminations and adjustments on consolidation		Total	
	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.
1. Debt securities	11,021	-	-	-	-	-	-	-	11,021	-
2. Equities	41,488	35	-	-	-	-	-	-	41,488	35
3. UCITS units	386	8	-	-	-	-	-	-	386	8
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2015	**52,895**	**43**	**-**	**-**	**-**	**-**	**-**	**-**	**52,895**	**43**
Total 31/12/2014	**21,065**	**40**	**1,956**	**64**	**-**	**-**	**(1,647)**	**-**	**21,374**	**104**

B.3 Valuation reserves of financial assets available for sale: breakdown: annual changes

	Debt securities	Equities	UCITS units	Loans
1. Opening balances	**20,724**	**511**	**35**	**-**
2. Increases	**9,556**	**41,716**	**473**	**-**
2.1 Increases in fair value	9,466	41,716	283	-
2.2 Reversal to income statement of negative reserves	90	-	190	-
- from impairment	-	-	-	-
- following realization	90	-	190	-
2.3 Other changes	-	-	-	-
3. Decreases	**19,259**	**774**	**130**	**-**
3.1 Reductions in fair value	3,094	774	34	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	15,991	-	96	-
3.4 Other changes	174	-	-	-
4. Closing balance	**11,021**	**41,453**	**378**	**-**

B.4 Revaluation reserves related to defined benefit plans: annual changes

	31/12/2015
1. Opening balances	**(6,249)**
2. Increases	3,203
2.1 Positive valuation component	3,140
2.2 New entries	63
3. Decreases	**1,605**
3.1 Negative valuation component	-
3.2 New exits	1,605
4. Closing balance	**(4,651)**

Section 2 – Own funds and bank capital adequacy ratios

2.1 Scope of application of the regulation

Based on that established in articles 11 and subsequent of EU Regulation of the European Parliament and Council no. 575/2013 of 26/06/2013, relative to prudential requirements for lending institutions, which took effect on 1 January 2014, the application of these requirements on a consolidated basis must refer to the “parent company” that controls a banking group, whether it is a bank itself or a financial company.

In the light of these indications and in consideration of the corporate structure “upstream” from Banca Sella Holding, the parent company of the Banca Sella Group, calculation of regulatory capital and prudential requirements at 31 December 2015 was done with reference to M.Sella S.A.p.A. which is, based on European regulations, the financial parent company of the banking group.

As a consequence, in this section the results of this calculation are shown, referring the prudential scope of consolidation used in the Consolidated Financial Statements prepared by M.Sella S.A.p.A., as in the supervisory reports sent to the Bank of Italy and, through it, the European Central Bank.

2.2 Own bank funds

A. Qualitative information

1. Common Equity Tier 1 (Common equity tier 1 – CET 1)

- Maurizio Sella s.a.p.a., 25,550,315 ordinary shares with a nominal value of € 0.52 (zero point fifty two) each, including share premiums, reserves and profits accrued and net of 188,563 treasury shares held for a calculable value of € 853,895,062;
- Banca Sella s.p.a., 668,456,168 ordinary shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 125,923,810 relative to minority interests;
- Banca Sella Holding s.p.a., 209,976,000 ordinary shares with a nominal value of € 0.50 (zero point fifty) each; 4,051,340 special shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 3,076,657 relative to minority interests;
- Banca Patrimoni Sella & C., 28,000,000 ordinary shares with a nominal value of € 1 each, including share premiums, reserves and profits accrued for a calculable value of € 14,051,551 relative to minority interests.

2. Additional Tier 1 (Additional tier 1 – AT1)

- Banca Sella s.p.a., 668,456,168 ordinary shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 5,998,883 relative to minority interests;
- Banca Sella Holding s.p.a., 209,976,000 ordinary shares with a nominal value of € 0.50 (zero point fifty) each; 4,051,340 special shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 236,768 relative to minority interests;
- Banca Patrimoni Sella & C., 28,000,000 ordinary shares with a nominal value of € 1 each, including share premiums, reserves and profits accrued for a calculable value of € 651,346 relative to minority interests.

3. Tier 2 (Tier 2 – T2)

- Banca Sella s.p.a., 668,456,168 ordinary shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 7,012,021 relative to minority interests;
- Banca Sella Holding s.p.a., 209,976,000 ordinary shares with a nominal value of € 0.50 (zero point fifty) each; 4,051,340 special shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 342,230 relative to minority interests;
- Banca Patrimoni Sella & C., 28,000,000 ordinary shares with a nominal value of € 1 each, including share premiums, reserves and profits accrued for a calculable value of € 855,764 relative to minority interests;
- Subordinated instruments issued by Group companies for a total calculable amount of € 182,182,550.

No.	Issuer	Interest rate applied %	Interest rate type	Book value as at 31/12/2015	Computability	Issue Date	Start date of prudential amortisation	Maturity date	Subject to straight line refund	Computed balance
1	Banca Sella Holding	0.991	variable	50,000,000	SI	28/11/06	28/11/11	28/11/16	NO	6,836,167
2	Banca Sella Holding	0.867	variable	10,000,000	SI	21/06/07	21/06/12	21/06/17	NO	825,144
3	Banca Sella Holding	1.269	variable	30,000,000	SI	17/12/07	27/12/12	27/12/17	NO	8,959,667
4	Banca Sella	0.22	variable	6,000,000	Computable (following transitional provisions)	30/09/08	30/09/11	30/09/16	SI	3,359,060
5	Banca Sella	3.50	fixed	1,000,000	Computable (following transitional provisions)	21/05/09	21/05/11	21/05/16	SI	291,632
6	Banca Sella	4.55	fixed	1,000,000	SI	21/05/09	21/05/14	21/05/19	NO	487,585
7	Banca Sella	0.99	variable	4,300,000	SI	03/06/09	03/06/14	03/06/19	NO	2,208,079
8	Banca Sella	0.75	variable	2,130,000	SI	15/07/09	15/07/14	15/07/19	NO	1,130,520
9	Banca Sella	0.75	variable	210,000	SI	15/07/09	15/07/14	15/07/19	NO	111,460
10	Banca Sella	0.63	variable	2,500,000	SI	31/07/09	31/07/14	31/07/19	NO	1,343,334
11	Banca Sella	0.59	variable	2,500,000	SI	04/09/09	04/12/14	04/12/19	NO	1,472,738
12	Banca Sella	4.075	fixed	1,000,000	SI	04/09/09	04/12/14	04/12/19	NO	540,844
13	Banca Sella	0.59	variable	10,000,000	SI	10/09/09	10/12/14	10/12/19	NO	5,915,598
14	Banca Sella	0.57	variable	930,000	SI	16/09/09	16/12/14	16/12/19	NO	552,443
15	Banca Sella	4.10	fixed	2,500,000	SI	05/10/09	05/01/15	05/01/20	NO	1,505,602
16	Banca Sella	4.10	fixed	5,000,000	SI	15/10/09	15/01/15	15/01/20	NO	2,742,478
17	Banca Sella	4.10	fixed	5,000,000	SI	26/10/09	26/01/15	26/01/20	NO	2,570,698
18	Banca Sella	4.10	fixed	2,500,000	SI	26/10/09	26/01/15	26/01/20	NO	1,527,169
19	Banca Sella	4.10	fixed	10,000,000	SI	29/10/09	29/01/15	29/01/20	NO	4,731,825
20	Banca Sella	4.10	fixed	5,000,000	SI	23/11/09	23/02/15	23/02/20	NO	2,842,245
21	Banca Sella	4.00	fixed	5,000,000	SI	16/12/09	16/03/15	16/03/20	NO	2,882,002
22	Banca Sella	2.95	fixed	2,500,000	SI	12/10/10	12/10/12	12/10/17	NO	668,586
23	Banca Sella	2.50	variable	5,000,000	SI	20/10/10	20/10/12	20/10/17	NO	1,353,604
24	Banca Sella	3.15	fixed	1,000,000	Computable (following transitional provisions)	22/11/10	22/11/12	22/11/17	SI	675,118
25	Banca Sella	3.70	fixed	10,000,000	SI	14/01/11	14/01/12	14/01/17	NO	1,560,206
26	Banca Sella	4.65	fixed	10,000,000	Computable (following transitional provisions)	15/03/11	15/03/16	15/03/21	SI	5,723,498
27	Banca Sella	4.30	fixed	4,960,200	Computable (following transitional provisions)	15/06/11	15/06/13	15/06/18	SI	3,046,327
28	Banca Sella	5.20	fixed	1,200,000	Computable (following transitional provisions)	25/10/11	25/10/12	25/10/17	SI	744,130
29	Banca Sella	5.10	fixed	3,920,400	Computable (following transitional provisions)	11/11/11	11/11/12	11/11/17	SI	2,549,844
30	Banca Sella	5.75	fixed	8,000,000	Computable (following transitional provisions)	12/12/11	12/12/12	12/12/17	SI	5,271,319
31	Banca Sella	5.60	fixed	4,000,000	Computable (following transitional provisions)	30/12/11	30/12/12	30/12/17	SI	2,422,322
32	Banca Sella	5.40	fixed	12,000,000	NO	17/01/12	17/01/13	17/01/18	SI	0
33	Banca Sella	5.50	fixed	3,000,000	NO	01/02/12	01/02/13	01/02/18	SI	0
34	Banca Sella	5.00	fixed	9,000,000	NO	14/02/12	14/02/13	14/02/18	SI	0
35	Banca Sella	4.45	fixed	4,000,000	NO	01/03/12	01/09/12	01/09/17	SI	0
36	Banca Sella	4.15	fixed	4,000,000	NO	13/03/12	13/09/12	13/09/17	SI	0
37	Banca Sella	4.55	fixed	5,000,000	SI	31/08/12	28/02/13	28/02/18	NO	1,622,682
38	Banca Sella	3.50	fixed	10,000,000	SI	15/11/12	15/11/13	15/11/18	NO	4,313,457
39	Banca Sella	3.45	fixed	5,000,000	SI	10/12/12	10/12/13	10/12/18	NO	2,208,079
40	Banca Sella	3.25	fixed	15,000,000	SI	07/01/13	07/01/14	07/01/19	NO	6,796,776
41	Banca Sella	3.05	fixed	2,500,000	SI	17/01/13	17/07/13	17/07/18	NO	954,096
42	Banca Sella	3.00	fixed	5,000,000	SI	31/01/13	31/01/14	31/01/19	NO	2,314,889
43	Banca Sella	3.20	fixed	10,000,000	SI	31/01/13	31/01/15	31/01/20	NO	6,129,217
44	Banca Sella	3.15	fixed	15,000,000	SI	22/03/13	22/03/14	22/03/19	NO	7,252,770
45	Banca Sella	3.30	fixed	10,000,000	SI	03/05/13	03/05/15	03/05/20	NO	6,507,702
46	Banca Sella	3.20	fixed	15,000,000	SI	17/05/13	17/05/15	17/05/20	NO	9,847,776
47	Banca Sella	2.90	fixed	8,000,000	NO	19/08/13	19/08/14	19/08/19	SI	0
48	Banca Sella	3.10	fixed	5,000,000	SI	04/10/13	04/10/14	04/10/19	NO	2,820,179
49	Banca Sella	2.75	fixed	4,000,000	NO	04/10/13	04/10/14	04/10/19	SI	0
50	Banca Sella	3.10	fixed	5,000,000	SI	22/10/13	22/10/14	22/10/19	NO	2,857,152
51	Banca Sella	3.00	fixed	10,000,000	SI	06/11/13	06/11/14	06/11/19	NO	5,775,925
52	Banca Sella	3.00	fixed	7,500,000	SI	13/11/13	13/11/14	13/11/19	NO	4,353,511
53	Banca Sella	1.95	fixed	4,541,000	SI	29/05/14	29/05/15	29/05/20	NO	3,003,623
54	Banca Sella	3.25	fixed	900,000	NO	15/12/14	15/12/16	15/12/21	SI	0
55	Banca Sella	3.25	fixed	5,100,000	SI	23/04/15	23/04/16	23/04/21	NO	3,825,667
56	Banca Sella	3.25	fixed	3,000,000	SI	15/05/15	15/05/15	15/05/20	NO	1,967,092
57	Banca Sella	3.40	fixed	10,200,000	SI	29/05/15	26/05/16	29/05/21	NO	7,651,334
58	Banca Sella	5.325	variable	25,000,000	SI	27/10/15	27/10/20	27/10/25	NO	18,753,267
59	Banca Sella	3.875	fixed	3,500,000	SI	09/11/15	09/11/16	09/11/21	NO	2,625,458
60	Banca Sella	5.298	variable	5,000,000	SI	11/11/15	11/11/20	11/11/25	NO	3,750,654
Overall total				428,391,600						182,182,550

B. Quantitative information

	Total 31/12/2015	Total 31/12/2014
A - Common Equity Tier 1 - CET1 before application of prudential filters	**931,038**	**811,811**
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(1,112)	(1,204)
C. CET1 gross of elements to be deducted and the effects of the transitional regime (A +/- B)	**929,927**	**810,607**
D. Elements to be deducted from CET1	**108,895**	**103,526**
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	**36,406**	**9,077**
F. Total Common Equity Tier 1 (CET 1) (C - D +/- E)	**857,438**	**716,158**
G. Additional Tier 1- AT 1, gross of elements to be deducted and the effects of the transitional regime	**17,218**	**5,278**
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to the effects of transitional provisions	**(10,331)**	**(4,223)**
L. Total Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)	**6,887**	**1,056**
M. Tier 2- AT 2, gross of elements to be deducted and the effects of the transitional regime	**111,680**	**150,199**
of which T2 instruments subject to transitional provisions	32,105	37,333
N. Elements to be deducted from T2	**7,320**	**6,990**
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to the effects of transitional provisions	**88,679**	**78,010**
P. Total Tier 2 - T2 (M - N +/- O)	**193,039**	**221,219**
Q. Total own funds (F + L + P)	**1,057,363**	**938,433**

2.3 Capital adequacy

A. Qualitative information

On the basis of prudential regulatory provisions, the total requirement is equal to the sum of the capital requirements prescribed against credit and counterpart, adjustment of credit measurement, regulatory, market and operating risk.

In general, methods used to calculate capital requirements refer to the standardised approach and basic indicator approach (BIA), in terms of operating risk.

Banca Sella Group’s capital management policies have the goal of guaranteeing that the capital base is in line with the level of risk taken on, while complying with regulatory requirements and company development plans.

With its communication released on 24 November 2015, the Bank of Italy, upon completing the periodic prudential review process (SREP), indicated the additional specific capital requirements with respect to the minimum capital amounts indicated in the current regulations, in proportion to risk exposure.

The Group therefore must adopt capital ratios at the consolidated level, including 2.5% as a capital conservation reserve in the amounts as follows:

- common equity tier 1 ratio (CET1 ratio) of 7%, binding in the amount of 5.2% (of which 4.5% for minimum regulatory requirements and 0.7% for additional requirements determined following the SREP); this ratio is at 11.59% for the Group;
- Tier 1 ratio of 8.5%, binding in the amount of 6.9% (of which 6% for minimum regulatory requirements and 0.9% for additional requirements determined following the SREP); this ratio is at 11.68% for the Group;
- total capital ratio of 10.5%, binding in the amount of 9.2% (of which 8% for minimum regulatory requirements and 1.2% for additional requirements determined following the SREP); this ratio is at 14.29% for the Group.

B. Quantitative information

2.3 Capital adequacy

Categories/Amounts	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
A. Risk assets				
A.1 Credit and Counterparty Risk	11,597,927	12,469,488	6,134,661	6,622,070
1. Standard method	11,597,927	12,469,488	6,134,661	6,622,070
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk			**490,849**	**529,846**
B.2 Credit evaluation adjustment risk			1,980	6,502
B.3 Regulatory risk			16	122
B.4 Market risks			14,460	18,507
1. Standard method			14,460	18,507
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operating risk			84,728	85,452
1. Basic method			84,728	85,452
2. Standard method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			-	-
B.7 Total prudential requirements			592,033	640,430
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			7,400,411	8,005,373
C.2 Common equity Tier 1/Risk-weighted assets (CET1 capital ratio)			11.59%	8.95%
C.3 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			11.68%	8.96%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			14.29%	11.72%

The significant improvement in the ratios is due to various factors, which affect both own funds (in all components) and risk-weighted assets.

In regards to the main factors which improved the CET1 ratio, we note: the share capital increase and revaluation of the carrying price of the Visa share within Banca Sella, the disposal of a significant portion of Banca Sella Holding’s investment in ICBP and finally, the merger of the companies “upstream” from the banking parent company, which optimised the computability of minorities in capital.

On the other hand, in regards to the decrease in risk-weighted assets, we note on one hand the drop in loans and on the other the decision, made in December 2015, to make use of an external ECAI evaluation agency: to determine weighting ratios to calculate capital requirements for exposures associated with businesses classified as capital companies. The ECAI is Cerved Rating Agency.

Section 3 – Regulatory capital and capital ratios

The solvency margin, calculated in accordance with the law, amounted to 32.597 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 € 8.882 million for life insurance and Capitalisation and € 851 thousand for non-life insurance.

The ratio between the elements within this and the amount of the required solvency margin for the life branches is equal to 127.2%, and to 134.1% for the damages branches.

When calculating the available solvency margin, the greater carrying value in the balance sheet for the investee InChiaro was used, with respect to its corresponding equity value, not considered suitable for compliance with prudential supervisory requirements, as requested by IVASS in prot. no. 0015231/15, issued on 17 April 2015.

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:

valori in migliaia di euro	2015
Rami vita	
Margine di solvibilità da costituire	32.597
Quota di garanzia	10.866
Elementi costitutivi del margine	41.479
Rami Danni	
Margine di solvibilità da costituire	2.500
Quota di garanzia	2.500
Elementi costitutivi del margine	3.351

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)	**31/12/2015**
Required amount for adjusted solvency margin	40,610
Total components	42,472
Excess	1,862

The corrected solvency margin does not benefit from the provisions introduced by ISVAP regulation 43 of 12 July 2012.

Section 4 - The capital adequacy of the financial conglomerate

The Banca Sella Group is not included on the list of financial conglomerates identified by the supervisory authority, therefore this section is not completed.

Part G - Aggregation Operations Regarding Companies Or Business Lines

Section 1 – Operations carried out during the year
In 2015, no business combination transactions occurred.

Section 2 – Operations completed after year end
No business combination transactions occurred after the end of financial year 2015.

Section 3 – Retrospective adjustments
During 2015, as no business combination transactions occurred, there were no retrospective adjustments.

Part H – Related party transactions

1 – Information on the remuneration of managers with strategic responsibilities

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 the light of the Group's current organisational structure, the following are included within "managers with strategic responsibilities": Board members, and members of Banca Sella Holding general management, based on the exercising of management, coordination and control functions.

Fees paid at 31 December 2015 to the above-mentioned key company personnel in the parent company are set out in the following table:

Fees paid to managers with strategic responsibilities(*) *in euro thousands*

Item	Total 31/12/2015
a) Short-term employee benefits	3,593
b) Post-employment benefits	-
c) Other long-term benefits	-
d) severance indemnities	163
e) Share-based payments	-
Total	**3,756**

(*) including those who serve as directors

Fees paid to Directors and Statutory Auditors *in euro thousands*

Item	Total 31/12/2015
Directors	1,849
Statutory Auditors	220
Total	**2,069**

2 – Information on transactions with related parties

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 2015 differentiated by the different types of related parties:

Related party transactions (euro thousands) — 31/12/2015

	Parent company and entities that have joint control or significant influence	Affiliates and other entities in the same group	Associates and joint ventures	Managers with strategic responsibilities for the entity or its parent	Other related parties
Interest income	99	-	8	219	583
Interest expense	67	17,722	876	830	939
Revenues from dividends	-	1,909	-	-	187
Revenues from commissions and fees	3	458	110	121	306
Expenses from commissions and fees	-	-	-	-	-
Profits or loss from derecognition of financial assets and liabilities not measured at fair value, recognised in the comprehensive income statement	-	-	-	-	-
Profit or (-) loss from derecognition of non-financial assets	-	-	-	-	-
Increase or (-) decrease during the year from reductions in value and provisions for debt instruments that suffered a reduction in value and for guarantees and commitments in default	-	-	-	-	-

Part I – Payment Agreements Based On Own Equity Instruments

The Banca Sella Group does not use this type of agreement.

Part L – Segment information

1 – Segment reporting – breakdown by business area

In line with that foreseen in accounting standard IFRS 8, the segment reporting has been prepared

using the elements that management utilises to make their own operational and strategic decisions.

In this light, the operating assets of the Banca Sella Group reflect an organisational structure divided into 5 operating segments. To this can be added the Governance Centre, which guides, coordinates and controls the entire Group.

In addition to reflecting the operational responsibilities laid down through the Group's organisational structure, the sectors constitute a combination of business lines that have similar characteristics with reference to the types of products and services offered.

Below is a list of the operating segments, with the relative scopes of consolidation

Commercial Bank Business Line

Consisting of Banca Sella, Biella Leasing, Consel.

Finance Business Line

Consisting of the "Finance" service within Banca Sella Holding.

Services and Product Companies Business Line

Consisting of Sella Gestioni, Brosel, Selfid as well as certain services within Banca Sella Holding ("Trading" and "Correspondent Bank"). This business line also includes CBA Vita and Sella Life LTD, considered to be assets held for sale.

Private Wealth Management Business Line

Consisting of Banca Patrimoni Sella & C. and Family Advisory SIM. Represents the service

Fintech and New Business Line

Consisting of Easy Nolo and the "Open Bank" service within Banca Sella Holding.

Central Structure and other services

Consisting of the entities that provide governance and control activities for the Group's other sectors of activity, the companies that provide technical services, investee companies and companies that are no longer operational or being sold.

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: Selir, Immobiliare Sella, Immobiliare Lanificio Maurizio Sella, Selvimm, 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 Banca Sella Holding, whose operations can be reclassified to various operating segments, the relevant economic components were allocated on the basis of the evidence obtained through management controls.

- For companies whose operations are carried out entirely in one operating segment, their entire income statement was reported
- In order to guarantee the possibility of making comparisons between the two years in question, the income and equity results for the assets held for sale have been considered as such in 2014.

The condensed income statement was reclassified following the balance sheet tables.

Below is the table on segment reporting – breakdown by business area:

Prospetto di informativa di settore - distribuzione per settori operativi (dati in milioni di euro)

	Banca Commerciale	Finanza	Servizi e Società Prodotto	Private Wealth Management	Fintech e New Business	Struttura centrale	Totale
CONTO ECONOMICO:							
MARGINE DI INTERESSE							
anno 2015	228,6	11,0	2,4	8,3	(0,0)	2,5	252,6
anno 2014	256,5	14,8	4,8	9,4	(0,0)	1,3	286,7
variazione %	-10,9%	-25,7%	-50,3%	-11,1%	-4,8%	82,8%	-11,9%
RICAVI NETTI DA SERVIZI							
anno 2015	194,8	38,3	19,9	46,3	(0,3)	(8,9)	290,0
anno 2014	269,1	31,2	17,3	49,7	(0,3)	(6,9)	360,2
variazione %	-27,6%	22,6%	15,1%	-6,7%	17,5%	30,0%	-19,5%
MARGINE DI INTERMEDIAZIONE							
anno 2015	423,3	49,2	22,3	54,7	(0,4)	(6,5)	542,7
anno 2014	525,6	46,0	22,1	59,1	(0,3)	(5,5)	646,9
variazione %	-19,5%	7,1%	1,0%	-7,4%	14,7%	17,2%	-16,1%
TOTALE RETTIFICHE DI VALORE NETTE PER DETERIORAMENTO							
anno 2015	(128,6)	(4,9)	(0,0)	(0,7)	(0,1)	(0,0)	(134,3)
anno 2014	(181,7)	(1,3)	(0,0)	(0,3)	(0,1)	(2,6)	(186,0)
variazione %	-29,2%	285,1%	487,1%	118,4%	-18,0%	-99,0%	-27,8%
RISULTATO NETTO DELLA GESTIONE FINANZIARIA							
anno 2015	294,7	44,4	22,3	53,9	(0,4)	(6,5)	408,4
anno 2014	343,9	44,7	22,1	58,7	(0,4)	(8,2)	460,9
variazione %	-14,3%	-0,7%	0,8%	-8,1%	8,8%	-20,2%	-11,4%
COSTI OPERATIVI (1)							
anno 2015	(297,1)	(9,8)	(11,3)	(39,4)	4,5	(25,6)	(378,7)
anno 2014	(280,7)	(11,5)	(11,0)	(38,0)	3,3	(15,7)	(353,6)
variazione %	5,9%	-15,2%	2,6%	3,8%	37,0%	63,9%	7,1%
UTILE (PERDITA) DELLA OPERATIVITA' CORRENTE AL LORDO DELLE IMPOSTE							
anno 2015	(2,4)	34,6	11,0	14,5	4,1	(32,2)	29,7
anno 2014	63,2	33,2	11,1	20,7	2,9	(23,8)	107,3
variazione %	-103,7%	4,3%	-0,9%	-30,0%	40,8%	35,0%	-72,4%
UTILE (PERDITA) D'ESERCIZIO							
anno 2015	(1,2)	28,4	11,8	9,3	2,8	(19,5)	31,6
anno 2014	38,9	23,7	12,3	13,0	2,0	(24,3)	65,4
variazione %	-103,1%	20,3%	-3,7%	-28,5%	41,2%	-19,8%	-51,7%
ALTRE INFORMAZIONI:							
TOTALE ATTIVO DI BILANCIO (ante elisioni)							
anno 2015	12.821,9	3.140,2	1.628,4	1.099,0	11,4	295,3	
anno 2014	12.919,3	3.774,1	1.455,7	914,4	10,5	233,3	
CREDITI VERSO CLIENTELA (ante elisioni)							
anno 2015	8.659,2	488,3	5,4	350,3	0,0	0,1	
anno 2014	9.135,8	224,8	8,3	307,5	0,0	0,1	
DEBITI VERSO CLIENTELA (ante elisioni)							
anno 2015	8.797,1	51,3	0,1	913,3	0,0	0,8	
anno 2014	8.829,2	39,2	3,8	747,4	0,0	0,7	
TITOLI IN CIRCOLAZIONE (ante elisioni)							
anno 2015	816,6	270,4	0,0	0,0	0,0	0,0	
anno 2014	1.230,4	439,1	13,5	0,0	0,0	0,0	
N. FTE							
anno 2015	3.201	59	123	222	17	561	4.182
anno 2014	3.189	58	114	198	13	476	4.048

(1) = Comprendono gli utili/perdite delle partecipazioni, rettifiche di valore dell'avviamento e utili/perdite da cessione di investimenti

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:

Prospetto di informativa di settore - distribuzione per settori operativi (dati in milioni di euro)

	Italia	Resto del Mondo	Totale
CONTO ECONOMICO:			
MARGINE DI INTERESSE			
anno 2015	252,2	0,4	252,6
anno 2014	286,0	0,7	286,7
variazione %	-11,8%	-41,7%	-11,9%
RICAVI NETTI DA SERVIZI			
anno 2015	284,4	5,6	290,0
anno 2014	356,1	4,1	360,2
variazione %	-20,1%	37,6%	-19,5%
MARGINE DI INTERMEDIAZIONE			
anno 2015	536,6	6,0	542,7
anno 2014	642,1	4,8	646,9
variazione %	-16,4%	26,3%	-16,1%
TOTALE RETTIFICHE DI VALORE NETTE PER DETERIORAMENTO			
anno 2015	(134,2)	(0,0)	(134,3)
anno 2014	(185,8)	(0,2)	(186,0)
variazione %	-27,7%	-79,3%	-27,8%
RISULTATO NETTO DELLA GESTIONE FINANZIARIA			
anno 2015	402,4	6,0	408,4
anno 2014	456,3	4,6	460,9
variazione %	-11,8%	31,1%	-11,4%
COSTI OPERATIVI (1)			
anno 2015	(375,6)	(3,2)	(378,7)
anno 2014	(350,0)	(3,5)	(353,6)
variazione %	7,3%	-9,8%	7,1%
UTILE (PERDITA) DELLA OPERATIVITA' CORRENTE AL LORDO DELLE IMPOSTE			
anno 2015	26,9	2,8	29,7
anno 2014	106,3	1,0	107,3
variazione %	-74,7%	169,1%	-72,4%
UTILE (PERDITA) D'ESERCIZIO			
anno 2015	29,1	2,5	31,6
anno 2014	64,7	0,7	65,4
variazione %	-55,1%	265,3%	-51,7%
ALTRE INFORMAZIONI:			
TOTALE ATTIVO DI BILANCIO (ante elisioni)			
anno 2015	18.295,1	701,1	
anno 2014	18.630,0	677,3	
CREDITI VERSO CLIENTELA (ante elisioni)			
anno 2015	9.503,3	0,1	
anno 2014	9.676,4	0,1	
DEBITI VERSO CLIENTELA (ante elisioni)			
anno 2015	9.761,8	0,8	
anno 2014	9.619,6	0,7	
TITOLI IN CIRCOLAZIONE (ante elisioni)			
anno 2015	1.087,0	-	
anno 2014	1.683,0	-	
N. FTE			
anno 2015	3.499	683	4.182
anno 2014	3.470	578	4.048

(1) = Comprendono gli utili/perdite delle partecipazioni, rettifiche di valore dell'avviamento e utili/perdite da cessione di investimenti

Independent Auditors' Report

Deloitte.

Deloitte & Touche S.p.A.
Galleria San Federico, 54
10121 Torino
Italia

Tel: +39 011 55971
Fax: +39 011 544756
www.deloitte.it

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
BANCA SELLA HOLDING S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Banca Sella Holding S.p.A. and its subsidiaries ("Gruppo Banca Sella"), which comprise the balance sheet as at December 31, 2015, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flows statement for the year then ended, and the related explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view 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° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, paragraph 3, of Italian Legislative Decree n. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Gruppo Banca Sella as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/05.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n. 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n. 4, of Italian Legislative Decree n. 58/98, which are the responsibility of the Directors of Banca Sella Holding S.p.A., with the consolidated financial statements of Gruppo Banca Sella as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of Gruppo Banca Sella as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Claudio Crosio
Partner

Turin, Italy
April 8, 2016

This report has been translated into the English language solely for the convenience of international readers.

Other information

Below we provide information about other corporate publications, available on the Group's website, at www.gruppobancasella.it including:

Disclosure pursuant to ex art. 89 - Communication by country - Directive 2013/36/EU ("CRD IV")

Bank of Italy circular 285/2013 and subsequent updates, in the First Part (Title III, Chapter 2), implements in Italian regulations the public disclosure foreseen in article 89 - Communication by country - of Directive 2013/36/EU ("CRD IV"), which introduces the obligation to provide a disclosure regarding bank activities, subdivided by individual country, to be provided as an annex to the financial statements or on the entity's website. The Banca Sella Group reports this information at the following website: www.gruppobancasella.it/bsh/investor_relations

Disclosure pursuant to Bank of Italy Circular n. 263 of 27 December 2006 (Title IV, Chapter 1), the contents of which are included in Circular 285/2013

Pillar 3 of Basel 3 introduces disclosure requirements regarding capital adequacy, risk exposure and general characteristics of the associated management and control systems. The Banca Sella Group publishes this information in quantitative and qualitative tables at the following website: www.gruppobancasella.it/bsh/investor_relations