BANCA SELLA HOLDING

Established in 1886

ANNUAL REPORT

2009

123rd FINANCIAL YEAR

Joint stock company
Parent company of Gruppo Banca Sella.
Head office in Biella– Share capital and reserves € 469.632.431
Member of the Deposit scheme
Registered on the Banks and Banking Groups Roll
TAX and VAT number 01709430027

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Web site www.gruppobancasella.it

This in an English translation of the Italian Original "BANCA SELLA HOLDING – RELAZIONE E BILANCIO 2009". It contains the Consolidated Financial Statements at 31 December 2009, consisting of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow report, the statement of consolidated comprehensive income and the notes to the statements, accompanied by the report on operations. In case of doubt, the Italian version prevails.

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

Ordinary Meeting

CONVENING OF ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called to the Ordinary Meeting, to be held in Biella, Piazza Gaudenzio Sella 1, at 9:30am on 29 April 2010 in first call, and, if necessary, on 25.05.10, at the same place and time, in second call, to discuss and resolve on the following

Agenda

1) Decisions pursuant to Article 2364, point 1), of the Italian Civil Code;
2) Decisions pursuant to Articles 2380 b and 2364, points 2) and 3) of the Italian Civil Code;
3) Board of Directors' Report on corporate governance.
4) Board of Directors' Report on the implementation of compensation policies.
5) Review of the internal audit work on the methods for ensuring the conformity of compensation procedures with the regulatory context.
6) Amendments and additions to the document on compensation policies for Directors, employees or collaborators who are not directly employed by the company.

The deposit of shares for participation in the meeting must be made at the registered office or at Banca Sella S.p.A. at least five days prior to the date set for the meeting.

Best Regards

Biella, 21 April 2010

BANCA SELLA HOLDING
The Chairman

REPORT ON OPERATIONS

Introduction

CONTRIBUTION OF BUSINESS OPERATIONS TO SELLA SERVIZI BANCARI

As mentioned in the report on operations at 31 December 2008, a project was launched at the end of last financial year for the creation of a new Banca Sella Group consortium, dedicated to the supply of services to Group companies.

For this project, the following corporate operations have been carried out within the Group:

- on 4 March 2009 the Extraordinary Assembly of Sella Corporate Finance S.p.A. (a company of the Group) resolved upon its conversion into Consortium Joint-stock Company, denominated Sella Servizi Bancari S.C.p.A.;
- on 19 March 2009 the consortium company held an Extraordinary Assembly, during which two capital increases and some amendments to the statute were approved;
- on 26 March 2009 a deed for the contribution of business operations was drawn up, as Banca Sella Holding transferred to Sella Servizi Bancari the business unit relative to core and auxiliary services, which were typically provided by the Holding company to the companies of the Group.

Under these operations, Sella Servizi Bancari became operative on 1st April 2009. The company has a share capital of 45.269.771 euro, held by:

- Banca Sella Holding S.p.A. at 80,226%
- Banca Sella S.p.A. at 14,958%
- Banca Patrimoni Sella & C. S.p.A. at 1,127%
- Banca Sella Sud Arditi Galati S.p.A. at 2,179%
- Banca Sella Nordest Bovio Calderari S.p.A. at 1,174%
- Sella Gestioni SGR S.p.A. at 0,195%
- CBA Vita S.p.A. at 0,124%
- Brosel S.p.A. at 0,017%.

As mentioned earlier, the consortium Company received by Banca Sella Holding, through the contribution of business operations, the necessary instruments for carrying out its activity, that are the facilities supplying auxiliary services, i.e. all the services supporting the business activity of associated Partners. Therefore, Sella Servizi Bancari now outsources to the Group companies a great number of services that were previously supplied by Banca Sella Holding, such as:

- services supporting the management of the Group;
- business support services;
- commercial support services;
- administration services;
- control services;
- IT services.

Therefore, within the Banca Sella Group, Sella Servizi Bancari is the heart of operational activities and the place where industrial know-how is concentrated. It has the purpose to guarantee the competitiveness of the Group with high levels of efficiency and service and continuous innovation. The mission of the consortium company is being the driving force behind the Group's quality, excellence and success and is therefore an important investment made by the Group itself to develop its core business. The work of Sella Servizi Bancari will provide the Banca Sella Group with the competitive advantage deriving from operational activities, in synergy with the commercial advantage achieved by other companies.

Besides the business activities requiring a banking licence, Banca Sella Holding keeps supervising, co-ordinating and controlling the Banca Sella Group, and makes use of consortium facilities to execute its tasks, though maintaining decision-making and responsibility centres inside its structure.

Supervision, co-ordination and control activities meet the requirements, established by both industry standards and company law, of guaranteeing the operation of the banking Group through "sound and prudent management" as well as exerting a strategic control of the evolution of the various areas in which the Group works and the risks related with such operations, and a management control, aimed at ensuring that the economic, financial and equity balance conditions of individual Companies and of the whole Group are maintained. In this connection, we underline that the purpose of the new structure taken by Banca Sella Holding after the beginning of the operation of Sella Servizi Bancari is that of streamlining and on its business focusing to a greater extent. In particular, with the previous structure the Group companies referred to the relevant ”business Area” within the “Management and Co-ordination Map of the Banca Sella Group”; with the new structure, companies refer to the “Group Management”, which is divided into General Management and Specialist Management (or specialist Management departments).

We also point out that as from 1st April 2009, according to the Banca Sella Holding structure reorganisation described above, the Telephone banking service, previously carried out by the Holding, is now a part of the Banca Sella company.

Main figures and indicators

SUMMARY DATA *(euro millions)*				
Item	**31/12/2009**	**31/12/2008**	**Change**	
			absolute	**%**
BALANCE SHEET				
Total assets	4.900.805,0	6.470.272,8	(1.569.467,8)	-24,3%
Cash loans[(1)]	1.388.212,8	1.652.319,5	(264.106,7)	-16,0%
Guarantees given	10.105,7	25.045,0	(14.939,3)	-59,6%
Financial assets	1.177.695,9	591.001,3	586.694,6	99,3%
Equity investments	760.056,1	721.087,4	38.968,7	5,4%
Tangible and intangible fixed assets	49.073,0	93.634,1	(44.561,1)	-47,6%
Direct deposit (excluding repurchase agreements)	1.314.013,5	1.751.321,1	(437.307,6)	-25,0%
Indirect deposit [(2)]	15.236.029,8	13.806.794,5	1.429.235,3	10,4%
Total deposit	16.550.043,3	15.558.115,6	991.927,7	6,4%
Regulatory capital	671.493,0	622.086,7	49.406,3	7,9%
INCOME STATEMENT[(3)]				
Net interest income	43.040,2	44.456,8	(1.416,6)	-3,2%
Net income from services	59.799,0	46.315,4	13.483,6	29,1%
Net banking income	102.839,2	90.772,2	12.067,0	13,3%
Operating costs [(4)]	74.890,7	75.159,7	(269,0)	-0,4%
Operating profit	27.948,5	15.612,5	12.336,0	79,0%
Net value adjustments for impairment losses	(401,3)	(385,2)	(16,1)	4,2%
Income tax	(1.262,5)	9.473,7	(10.736,1)	-113,3%
Profit for the year (net)	23.073,2	1.734,1	21.339,1	1230,6%

(1) The aggregate represents the sum of the following items of the Balance Sheet Assets: 70 "Due from customers" and 90 "Change in value of financial assets subject to macrohedging".
(2) The aggregate does not include the item "cash", relating to asset management, wich is included in the item "direct deposit".
(3) As per items reported in the reclassified consolidated income statement.
(4) Given by the sum of the following items: "Administrative expenses" item 150, "Writedowns of tangible assets" item 170, Writedowns of intangible asset item 180, "Other operating expenses and income" item 190.

STAFF AND BRANCHES				
Items	**31/12/2009**	**31/12/2008**	**Change**	
			absolute	**%**
Employees	343	1.161	-818	-70,5%
Branches	1	1	-	-

The variation in the number of employees compared with last financial year is mainly due to the transfer of business operations described in the introduction above. For further information on Human Resources, refer to the relevant section of this Report on operations.

ALTERNATIVE PERFORMANCE INDICATORS		
Item	**31/12/2009**	**31/12/2008**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [1]	5,2%	0,4%
R.O.A. (return on assets) [2]	0,5%	0,0%
Net interest income[3] / Net banking and insurance income[3]	41,9%	49,0%
Net income from services [3] / Net banking and insurance income [3]	58,1%	51,0%
Cost to income [4]	70,4%	78,6%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income [3] / Average number of employees	136,8	78,3
Gross operating profit [3] / Average number of employees	37,2	13,5
Cash loans / Number of employees at year end	4.047,3	1.423,2
Direct deposit / Number of employees at year end	3.830,9	1.508,5
Total deposit / Number of employees at year end	48.250,9	13.400,6
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	105,6%	94,3%
Cash loans / Total assets	28,3%	25,5%
Direct deposit / Total assets	26,8%	27,1%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	0,0%	0,0%
Net value adjustments to loans / Cash loans	0,0%	0,0%
CAPITAL SOLVENCY RATIOS *(%)* [5]		
Tier 1 capital ratio	42,04%	38,67%
Total Capital Ratio	61,69%	58,81%

[1] Ratio between "Profit for the year" and the sum of items 160 "Reserves", 170 "Share premiums", 180 "Share capital", 190 "Own shares", ot the balance sheet liabilities.

[2] Ratio between "Net profit" and "Total assets".

[3] As per items reported in the reclassified consolidated Income Statement.

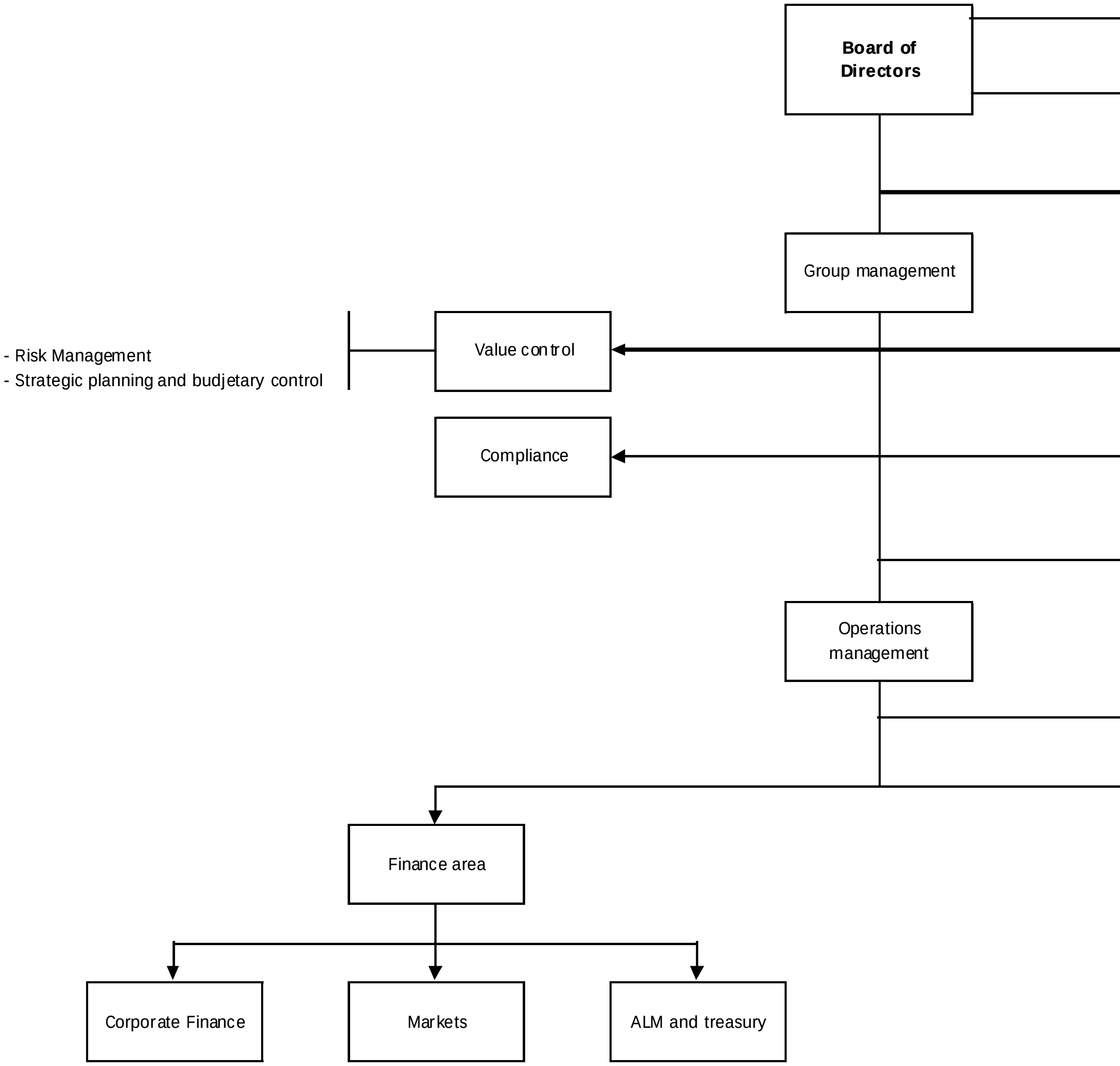
[4] Ratio between operating costs, net of IRAP and losses connected to operational risk, and net banking income.

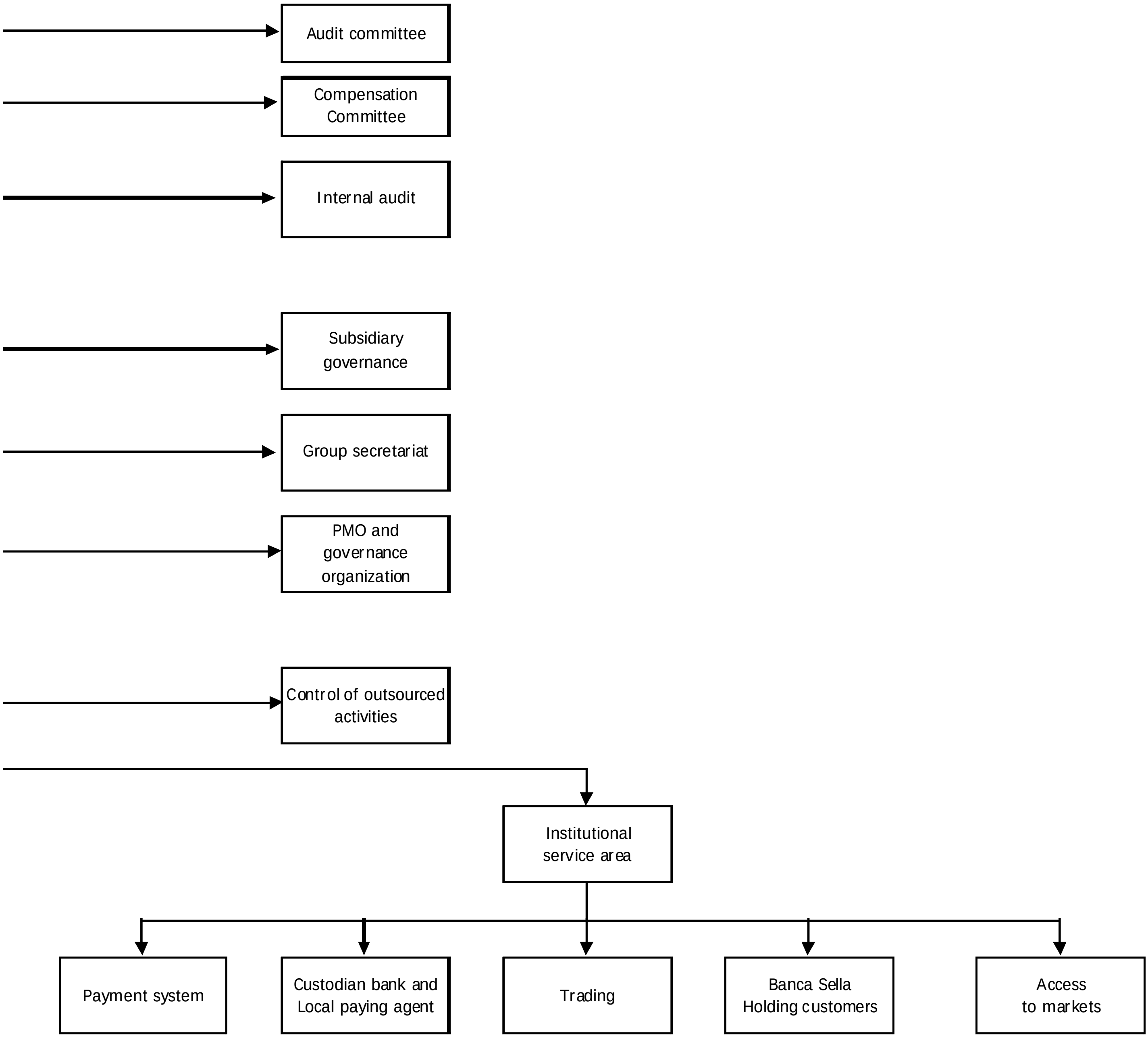
[5] The 1st amendment of 18 November 2009 to the Bank of Italy circular 262/2005 specifies the criteria for the calculation of capital ratios, according to which the amount of risk-weighted assets is determined as the product between total capital prodotto requirements and 12,5 (inverse to the minimum required ratio of 8%). To enable consistent comparison with 31 December 2009 figures, 2008 ratios (previously calculated at 6%) were also recalculated.

Banca Sella Holding organisation chart

Further to the operations described in the Introduction, the organisation chart of Banca Sella Holding has been modified as follows:

AS FROM 1 APRIL 2009




Audit committee
Compensation Committee
Internal audit
Subsidiary governance
Group secretariat
PMO and governance organization
Control of outsourced activities
Institutional service area
Payment system
Custodian bank and Local paying agent
Trading
Banca Sella Holding customers
Access to markets

Operations management

Finance Area

DEALING AND MARKET TRADING

In 2009 the Bank's trading and dealing activity in the market, on its own behalf and on behalf of third parties (including On Line Trading), recorded the following market shares (the table below shows a comparison with 2008 figures):

DEALING AND TRADING ACTIVITY	2009	2008
MTA	1,54%	1,62%
(trading after hours)	4,78%	5,10%
SeDeX	0,69%	0,45%
MOT	12,90%	17,45%
IDEM – S&P/MIB Future	6,40%	7,70%
IDEM – MINI/Future	20,07%	26,12%
IDEM – S&P/MIB Option	9,93%	14,52%

(Assosim data)

Compared to the previous financial year, the market shares recorded in 2009 have dropped in all the main cash divisions, excluding the SeDeX market, and the instruments traded in the IDEM market.

TRADING IN FINANCIAL INSTRUMENTS ON OWN BEHALF AND TREASURY BUSINESS

During financial year 2009 the activity of trading on own behalf provided a growing contribution to the income statement. The Bank kept its status as Primary Dealer on the Electronic Government Securities Market (MTS), with a market share of about 2,8% (3,1% in 2008) and growing profits on the previous year.

During the financial year trading activities on own behalf in the electronic bond market (MOT) recorded a drop in volumes, with a market share decreasing from 30,01% of 2008 to 23,02%, while the EuroMOT division saw growing volumes, with a market share of 38,92% (7,31% in 2008)[1]. All bond trading desks achieved excellent results, significantly growing on the previous financial year.

The overall volumes exchanged in 2009 in the electronic share market (MTA) deriving from trading activities on own behalf saw a drop over the previous financial years, with a market share decreasing from 1,46% in 2008 to 0,46% [2], but with growing results over those of 2008.

Trading on derivative instruments mainly focused on financial instruments quoted on IDEM (Italian Derivatives Market) and Eurex regulated markets. On the whole, activity on derivative instruments quoted on regulated markets recorded a drop over financial year 2008: the market share of dealings on own behalf relative to Future in the S&P/MIB Index decreased from 9,10% in 2008 to 7,66% in 2009; the share relative to MiniFuture in the S&P/MIB Index decreased from 33,37% in 2008 to 28,83% in 2009; the share relative to Options in the S&P/MIB Index decreased from 11,33% in 2008 to 6,33% in 2009[3].

As to the IDEM market, the Equity Derivatives desk maintained its role of Primary Market Maker for S&P/MIB Stock market Index options and MiniFuture options in the same Stock market Index, achieving significantly growing results over last financial year.

[1] *Assosim data*
[2] *Assosim data*
[3] *Assosim data*

Trading on the spot and forward foreign exchange market shows a predominance of trading on the spot market with volumes traded of about 4,3 billion euro; the contraction over the previous year was mainly due to the sharp reduction of trading operations on this market, but also to the reduction of volumes at the general level in the OTC segment.

With reference to the treasury, the Bank's business on the interbank deposits market decreased considerably over the previous year, owing to the contraction of volumes on this market following the collapse of confidence caused by the American subprime mortgage crisis (total volumes with counterparties outside the Group, excluding the Central Bank, on the e-MID and OTC markets, of 11,2 billion euro, of which 0,8 billion euro were obtained on the MIC division, that is collateralized). Even dealings in the REPO market saw a downturn as, although preferring collateralized investment/loans on deposit, gradually excess liquidity was invested in firm underwriting of high-standing Government, supranational, bank or corporate bonds (overall PCT volumes on MTS of 109 billion euro, almost all of it falling due overnight).

In 2009 the available and readily available liquidity position of the Bank and of the whole Banca Sella Group always recorded considerably positive balances. The liquidity position management policy, in fact, has always been based on criteria of extreme prudence, above all at times of strong turbulence on the financial markets such as that seen in 2008 and most of 2009.

During the year the Integrated Group Treasury, besides enabling efficient liquidity management, as mentioned above, coordinated the control and governance of interest rate and exchange rate risk at the consolidated level.

CORPORATE FINANCE

The execution of corporate finance activities within the Holding company, instead of an independent company, is a result of the operation described in the Introduction to this report on operations, through which Sella Corporate Finance S.p.A. turned into a consortium joint-stock company denominated Sella Servizi Bancari. This choice also lead to a reduction in administration costs for the sector at issue.

During the financial year, the corporate finance division of Banca Sella Holding (SCF) closed the balance with total revenues of 637 thousand euro, slightly decreasing over 2008 figures. The internal corporate development activity of the Banca Sella Group involved several operations but overall revenues were lower over 2008 due to the smaller extent of transactions assisted by SCF, while the results arising from the 4 corporate finance mandates on external customers are growing.

The assistance given to an important Italian industrial group for buying up a Belgian group working in the security sector, allowed achieving an important target as to the strengthening of the consultation service offered to external customers, one of the main strategic purposes of the division, which will be maintained for the next three years.

Institutional Service Area

PAYMENT SYSTEMS

As regards the P.O.S. service, the credit card acquiring activity recorded a growth in volumes of +4,94% on the previous year; during the financial year the migration of terminals towards the new microcircuit technology (currently more than 75% of terminals installed at our customers' have been adapted to the new technology) proceeded in order to reduce the frauds deriving from tampering with magnetic stripe terminals.

The debit and credit card business grew in terms of turnover generated, +7,41% over the previous year.

During the year, stripe technology cards continued to be replaced with Chip and Pin technology cards, in order to reduce the risk of attempted frauds due to cloning events.

In the e-commerce sector, thanks to the success of the advanced Gestpay Server to Server platform, which is particularly popular with customers for its simple use and full features, results in line with the targets were achieved in terms of turnover and income.

CUSTODIAN BANK AND LOCAL PAYING AGENT

In 2009 custodian bank services saw a significant upturn in customer deposits and funds collections in Sella Gestioni, Asset management company of the Banca Sella Group (net deposits and funds +273 millions, equity +380 millions). This allowed to partially make up for the considerable stock fall recorded in 2008. Still, the decline in liquidity spread (determined by near-zero overnight rates) and the reduction of margins (following a reduction of approximately 25% of the commission applied by Banca Sella Holding as from 1 July 2009) have determined a decrease in gross operating income by approximately 0,55 millions (-26%) over 2008, with a final result of 1,54 millions.

Local paying agent services of foreign OICR recorded an increase of 720 thousand euro in gross operating income, increasing by 6,6% over the previous year.

SECURITIES TRADING FOR THIRD PARTIES - TRADITIONAL TRADING

Despite the persistence of the effects due to the implementation of the Mifid standard, 2009 saw an upswing in dealing revenues, even though financial year 2008 closed with negative signals due to the persistence of the crisis connected with American subprime loans and, above all, the difficult market conditions, culminated with a few company defaults (Lehman Brothers first of all).

The difficult world economic situation, especially suffered in the first half of 2009, has in fact determined high volatility in the markets as well as new investment opportunities (see, for instance, the success of the public placing of Eni and Mediobanca bonds).

The upturn in stock and bond markets had positive effects on dealing revenues, which increased by 12% over the previous year.

The trend of asset management proved particularly positive, as it grew by 16%, mainly due to the contribution of revenues from transactions in bond markets. Transactions in these markets have been very intense despite the severe fall in profits - especially in the short part of the curve (the downturn in treasury bill investments was very sharp) - and the beginning of on-line bond dealing during the second half of 2009. Such increase is connected with:

- reinvestments of the high amounts of securities falling due within the year;
- high liquidity in customer accounts remunerated at low rates;
- high volatility and sharp upturn of security quotations in the middle part of the curve.

A positive contribution to the increase in bond market dealings was also due to the expansion of trading venues available to customers, thanks to the direct access to the Hi-MTF market beginning from the month of August, besides an increase in automation with consequent improvement in the speed of trading, particularly in foreign bond transactions.

The results of transactions in stock markets were slightly positive, too, also thanks to the recovery in security quotations, while revenues from assets under management recorded a slight reduction over last financial year, mainly due to the increase in switches on new products without transfer commissions (*Linee Equilibrio* range).

Even direct revenues from transactions of institutional investors grew considerably during 2009, particularly in foreign stock markets and bond markets in general.

Looking at the future, we envisage that in financial year 2010 traditional dealing will have to face a scenario characterized by:

- stable or decreasing net margins;

- an increase in costs due to legal obligations, with the persistence of the effects arising from the adaptation to the Mifid directive;
- the persistence of low rates, which may discourage investments in securities by customers to the benefit of other forms of saving investments, such as highly remunerative current accounts;
- a reduction in volatility;
- a substantial stability of stock and bond markets.

New revenue opportunities derive from the continuous search for new trading venues (such as Chi-X for stock markets) and the participation to underwriting syndicates for the public (for example, an underwriting of Enel bonds is envisaged for the first months of the year), for which we expect great demand from customers, due to the high liquidity in current accounts and the search for new sources of remuneration and investment.

BANCA SELLA HOLDING CUSTOMERS

Banca Sella Holding customers area was created in May 2009 and has the task of following and developing the Bank's customer portfolio, promoting cross-selling opportunities in the banks of the Banca Sella Group.

Another task of this new area is managing the risk of credit cards owners, retailers using Pos and e-commerce dealers, and the Bank's direct customers. In addition, this service co-ordinates the operations of International Customer Desk and Customer Loan Disbursement offices of Banca Sella Holding.

In 2009 commercial operations focused on retailers using Pos - customers of the Bank but not holders of current accounts - with actions aimed at promoting the products of the Group's banks (with special reference to current accounts).

Subsidiaries Governance department

The Subsidiaries Governance department for subsidiary companies was set up within the new structure of the Bank following the launch of Sella Servizi Bancari, with the purpose to control and improve the running of the Group. The services and the activities making up this division were partially described in the previous organisational map, although with different responsibilities. "*GBS Governo Controllate*" (GBS Subsidiaries Governance) is therefore listed under the Group's Management and Co-ordination Responsibility Map as one of the Group's Management departments.

This area has the following mission:

- executing the necessary operations for governing the companies under the Banca Sella Group making sure that they adopt and implement the directives of the Holding company correctly and timely, in order to reach the Group's strategic purposes;
- spreading, through internal communication, the Group's values, vision, strategies and purposes, promoting its image internally and strengthening the feeling of belonging to the Group itself;
- maintaining and supporting the Group's external image through a press office and media relations.

The Subsidiaries Governance department also cultivates relations with regulatory Authorities and supervises the communications sent to such authorities.

For the fulfilment of its functions, the area is divided into the following services:

- subsidiaries operational co-ordination of subsidiary companies;
- financial accounts co-ordination and supervisory reporting;
- complaints co-ordination;
- shareholders relations;
- internal communication and event planning;
- media relations.

SUBSIDIARIES OPERATIONAL CO-ORDINATION

During the year, the subsidiaries operational co-ordination department was launched and made fully operational. This department basically monitors subsidiary Companies as to the activity of their Boards of Directors and the trend reports that they are meant to draw up every month. Of particular significance is the inspection and support activity relative to the adoption of the directives issued by the Holding company, consistently with the Group's management and co-ordination lines.

Some specific reports are systematically sent to the executives of all subsidiaries appointed by Banca Sella Holding and to the Head office of the Holding company every month and a summary is also sent to the Board of Directors of the Holding.

In addition, during the financial year, a meeting was held in every company with the Directors appointed by Banca Sella Holding, who were members of the Boards of Directors of the Group Companies, with the purpose to present the start-up of the service and develop direct collaboration.

FINANCIAL ACCOUNTS CO-ORDINATION AND SUPERVISORY REPORTING

The Financial accounts co-ordination and supervisory reporting service works in synergy with the Financial statements and supervisory reporting department of Sella Servizi Bancari. The service has the purpose of supporting and co-ordinating the Group companies and assist them in preparing accounts and sending supervisory reports in conformity with governing regulations and internal standards.

To that end, during the financial year a meeting was organised with the Heads responsible for the Group financial statements and it was an important opportunity for all participants to debate and grow professionally.

Additionally, within the management and co-ordination activity carried out by this department, specific informational meetings are regularly organised, in conjunction with the preparation of annual and half-year reports, and all the parties involved in various ways in the production of financial statement data are called to join these meetings. The purpose of these meetings is to share and comment on new standards and procedures, promptly tackle possible problems and make those who are not directly involved in the preparation of balance sheets more aware and informed about financial statements.

Finally, in 2009, Financial accounts co-ordination and supervisory reporting activities particularly focused on the new important directives contained in the amendments to circular letters no.262 "Il bilancio bancario: schemi e regole di compilazione" ("Bank accounts: schemes and compilation rules") and no.272 "Vigilanza bancaria e finanziaria - Matrice dei conti" ("Bank and financial supervision: central record of accounts") issued by the Banca d'Italia, which have amended the previous regulations relative to accounts and supervisory reports.

COMPLAINTS CO-ORDINATION

The role played by the Complaints co-ordination service was monitoring and aligning the complaints departments of the Group companies, as well as updating and disseminating complaint processing principles and procedures. Regular meetings have been organised in collaboration with the complaints department of Sella Servizi Bancari to involve all the heads of complaints departments of these companies. In 2009, said meetings were particularly significant as the Banca d'Italia issued new directives concerning the *Arbitro Bancario Finanziario* (dispute resolution procedure for disputes arising between banks and customers) and Transparency in transactions and bank and financial services.

SHAREHOLDERS RELATIONS

The newly-established Shareholders relations department has drawn up a plan for the operations to be carried out in 2010; at the end of 2009 it began to make contacts with the purpose of presenting the service.

INTERNAL COMMUNICATION AND EVENTS PLANNING

The services promoted in 2009 by the Internal communication and events planning department aimed at supporting the achievement of the Group's strategic and budget targets by constantly aligning the Group's vision and Values.

In particular, all Group employees received the document "Gruppo Banca Sella: i nostri Valori" ("Banca Sella Group: our Values"), drawn up and updated by top managers, which was followed by an effective communication system for all employees, aimed at spreading the Group's ethical, corporate and individual principles, and make sure that employees interiorize and observe them. In this connection, the event "Dai nostri Valori alla Banca del Futuro" ("From our Values to the Bank of the Future") was organised in every company of the Group and the Chief Executive Officer of the Holding company had the opportunity to meet all the managers of the Group.

This systematic communication action plan was also carried out through traditional channels: the video information broadcasted on "GBS Video News", the quarterly in-house magazine "Corsella", and the Group's Intranet (under construction using web 2.0. technology with the introduction of interactive instruments such as Blogs, Forums, Communities and Wiki experimentation). In addition, we mention the planning of events, such as the traditional end-of-year Dinner (for the whole staff) and, during the financial year, the three plenary meetings of the Group's CEOs and the Heads of the Holding company.

MEDIA RELATIONS

In 2009 the activity of the Media relations office was completely reorganised, both externally and internally. At the beginning of the year a general action plan based on two main pillars, communication and relations, was set up with the purpose of increasing the Group's visibility on mass media and prevent/handle reputation and image risks.

To that end, a systematic monitoring of information has been implemented through new and more exhaustive daily press releases and real-time reports of the main economic-financial-political news (Ultim'Ora). These instruments, combined with relational activities, have allowed to constantly assess risks and opportunities, determining the conditions, forms and contents of the whole media communication service.

The number of media releases about the Group has increased by 27% over 2008, with peaks of +51% on the Italian press and +49% in product articles. During the year the service also included the quality monitoring of articles on the Banca Sella Group, based on semantic criteria, to assess and ensure the correspondence between the articles issued through communication activities and the Group's messages/values, such as customer focus, innovation, competitiveness, local franchise, etc. As to the prevention and management of reputation risks, the *Termometro del rischio media* ("Media risk meter") was launched with the purpose of summing up, every week, the major topics in the national media related to banking-financial systems, highlighting potential risks and the respective "level" estimated for the following week.

PMO and Governance Organisation

With respect to the decision of strengthening corporate strategy execution abilities and the control of the overall system underlying the governance of the Banca Sella Group, in conjunction with the operations described in the Introduction to this report on operations, a PMO (Project Management Office) and governance organisation service was established inside the Holding company in 2009.

This service took its resources from a set of services previously called Strategic plan projects, Change management organisation and Process organisation. This service has the following mission:

- co-ordinating and planning the Group Project Plan according to the provisions of the Strategic Plan;
- providing support to the Group Management in planning and carrying out strategic impact projects, facilitating related organisational, cultural and behavioural change processes;
- ensure over time the correct definition of processes aimed at productivity recovery and the Group's governance (decision-making processes, allocation of responsibilities, appointment of proxies, etc.).

Among the main activities carried out by the PMO and Governance organisation service in 2009, we highlight three aspects.

First of all, a new project management model was introduced for the whole Group, characterized by the identification of roles and responsibilities within the total project management structure and the classification of initiatives and projects into three levels, to differentiate operational management as to significance and complexity. In this regard, a "demand management" process was also introduced with the purpose to create one Group project portfolio, maximising sustainability in terms of human, technology and financial resources. In addition, during the financial year the correct preparation, management and implementation of the Group project plan were constantly monitored (also through regular reporting processes at all hierarchical levels and the management of replanning operations due to the variations in priorities occurred during the year) and a univocal procedure was adopted for the execution of each initiative/project.

This Group organisational model was supported by the adoption of the common principles and rules contained in the "Regolamento per la gestione delle iniziative/progetti del Gruppo Banca Sella" ("Regulations for the management of initiatives/projects of the Banca Sella Group") according to the principles approved by the Board of Directors and by the extension of the instrument for the census, planning and management of initiatives and projects to all the Group's organisational units (PLANVIEW).

Secondly, the Service engaged in the improvement of productivity, by co-ordinating the simplification and automation of some processes. This allowed recovering 79,01 FTE (Full Time Equivalent) human resources, mainly working in administration offices, who were assigned to either new business and/or customer-related activities, as well as strengthening staff teams and control operations. In addition, this operation made it possible to improve the efficiency of the distribution network, with a reduction of 54.780 working hours dedicated to administration activities towards commercial and business operations.

Finally, in 2009 the PMO and Governance organisation service identified and measured the ecological sustainability KPI (Key Performance Indicator) relative to paper and electricity consumption, and launched some actions aimed at curbing their use. In addition, the Group's environmental policy and sustainable development strategy were defined.

In 2010 the Service will strengthen the project management model launched in 2009, mainly focusing on further staff training programmes and, where necessary, on the improvement of procedures and instruments employed. In addition, several actions will be implemented with the purpose of reducing operating cost (even through substantial productivity increase), revising processes, simplifying the internal organisation, improving the Group's general organisational model and, finally, progressively adopting a Knowledge Management system.

These actions were introduced into an organic cross-sector initiative within the Banca Sella Group, denominated “2010 Organisation” of which the Service is responsible together with the General Management.

The Group’s ecological sustainability strategy conceived in 2009 will also be implemented.

Security of information and protection of privacy

In accordance with Rule 26 of the Technical Rules (Annex B) of the Personal Data Protection Code (Lgs. Dec. 196 of 30 June 2003), Banca Sella Holding has prepared and keeps up-to-date the «Programmatic Document on the Security of Information».

The purpose of this document, which was updated in March 2010, is to establish the organizational, physical and logical security measures to be adopted to ensure compliance with the obligations on the subject of security laid down in Lgs. Dec. 196/2003 on the protection of personal data and its later amendments and additions.

Human resources

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

At 31 December 2009 the total staff of the Bank counted 343 employees, with a net decrease of 818 units over the previous year (1.161 employees).

Among the staff at 31 December 2009, 11 of them were not working due to extended leave and maternity leave.

The changes in staff number were caused by three different reasons:

- the contribution of business operations to Sella Servizi Bancari (described in the Introduction), which involved 796 employees;
- the transfer of Telephone banking service operators to Banca Sella (described in the Introduction), which involved 21 employees;
- natural turnover.

Recruitments during the year brought in 46 new staff (of which 16 transferred from other Group companies) divided as follows: 2 professionalizing apprenticeship contracts, 11 placement contracts, 11 temporary contracts and 22 permanent contracts.

The termination of employment involved 864 people (of which 796 due to the aforementioned contribution to Sella Servizi Bancari, 21 for the transfer to Banca Sella, 22 for other transfers within the Group's companies and 1 for retirement).

At the end of the year the average age of employees was 36 years and 4 months and the average length of service was 10 years and 3 months:

At the end of the year the Bank's personnel costs amounted to about 38,1 million euro, a decrease of 41,8% over 2008. Most personnel have part of their remuneration linked to the achievement of the preset targets and above all to completion within the deadlines of the projects assigned and compliance with service levels.

TRAINING

With regard to staff training, 8.495 man-hours were spent in 2009, of which 5.968 man-hours of class lessons and the remaining on the Group's e-learning platform. 331 employees were involved in training courses during the year. The average number of training hours was approximately 25,6 hours per employee, with an increase of 11% over the previous year. The training areas most covered were:

- leadership and managerial competencies;
- project management;
- development of personal skills;
- legislative changes, with particular reference to safety in the workplace.

Particularly significant was the initiative which involved the CEO with a speech addressed to the managers of the company, aimed at aligning and sharing the company's mission, vision and strategy with special reference to effective every day actions, in line with corporate values. After this meeting, the managers launched a series of operations for disseminating and aligning the company's resources as to policies, strategies and values.

Results for the year

Profitability

RECLASSIFIED INCOME STATEMENT *(euro thousand)*

Item	31/12/2009	31/12/2008	% Change over 2008
10 Interest and similar income	85.728,7	249.714,0	-65,7%
20 Interest and similar expenses	(67.417,7)	(252.941,3)	-73,3%
70 Dividends and similar income	24.729,2	47.684,1	-48,1%
NET INTEREST INCOME AND DIVIDENDS	**43.040,2**	**44.456,8**	**-3,2%**
40 Fee income	90.729,4	90.749,8	0,0%
50 Fee expenses	(56.207,1)	(54.185,6)	3,7%
80 Net gains/(losses) on trading activities	25.310,7	10.061,0	151,6%
90 Net gains/(losses) on hedging activities	(34,0)	(309,8)	-89,0%
Net income from service	**59.799,0**	**46.315,4**	**29,1%**
NET INTEREST AND OTHER BANKING INCOME	**102.839,2**	**90.772,2**	**13,3%**
150 Administrative expenses:			
a) Personnel expenses	(37.986,0)	(65.369,1)	-41,9%
IRAP on personnel and seconded personnel expenses (1)	(1.434,5)	(2.372,3)	-39,5%
b) Other administrative expenses	(50.956,7)	(51.891,5)	-1,8%
Recovery of stamp duty and other taxes (2)	204,2	189,2	7,9%
170 Value adjustments on tangible assets	(3.953,8)	(8.566,2)	-53,8%
180 Value adjustments on intangible assets	(4.110,5)	(9.161,2)	-55,1%
190 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	23.346,6	62.011,4	-62,4%
Operating costs	**(74.890,7)**	**(75.159,7)**	**-0,4%**
OPERATING PROFIT/(LOSS)	**27.948,5**	**15.612,5**	**79,0%**
160 Net provisions for risks and charges	(1.086,7)	1.953,2	-155,6%
130 Net value adjustments for impairment on:			
- loans and receivables	(401,3)	(385,2)	4,2%
- financial assets available for sale	(1.816,0)	(23.745,5)	-92,4%
- other financial transactions	(36,4)	52,4	-169,5%
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	959,0	-	-
- financial assets available for sale	7.888,1	(8,4)	-93528,4%
- financial liabilities	32,4	23,1	40,2%
210 Gains/(losses) on equity investments	(9.155,1)	(1.266,2)	623,0%
230 Impairment of goodwill	-	-	-
240 Gain/(loss) on disposal of investments	3,3	24,6	-86,6%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**24.335,7**	**(7.739,5)**	**-414,4%**
260 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	(1.262,5)	9.473,7	-113,3%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**23.073,2**	**1.734,1**	**1230,5%**
280 Profit/(losses) on asset disposal groups held for sale after tax	-	-	-
PROFIT/(LOSS) FOR THE YEAR	**23.073,2**	**1.734,1**	**1230,5%**
Other comprehensive income (net of tax)(3)	710,5	(245,7)	-389,2
TOTAL COMPREHENSIVE INCOME	**23.783,7**	**1.488,4**	**1497,9%**

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

(2) Separated from the item "Other operating expense/income".

(3) The item refers to valuation reserves of financial assets available for sale.

Financial year 2009 saw an income of 23,1 million euro, a clear increase over the 1,7 million euro income recorded at 31 December 2008. In analysing these two results we will have to consider two important elements:

- in the first place, the exceptional event that negatively affected last financial year; in determining the final profit of crucial importance was the loss of value of the equity interest by the Bank in London Stock Exchange Group Plc, for which it was decided to recognise an impairment on the basis of the share price and the Euro/Sterling exchange rate at 31 December 2008. This decision had a negative impact of 23,7 million euro on the item "Net adjustments for impairment of financial assets available for sale". In the absence of this impairment and of the associated tax component, financial year 2008 would have ended with a net profit of 24,9 million euro;
- secondly, figures at 31 December 2009 were influenced by the contribution of business operations to Sella Servizi Bancari described in the Introduction to this Report on operations. As described in the previous sections, this transaction involved significant changes in the Bank's role and operation, besides a staff reduction.

The level of R.O.E. at the end of 2009 was 5,2%, while in the previous year it had been 0,4%. Comparison between the two figures is of little significance for the reasons explained above.

The comments below refer to the Income Statement items reclassified as shown in the table in the preceding page.

NET INTEREST INCOME

Net interest income amounted to 43 million euro, down by 3,2% compared with the previous year, in which it totalled 44,5 million euro. To better analyse this trend it may be useful to divide the result into its two main components:

- "pure" interest income, seen as the difference between increases and decreases, rose by 21,5 million euro on 2008 thanks to the excellent performance recorded in the Finance area;
- dividends decreased from 47,7 million euro in 2008 to 24,7 million euro in 2009, with a fall of 23 million euro due to the fact that last year this component included some extraordinary dividends connected with transfers carried out by some associated companies in 2007.

NET INCOME FROM SERVICES

Net income from services amounted to a total of 59,8 million euro, up by 29,1% from the previous year, in which it was 46,3 million euro.

This result was influenced by the positive trend of the Finance business area too: as shown in the table below, the component relative to trading and hedging activities, amounting to 25,3 million euro, recorded an increase of 15,5 million euro over 2008.

Net income from services: main components *(euro thousands)*

Voci	31/12/2009	31/12/2008	% change
Payment services	31.365,0	29.819,0	5,2%
Trading for third parties and order collection	4.458,0	7.025,0	-36,5%
Custodian Bank	1.571,0	1.929,0	-18,6%
Trading and hedging activities	25.276,7	9.751,2	159,2%
Other	-2.871,7	-2.208,8	30,0%
Total	**59.799,0**	**46.315,4**	**29,1%**

NET INTEREST AND OTHER BANKING INCOME

Net interest and other banking income, together with net income from services, led to total income of 102,8 million euro, an increase of 13,3% compared with the figure at 31st December 2008, which was 90,8 million euro.

OPERATING COSTS

Operating costs amounted to 74,9 million euro, net of the positive contribution of 23,3 million euro of the item “Other operating expenses/income”. The aggregate is basically in line with the figures recorded at 31 December 2008, when operating costs stood at 75,2 million euro.

The component was directly influenced by the contribution of business operations to Sella Servizi Bancari described in the Introduction, which, even though it did not affect the total amount of the item, had considerable consequences on its subcaptions. In particular, the operation determined:

- a decrease of 41,8% in staff costs, whose amount, including IRAP (regional tax on productive activities), fell from 67,7 million euro last year to 39,4 million euro;
- a decrease of 54,5% in adjustments on tangible and intangible assets, which stand at 8,1 million euro, over 17,7 million euro in 2008;
- a drop of 62,4% in the contribution from the item “Other operating expenses/income”, whose total amount, minus the Recovery of stamp duties and other taxes, fell from 62 million euro in the previous year to 23,3 million euro.

Other operating expenses included other administrative expenses, which, net of the recovery of stamp duties and other taxes amounted to 50,8 million euro, slightly decreasing compared with the 51,7 million euro of financial year 2008.

INVESTMENTS

As a result of the trends examined above, gross operating profit showed an improvement of 79% compared with 15,6 million euro recorded in 2008, coming out at 27,9 million euro.

PROVISIONS, ADJUSTMENTS, PROFIT/LOSSES ON DISPOSAL AND PROFIT/LOSSES ON EQUITY INVESTMENTS

Net provisions for risks and charges were 1.1 million euro, while last financial year this aggregate recorded a positive balance and stood at +2 million euro. In this connection, an agreement was signed on 4 December 2009 with trade unions, within the Group and on behalf of the Bank, for the access to the extraordinary services provided by the Solidarity Allowance of the sector. In the light of the aforesaid agreement, the Group’s employees were given the chance to submit applications to access exit plans within 18 December 2009. Therefore, a properly discounted provision was approved at the end of the financial year to cope with the use of future economic resources.

Net write-downs to losses on loans amounted to 0.4 million euro, up slightly (+4.2%) when compared with financial year 2008, testifying to the low credit risk assumed by the company.

The item “Net adjustments to impairment of financial assets available for sale” shows the impact of the impairment on some minority interests. In particular, the financial year saw the impairment of investments in Intesa Sanpaolo (for an amount of 1,3 million euro) and Cartalis (for 500 thousand euro)[4]. The aggregate, standing at 1,8 million euro, is however considerably lower than the 23,7 million euro recorded the previous year, when the trend of the item was almost entirely due to the extraordinary event relative to the impairment of investments in London Stock Exchange Group Plc mentioned above.

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[4] *As regards the investment in Intesa Sanpaolo, as the investment was written down during the preparation of the half-yearly report with effects on the income statement of 1,3 million euro, Banca Sella Holding wrote up its investment according to the closing market price at 31 December 2009 recording a positive reserve of 469 thousand euro in the shareholders’ equity.*
For further information on the assessment of minority interests, please refer to the Notes to the Financial statements, part B -Balance Sheet - Assets, section 4.

The item Profits on disposal of financial assets available for sale was 7,8 million euro, due to the partial sale of investments in the London Stock Exchange Group and Visa and the total disposal of investments in Mastercard and Centrale dei Bilanci.

The item Profit/losses on equity investments includes again the impact of the impairment of investments in Banca Monte Parma, Banca Sella Nordest Bovio Calderari, Selgest, Sella Bank Luxembourg and the coverage of the operating loss of Sella Servizi Bancari . For further information on the impairment test on minority interests, please refer to the Notes to the financial statements, part B – Information on the Balance Sheet – Assets.

INCOME TAXES

The percentage incidence of income taxes (excluding reclassified IRAP relative to staff costs increasing this component) on the income deriving from continuing operations before taxes stands at 5,19%.

This percentage is influenced by the fact that a significant amount of the company's revenues is made up of dividends on equity investments having the features provided under section 89 subparagraph 2 of Italian Presidential Decree 917/86, as well as capital gains on investments having the requirements provided under section 87 of Italian Presidential Decree 917/1986. These proceeds are almost totally tax-free, with a positive effect on the company's tax rate for about 40 percentage points.

The tax rate also suffered a negative impact of about 14,6 percentage points due to non-deductible impairment on investments having the requirements provided under section 87 of Italian Presidential Decree 917/1986.

The tax rate also benefited from lower taxes with respect to the previous years (from 2003 to 2007) due to the deduction of the IRAP amount relative to the cost of labour and interests from the IRES (corporate income tax), requested as reimbursement pursuant to section 6 of Legislative Decree 185/2008 for about 0,8 million euro corresponding to about 3.4 percentage points.

The so-called "Robin Hood tax" introduced by Italian Legislative Decree 25/06/2008 no. 112 (turned into Law 06/08/08 no. 133) which implies that 4% of interest expenses is non-deductible, caused an increase in taxes of approximately 0.5 million euro, corresponding to about 2.3 percentage points in the tax rate.

Banca Sella Holding Spa performs the national fiscal consolidation which involves almost all the Italian companies it controls.

A more detailed analysis of the significance and the impact of application of deferred taxation is contained in the Notes to the Financial statements.

Financial assets

At 31 December 09 the bank held a securities portfolio of 1.784 million euro which, in accordance with the International Accounting Standards, was divided into the following categories:

SECURITIES PORTFOLIO *(euro millions)*	**31/12/2009**	**31/12/2008**
Held for Trading	965	383
Available for Sale	-	12
Held to Maturity	69	63
Loans and Receivables	757	782
TOTAL	**1.784**	**1.240**

SECURITIES HELD FOR TRADING

During the year the total of the held-for-trading category has grown considerably, compared with the figure for 31 December 2008, going up from 383 million euro to 965 million euro. Such increase is mainly due to the purchase of eurozone government securities, bonds backed by eurozone Countries, securities of AAA rated supranational issuers and senior issues from European banks.

Testifying to the policy of prudence which guides the management, the VaR at 31 December 2009, calculated with the historical simulation method, with a time horizon of 3 months and confidence interval of 99%, was about 6 million euro (the average VaR for the year was about 5,9 million euro).

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 subprime mortgages or *Alt-A* 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.

At the end of the financial year the main investment categories were:

- Eurozone government securities for 38,4%;
- bonds by supranational issuers and government securities for 12,4%;
- bonds by bank and financial issuers for 47,3%;
- bonds by corporate issuers for 0,7%;
- shares and reserves for 1,2%.

The average rating of the portfolio, using the Moody’s scale, was Aa3, while according to the S&P scale it was A+.

SECURITIES AVAILABLE FOR SALE

This segment was reset in 2009 following the transfer of a share investment in Banca Monte Parma S.p.A..

SECURITIES HELD TO MATURITY

This segment includes instruments held for long-term investment purposes and complies with the size parameters laid down in a framework resolution by the Board of Directors.

At 31 December 2009 the securities included in this category amounted to 69 million euro and consisted of BTPs with maturities between 2015 and 2018.

LOANS AND RECEIVABLES

At 31 December 2009 the securities included in this category amounted to about 757 million euro.

This segment includes ordinary and subordinated bonds issued by banks of the Group for a total of

705 million euro. These securities, issued by Group network banks for the purpose of achieving an appropriate matching of maturities between assets and liabilities at the individual level, will presumably be held to maturity.

This category also includes about 38 million euro in bonds and about 7 million euro in Asset Backed Securities, most of them classified under this category in the second half of 2008. It is important to note that all of these securities have a rating investment grade.

The remaining 7 million euro included under loans to customer refer to the purchase, in 2009, of a financial policy issued by CBA Vita denominated *CBA Capitalizzazione più*. It is a capital protected policy, with underlying securities portfolio mainly made up of corporate bonds expiring in 2014; the expected return is about 2,7% yearly.

Loan portfolio quality

NON-PERFORMING LOANS

Net non-performing loans at the end of the year amount to 56 thousand euro and the net non-performing loans/cash loans ratio stand at 0,004%. The flow of new non-performing loans for the period amounts to 598 thousand euro. Collections of non-performing loans is approximately 118 thousand euro.

The number of non-performing loans is 1.081, of which 99,35% is made up of positions amounting to less than 50 thousand euro and 90,29% less than 5.000 euro.

WATCHLIST LOANS

Net watchlist cash loans (relations with persons whose temporary difficulty is expected to be over within a reasonable period of time) at the end of the six-month period, including the capitalisation of interests, stand at 33 thousand euro.

The volume of new inflows, relative to revoked credits alone, was 510 thousand euro.

Other information

Please refer to the consolidated report on operations as regards:

- information on strategic issues, the relevant macroeconomic scenario, the forecast for the next financial year and the risks connected with the business continuity, as the same remarks reported in the consolidated annual report are valid;
- the activity of the Audit Committee and the Internal audit, Value control and Compliance areas (described in the section "Internal control");
- research and development and Information Technology activities;
- liquidity management information;
- information on "high-risk" financial products;
- the description of the trend of the main services previously carried out by Banca Sella Holding, now contributed to Sella Servizi Bancari or transferred to Banca Sella within the scope of the operations described in the Introduction to this report on operations.

Report on corporate governance and ownership structure

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

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

With reference to accounting and financial processes, as described in the section Internal control of the Consolidated report on operations (please see for further information), the four directions in which the company works are:

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

Therefore the model used allows reaching a reasonable guarantee for the reliability of the accounting and financial information prepared.

Own and parent company's shares

During the period, the Bank did not hold, nor does it currently hold, any own share, nor any shares of parent companies.

Equity investments and relations with group companies

The structure of the Banca Sella Group at 31 December 2009, together with the reference to the main equity investments, is shown in the Group chart in the first pages of the Consolidated financial statements. The counter-value of the Bank's investments, increased by 20,4 million euro compared to 31 December 2008, stands at 792,4 million euro, of which 747,9 million euro in companies of the Group. The most significant transactions in the investment portfolio of the Bank up to 31 December 2009 were:

INCREASES

- the purchase of 20.789 shares in Banca Patrimoni Sella & C. S.p.A., representing 0,074% of the share capital of the company, with a consequent increase of the interest from 68,342% to 68,416%;
- the purchase of 18.750 shares in Biella Leasing S.p.A., representing 0,075% of the share capital of the company, with a consequent increase of the interest from 76,911% to 76,986%;
- the purchase of 15.150 shares in Sella Gestioni SGR S.p.A., representing 0,079% of the share capital of the company, with a consequent increase of the interest from 75,373% to 75,452%;
- the purchase of 5.608 shares in Sella Capital Management SGR S.p.A. (in liquidation), representing 0,056% of the share capital of the company, with a consequent increase of the interest from 85,973% to 86,029%;
- the purchase of 1.000 shares in Brosel S.p.A., representing 0,500% of the share capital of the company, with a consequent increase of the interest from 61,000% to 61,500%;
- the purchase of 100.000 shares in Intesa San Paolo S.p.A., representing 0,0008% of the share capital of the company, with a consequent increase of the interest from 0,0034% to 0,0042%;
- the purchase of 500.000 shares in Gruppo Mutui on line S.p.A., representing 1,265% of the share capital of the company.

DECREASES

- the sale of 151.288 shares in Banca Monte Parma S.p.A., representing 5,403% of the share capital of the company; 84.000 of these shares, representing 3,000% of the capital share of the company, were recognised on the financial statements 2008 under Financial assets available for sale;
- sale of 300.000 shares in London Stock Exchange Group Plc. representing 0,110% of the capital share of the company.

EQUITY OPERATIONS

- During the year Banca Sella Holding S.p.A. purchased 27.517 shares in Consel S.p.A. representing 0,064% of the capital share of the company, with consequent increase of the interest to 53,724%. As regards the multi-annual industrial partnership agreement between Banca Sella Holding S.p.A. (which controls Consel S.p.A., a company of the Group operating in the consumer credit sector) and Alleanza Toro S.p.A. (previously Alleanza Assicurazioni S.p.A., which merged Toro Assicurazioni S.p.A.), as the conditions envisaged in the agreements signed were fulfilled, the insurance company proceeded to pay the third tranche of the capital share increase for Consel. The subscription to this tranche, totalling 4 million euro, increased the stake held by Alleanza Toro S.p.A. to 32,500% and reduced Banca Sella Holding's interest to 51,978%;

- following the capital increase in SACE – Airport of Cerrione S.p.A., which the company decided not to subscribe, the interest percentage fell from 3,527% to 2,437%;
- following the subscription to the capital increase and the unexercised share options in Agata S.p.A., the interest percentage in the company rose from 18,182% to 40,000%;
- following the subscription to the capital increase and the unexercised share options in Pallacanestro Biella S.p.A., the interest percentage in the company rose from 3,139% to 4,000%;
- following the whole subscription to the capital increase in Selgest S.A., the interest percentage in the company rose from 1,000% to 96,226%.

OTHER OPERATIONS

- The merger between Banca Sella Holding and Finanziaria 2007 had legal effect as from 1st April 2009. Prior to this transaction, Banca Sella Holding had purchased 100% of Finanziaria 2007. Due to the merger, the Holding company became direct shareholder of Banca Sella Nordest Bovio Calderari with a controlling interest of 56,756%. Such interest, amounting to 57.161.689,37 euro, is made up of two parts: the 43.506.303,05 euro shares and the merger difference of 13.655.386,32 euro which, as reported under section 2504 – bis Italian civil code "Effetti della Fusione" (effects of the merger), must be ascribed to assets following the merger. In this case, the amount was ascribed to the only asset following the merger, that is the interest itself;
- pursuant to section 2500-septies of the Civile Code, the heterogeneous conversion of the pre-existing Sella Corporate Finance S.p.A. into Sella Servizi Bancari S.C.p.A., consortium company supplying the services outsourced to companies of the Banca Sella Group, had legal effect on 1st April. With the contribution of business operations, Banca Sella Holding provided the consortium company (joined by other companies of the Group with minority interests) with the appropriate means and resources for the achievement of the targets set and the consequent performance of the activities planned. For further information on this transaction, please refer to the introduction to this report on operations;
- following the completion of the merger by incorporation of Centrale dei Bilanci S.r.l. (Ce.Bi.), Cerved BI S.p.A. and Databank S.p.A. into Gemma 4 S.r.l., Banca Sella Holding exercised its right of withdrawal, selling its whole interest in Ce.Bi.;
- sale of the whole interest in Mastercard Inc. – Class B;
- selling-off of the interest in Centro Sviluppo Aosta S.p.A..

COMMITMENTS TO SELLA BANK LUXEMBOURG

The operational risks of Sella Bank Luxembourg are only those referring to events that can be entirely attributed to the old management (2001 – 2003), which was dissolved by dismissing the managers in charge and replacing them immediately in November 2003. These transactions were reported in the previous financial statements.

For reasons of clarity and consistency, we are presenting once again the division of risks following the same scheme that appears in the report on the 2008 financial statements, distinguishing therefore between:

a) risks attributable to the role of Sella Bank Luxembourg as the custodian bank and administrative agent of the SICAVs Amis Funds (Amis) and Top Ten Multifonds (TTM);
b) risks relating to disputes that arose with reference to the relations of Sella Bank Luxembourg 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 related to the former or the latter.

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

Sella Bank Luxembourg settled its position paying the amount of euro 21.827.277,78 (deriving from the capital amount of euro 21.500.000,00 plus interest at conventional rate) on 8 August 2008.

Besides a complex mechanism of guarantees given by the Liquidators to Sella Bank Luxembourg for the eventuality of subsequent suits filed by third parties, the settlement states that, in the context of the judicial liquidation procedure, the Liquidators will pay off investors in the Vario Invest product distributed by Amis AG and with respect to which Sella Bank Luxembourg had dealt, up to 4 March 2004, with the amounts used for investments with assumption of responsibility as regards their mixing with the assets of the SICAV. The Liquidators thus undertook, against the payment made by Sella Bank Luxembourg of the further sum of 4 million euro, to collate by 3rd July 2011 the waivers of at least 85% of the Vario Invest investors of all claims against Sella Bank Luxembourg. In the absence of waivers by the Vario Invest investors, the risk to Sella Bank Luxembourg of being exposed to such claims was estimated by the Liquidators themselves as 6,8 million euro. On 30 March 2010 the Liquidators of the Sicav Amis Fund and Top ten Multifonds informed that they had collated the waivers to all actions or claims against Sella Bank Luxembourg S.A. by 86,50% of customers who had invested in the Vario Invest product and, consequently, requesting the payment of 3.460.000,00 euro. Before paying, Sella Bank Luxembourg S.A. requested, in conformity with the provisions of the settlement, to receive a copy of these waivers in order to check them properly. Therefore, the occurrence of the condition and the subordinate obligation to pay the amount of euro 4.000.000,00 seem to be highly probable.

With reference to sub (b) risks, while the suits filed in the previous financial years were still pending, on 11 March 2009 Sella Bank Luxembourg was summoned for the return of 6.929.516,81 US dollars and 3.737,30 euro as the assets of a BVI fund still deposited with Sella Bank Luxembourg plus compensatory interest. With the judgement of 30 October 2009, the Court of Luxembourg rejected the request of the fund as a consequence of the engagement as grantee justifying the recoupment of the amount mentioned above. The judgement can still be impugned.

Other cases with BVI funds and directly or indirectly related parties did not see any significant changes, as negotiations between parties are still underway and no decision has been taken yet as regards the preliminary ruling procedures introduced by Sella Bank Luxembourg for pending civil trials.

On the whole, having carried out the transaction with the judicial winding-up of Sicav Amis Fund and Top Ten Multifonds and since the agreements relative to Vario Invest investors (see section a above) are underway, the operational risk of Sella Bank Luxembourg is being modified as to the rights claimed. However, until the judicial authority of Luxembourg makes any decisions on the opposed claims of BVI funds and the relevant management and/or sub-management companies briefly mentioned in sub-section b), no elements can be attributed to a quantitative variation of the risk estimated in the 2008 financial statements.

Relations with group companies

The following table shows the relations between Banca Sella Holding and the Group companies from the financial and economic points of view:

Relations of Banca Sella Holding with other Group companies: income statement data *(euro thousands)*

Counterparty	Interest receivable and similar income	Interest payable and similar expense	Fee income	Fee expense	Net gains/(losses) on trading activity	Personnel expenses	Other administrative expenses	Other operating expenses	Other operating income
Banca Patrimoni Sella & C.	106	-2.555	669	-528	337	235	-52	-327	1.673
Banca Sella Nordest Bovio Calderari S.p.A.	861	-530	489	-696	606	125	-1	-3	1.005
Banca Sella S.p.A.	18.358	-31.343	7.849	-8.851	16.689	-151	14	-110	14.175
Banca Sella Sud Arditi Galati S.p.A.	1.272	-2.141	1.293	-1.498	7.877	-335	-18	-38	1.899
Biella Leasing S.p.A.	15.164		11		5.785	228	5		129
Brosel S.p.A.									17
CBA Vita S.p.A.		-1.200				-576			189
Consel S.p.A.	8.986				12.181				130
Easynolo S.p.A.				-2.093		342	-4.566		94
Immobiliare Lanificio Maurizio Sella S.p.A.						228	-246		8
Immobiliare Sella S.p.A.									22
Secursel S.r.l.									4
Selfid S.p.A.			18			184	5		7
Selgest S.A.			132						1
Selir S.r.l.							-637		29
Sella Bank A.G.		-300	8	-7					26
Sella Bank Luxembourg S.A.	347	-3.344	25						49
Sella Capital Management SGR S.p.A.						5			5
Sella Gestioni SGR S.p.A.		-81	76			72	-21		168
Sella Holding N.V.	34								
Sella Life Ltd.									29
Sella Servizi Bancari S.C.p.A.						48	-14.282		499
Sella Synergy India Ltd.									25
Overall total	**45.128**	**-41.494**	**10.570**	**-13.673**	**43.475**	**405**	**-19.799**	**-478**	**20.183**

Relations of Banca Sella Holding with other Group companies: balance sheet data *(euro thousands)*

Counterparty	Financial assets held for trading	Due from banks	Due from customers	Other assets	Due to banks	Financial liabilities held for trading	Other liabilities
Sella Gestioni SGR S.p.A.			4	112			9
Biella Leasing S.p.A.	8.343		658.199	71		170	2
Immobiliare Lanificio Maurizio Sella S.p.A.				82			
Selfid S.p.A.				50			
Banca Sella Nordest Bovio Calderari S.p.A.	1.373	2.939		323	57.294	541	684
Sella Bank AG	14	12		7	54.374	40	7
Sella Bank Luxembourg S.A.	1.407	1.024			129.099	267	
Consel S.p.A.	13.132		600.528			32	
Banca Sella Sud Arditi Galati S.p.A.	19.108	1.090		460	217.296	1.873	1.599
Banca Patrimoni Sella & C. S.p.A.	622	40.972		812	86.223	177	331
Easynolo S.p.A.			1	117			466
C.B.A. Vita S.p.A.			7.502	12		436	273
Selir S.r.l.				4			4
Banca Sella S.p.A.	50.226	36.901		5.006	2.208.803	10.783	8.973
Selgest S.A.				26			
Sella Servizi Bancari S.C.p.A.			5	373			92
Overall total	**94.225**	**82.938**	**1.266.239**	**7.457**	**2.753.089**	**14.319**	**12.440**

Proposed allocation of profit

Dear Shareholders,

the Balance Sheet and Income Statement at 31 December 2009, presented in euro units in accordance with current legislation, after all the necessary depreciation, amortization and provisions show a net profit for the year of euro 23.073.174,24 which we propose to allocate as follows:

Profit for the year	euro	23.073.174,24
- to the “Statutory reserve”	euro	9.229.269,70
remaining	euro	13.843.904,54
for Shareholders:		
- dividend of 0,0124 euro for each of the n. 201.000.000 shares	euro	2.492.400,00
and the remainder to the “Extraordinary reserve”	euro	11.351.504,54

Biella, 30 March 2010

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

Report of the Board of Statutory Auditors

Dear Shareholders,

during financial year 2009, the board of auditors supervised and controlled the trend of social affairs, with specific reference to the aspects concerning the application of various regulations governing complex corporate and bank law matters.

In particular:

- we met fourteen times;
- we took part in fifteen meetings of the Board of Directors held, obtaining, approximately every month, information on the work performed and on the transactions of greatest economic and financial significance, making sure that those approved and carried out were compliant with the law and with the articles of association, not manifestly imprudent, not hazardous, not in contrast with general meeting resolutions or in potential conflict of interest and – wherever appropriate – making sure that the subjects involved provided the information prescribed;
- we attended four shareholders meetings and seven meetings of the audit committee;
- we have kept ourselves informed of and supervised, insofar as our duty required, both the adequacy of the organizational structure of the company – following regularly the further improvements introduced – and the observance of principles of correct administration, by observing directly, collecting information and documents from the managers of the relevant units and holding meetings with the external auditors and the internal auditing unit, also for the purposes of reciprocal exchange of data and information;

- we examined in depth the internal auditing system and the administrative and accounting system – ascertaining their continuing adequacy – and the continuing ability of the latter to give a true and fair picture of the business;
- we ascertained that the capital eligible for regulatory purposes was more than the ratios provided for, with a Tier 1 capital ratio of 42,04% and a total capital ratio of 61,69%, much more than the minimum laid down of 8%;
- we met with members of the boards of statutory auditors of the other Group companies, in order to exchange information and opinions, with reference to section 2403 *bis* of the Civil Code, not forgetting that Banca Sella Holding, as the Parent Company, directs and coordinates these companies, under the terms of section 2497 of the Civil Code.

During the work we performed no significant facts emerged, such as to require reporting to the Supervisory and Auditing Authorities or mentioning in our report, and we did not receive any claims under Art. 2408 of the Civil Code, nor were we informed that any had been received.

* * *

We also examined – as far as the presentation and the structure are concerned, as the external auditors are responsible for auditing of the accounts – the individual financial statements draft for financial year 2009, approved by the directors in their meeting on 30 March 2009, which shows a net profit of euro 23,073,174, sharply up on the figure for the previous year.

The financial statements were drawn up with a view to carry on the business, as there is no uncertainty questioning the ability to continue operating.

The report on operations and the explanatory notes provide the information required by the law, as well as other important information as regards the features of the company and the sector in which it works, while commenting the management of the financial year and highlighting the facts giving origin to financial flows and their incidence on the company's liquidity and solvency, and outlining the foreseeable trend for 2010 in the light of known elements and those that can be rationally assumed.

With reference to the provisions of IFRS 7 and the Joint statements of the Banca d'Italia - Consob - Isvap issue n.2 of 6 February 2009 and issue 4 of 3 March 2010, the directors highlighted elements which we believe to provide adequate information in this matter.

The documents submitted to your approval also show intragroup relations and relations with related parties - since 2009, including Sella Servizi Bancari, which has been assigned with many of the tasks that were previously carried out by the company on behalf of subsidiaries -, highlighting that these relations have all been entered into according to the relevant specialisation, in conformity with governing regulations and based on valuations of mutual economic convenience.

We have observed in general the correct establishment of the prerequisites for the preparation of such contracts and the methods of provision of the main services rendered.

We reaffirm our consent to the recognition of the multi-annual costs among the assets on the balance sheet, and agree with the reasons and the amortization schedules presented by the directors.

Deloitte & Touche – precisely because their task is to audit the accounts pursuant to Art. 2409 *bis* of the Civil Code – have informed us that, on the basis of the outcome of the work done up to now, they will issue their own positive opinion on the 2009 financial statements, without objections or exceptions.

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

13 April 2010

<u>The Board of Statutory Auditors</u>

Alessandro Rayneri Paolo Piccatti Alberto Rizzo

FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Balance sheet

Assets	31/12/2009	31/12/2008	Differences %
20. Financial assets held for trading	1.090.869.443	494.909.815	120,42%
40. Financial assets available for sale	17.739.862	32.984.736	-46,22%
50. Financial assets held to maturity	69.086.633	63.106.775	9,48%
60. Due from banks	1.471.723.886	3.321.064.282	-55,69%
70. Due from customers	1.388.212.764	1.652.319.490	-15,98%
80. Hedging derivatives	258.533	1.769.318	-85,39%
100. Equity investment	760.056.127	721.087.431	5,40%
110. Tangible assets	44.955.807	61.930.337	-27,41%
120. Intangible assets	4.117.235	31.703.721	-87,01%
of wich:			
- goodwill	-	-	-
130. Tax assets	14.622.476	21.824.130	-33,00%
a) current	7.986.427	13.309.597	-39,99%
b) deferred	6.636.049	8.514.533	-22,06%
150. Other assets	39.162.190	67.572.778	-42,04%
Total assets	**4.900.804.956**	**6.470.272.813**	**-24,26%**

Liabilities and shareholders' equity	31/12/2009	31/12/2008	Differences %
10. Due to banks	2.859.453.745	3.961.906.910	-27,83%
20. Due to customers	110.160.954	128.730.776	-14,43%
30. Outstanding securities	1.203.852.585	1.622.590.362	-25,81%
40. Financial liabilities held for trading	139.037.061	121.735.483	14,21%
80. Tax liabilities	4.915.577	1.889.103	160,21%
a) current	4.491.560	580.153	674,20%
b) deferred	424.017	1.308.950	-67,61%
100. Other liabilities	82.537.105	145.244.597	-43,17%
110. Employee severance indemnities	3.624.044	12.740.449	-71,55%
120. Provisions for risks and charges:	25.099.055	25.188.869	-0,36%
a) retirement and similar obligations	-	-	-
b) other provisions	25.099.055	25.188.869	-0,36%
130. Valuation reserves	5.218.887	4.508.358	15,76%
160. Reserves	293.919.256	294.090.262	-0,06%
170. Share premiums	49.413.513	49.413.513	-
180. Share capital	100.500.000	100.500.000	-
200. Profit for the year	23.073.174	1.734.131	1230,53%
Total liabilities	**4.900.804.956**	**6.470.272.813**	**-24,26%**

Income statement

Item		31/12/2009	31/12/2008	Differences %
10.	Interest receivable and similar income	85.728.741	249.713.961	-65,67%
20.	Interest payable and similar expense	(67.417.733)	(252.941.271)	-73,35%
30.	**Net interest income**	**18.311.008**	**(3.227.310)**	**-667,38%**
40.	Fee income	90.729.369	90.749.827	-0,02%
50.	Fee expenses	(56.207.135)	(54.185.630)	3,73%
60.	**Net fees**	**34.522.234**	**36.564.197**	**-5,58%**
70.	Dividends and similar income	24.729.190	47.684.110	-48,14%
80.	Net gains/(losses) on trading activities	25.310.701	10.061.041	151,57%
90.	Net gains/(losses) on hedging activities	(33.964)	(309.836)	-89,04%
100.	Gains/(losses) on sale or repurchase of:	8.879.426	14.644	60535,25%
	a) loans & receivables	958.982	-	-
	b) financial assets available for sale	7.888.133	(8.443)	-93528,08%
	c) financial assets held to maturity	(47)	-	-
	d) financial liabilities	32.358	23.087	40,16%
110.	Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	-	-	-
120.	**Net interest and other banking income**	**111.718.595**	**90.786.846**	**23,06%**
130.	Net value adjustments for impairment on:	(2.253.672)	(24.078.318)	-90,64%
	a) loans & receivables	(401.314)	(385.178)	4,19%
	b) financial assets available for sale	(1.815.998)	(23.745.491)	-92,35%
	c) financial assets held to maturity	-	-	-
	d) other financial transactions	(36.360)	52.351	-169,45%
140.	**Net gains/(losses) on financial operations**	**109.464.923**	**66.708.528**	**64,09%**
150.	Administrative expenses	(88.942.686)	(117.260.561)	-24,15%
	a) personnel expenses	(37.985.997)	(65.369.096)	-41,89%
	b) other administrative expenses	(50.956.689)	(51.891.465)	-1,80%
160.	Net provisions for risks and charges	(1.086.748)	1.953.220	-155,64%
170.	Net value adjustments on tangible assets	(3.953.770)	(8.566.218)	-53,84%
180.	Net value adjustments on intangible assets	(4.110.547)	(9.161.233)	-55,13%
190.	Other operating expenses/income	23.550.774	62.200.601	-62,14%
200.	**Operating costs**	**(74.542.977)**	**(70.834.191)**	**5,24%**
210.	Gains/(losses) on equity investments	(9.155.127)	(1.266.195)	623,04%
220.	Net gains/(losses) on measurement at fair value of tangible and intangible assets	-	-	-
230.	Impairment of goodwill	-	-	-
240.	Gains/(losses) on sale of investments	3.284	24.578	-86,64%
250.	**Profit/(losses) from continuing operations before taxes**	**25.770.103**	**(5.367.280)**	**-580,13%**
260.	Income taxes for the period on continuing operations	(2.696.929)	7.101.411	-137,98%
270.	**Profit/(losses) from continuing operations after taxes**	**23.073.174**	**1.734.131**	**1230,53%**
280.	Profit/(losses) on asset disposal groups held for sale after taxes	-	-	-
290.	**Profit/(Loss) for the year**	**23.073.174**	**1.734.131**	**1230,53%**

Statement of comprehensive income

ITEMS		31/12/2009	31/12/2008
10.	**Net income (loss)**	**23.073.174**	**1.734.131**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	710.530	-245.702
30.	Tangible assets		
40.	Intangible assets		
50.	Hedges of foreign investments		
60.	Cash flow hedges		
70.	Foreign exchange differences		
80.	Non-current assets held for sale		
90.	Actuarial gains (losses) on defined benefit plans		
100.	Share of valuation reserves connected with investments meaured with net equity method		
110.	**Total other comprehensive income (net of tax)**	**710.530**	**-245.702**
120.	**Total comprehensive income (item 10+110)**	**23.783.704**	**1.488.429**

Cash flow statement

Direct method

A. OPERATING ACTIVITIES (euro thousand)	31/12/2009	31/12/2008
1. Operations	**-13.952.404**	**-1.318.217**
Interest income collected (+)	84.962.786	249.713.961
Interest expense paid (-)	-67.417.733	-253.108.414
Dividends and similar income	1.727.608	12.441.996
Net fees (+/-)	34.522.234	36.564.196
Personnel expenses	-37.644.456	-64.340.504
Other costs (-)	-50.956.689	-51.891.465
Other revenues (+)	23.550.775	62.200.603
Taxes and duties	-2.696.929	7.101.411
2. Cash provided (used) by financial assets	**1.596.066.679**	**-744.878.902**
Financial assets held for trading	-570.648.927	-71.983.583
Financial assets available for sale	21.005.261	-16.305.213
Due from customers	264.664.394	-134.102.505
Due from banks	1.849.340.396	-582.162.279
Other assets	31.705.555	59.674.678
3. Cash provided (used) by financial liabilities	**-1.587.365.328**	**792.094.896**
Due to banks	-1.102.453.165	557.810.267
Due to customers	-18.569.822	-59.417.441
Outstanding securities	-418.705.418	300.065.242
Financial liabilities held for trading	17.301.578	72.709.604
Other liabilities	-64.938.501	-79.072.778
Net cash provided (used) by operating activities	**-5.251.053**	**45.897.777**
B. INVESTING ACTIVITIES	**31/12/2009**	**31/12/2008**
1. Cash provided by:	**135.548.920**	**62.546.110**
Sales of equity investments	12.549.412	19.640.778
Dividends collected on equity investments	23.001.582	35.242.113
Sales/redemptions of financial assets held to maturity	53.000.000	7.500.000
Sales of tangible assets	15.214.599	42.569
Sales of intangible assets	31.196.064	120.650
Sales of subsidiaries and company divisions	587.263	-
2. Cash used by:	**-127.797.867**	**-102.033.986**
Purchase of equity investments	-59.673.235	-75.698.265
Purchase of financial assets held to maturity	-58.213.950	-
Purchase of tangible assets	-2.190.556	-9.592.554
Purchase of intangible assets	-7.720.126	-16.743.167
Purchase of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**7.751.053**	**-39.487.876**
C. FUNDING ACTIVITIES	**31/12/2009**	**31/12/2008**
Issue/purchase of own shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	-2.500.000	-6.480.000
Net cash provided (used) by funding activities	**-2.500.000**	**-6.480.000**
NET CASH PROVIDED (USED) IN THE PERIOD	**-**	**-70.099**
RECONCILIATION	**31/12/2009**	**31/12/2008**
Cash and cash equivalents at start of year	**-**	**70.099**
Total net cash provided (used) in the period	-	-70.099
Cash and cash equivalents at end of year	**-**	**-**

Statement of changes in shareholders' equity 2008

(euro)	Balance at 31/12/2007	Changes to opening balance	Balance at 01/01/2008	Allocation of profit of previous year		Changes in the period									Shareholders' equity 31/12/2008
							Operations on shareholders' equity								
				Reserves	Dividends and other uses	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extrahordinary dividends	Change in equity instruments	Derivatives of own shares	Stock options	Total comprehensive income for the period at 31/12/2008		
Share capital:															
a) ordinary shares	80.000.000	-	80.000.000	-	-	-	20.500.000	-	-	-	-	-	-		**100.500.000**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-		**-**
Share premiums	49.413.513	-	49.413.513	-	-	-	-	-	-	-	-	-	-		**49.413.513**
Reserves:															
a) profit reserves	259.507.823	-	259.507.823	59.233.282	-		(24.506.843)	-	-	-	-	-	-		**294.234.262**
b) others	(21.362.779)	-	(21.362.779)	-	-		21.218.779	-	-	-	-	-	-		**(144.000)**
Valuation reserves															
a) available for sale	4.754.059	-	4.754.059	-	-	-	-	-	-	-	-	-	(245.701)		**4.508.358**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-		**-**
c) special revaluation laws	17.211.937	-	17.211.937	-	-		(17.211.937)	-	-	-	-	-	-		**-**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-		**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-		**-**
Profit (loss) for the year	65.713.282	-	65.713.282	(59.233.282)	(6.480.000)	-	-	-	-	-	-	-	1.734.131		**1.734.131**
Shareholders' equity	455.237.834	-	455.237.834	-	(6.480.000)		-	-	-	-	-	-	1.488.430		**450.246.264**

Statement of changes in shareholders' equity 2009

(euro)	Balance at 31/12/2007	Changes to opening balance	Balance at 01/01/2008	Allocation of profit of previous year: Reserves	Allocation of profit of previous year: Dividends and other uses	Changes in the period: Changes to reserves	Operations on shareholders' equity: Issue of new shares	Operations on shareholders' equity: Purchase of own shares	Operations on shareholders' equity: Distribution of extraordinary dividends	Operations on shareholders' equity: Change in equity instruments	Operations on shareholders' equity: Derivatives of own shares	Operations on shareholders' equity: Stock options	Total comprehensive income for the period at 31/12/2008	Shareholders' equity 31/12/2008
Share capital:														
a) ordinary shares	100.500.000	-	100.500.000	-	-	-	-	-	-	-	-	-	-	**100.500.000**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	49.413.513	-	49.413.513	-	-	-	-	-	-	-	-	-	-	**49.413.513**
Reserves:														
a) profit reserves	294.234.262	-	294.234.262	729.131	-	-	-	-	(1.487.400)	-	-	-	-	**293.475.993**
b) others	(144.000)	-	(144.000)	-	-	587.263	-	-	-	-	-	-	-	**443.263**
Valuation reserves														
a) available for sale	4.508.358	-	4.508.358	-	-	-	-	-	-	-	-	-	710.530	**5.218.888**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (loss) for the year	1.734.131	-	1.734.131	(729.131)	(1.005.000)	-	-	-	-	-	-	-	23.073.174	**23.073.174**
Shareholders' equity	450.246.264	-	450.246.264	-	(1.005.000)	587.263	-	-	(1.487.400)	-	-	-	23.783.704	**472.124.831**

NOTES TO THE FINANCIAL STATEMENTS

PART A
ACCOUNTING POLICIES

A.1 General section

Section 1
Declaration of conformity to international accounting standards

The present financial statements were prepared in accordance with the international accounting standards (IAS/IFRS – including the interpretative documents SIC and IFRIC) issued by the International Accounting Standards Board (IASB) and approved by the European Union up to 31 December 2008, as laid down in Community Regulation 1606 of 19 July 2002. As regards the tables and the explanatory notes, the financial statements were prepared applying all the rules set out by the Banca d'Italia, exercising its powers pursuant to Art. 9 of Lgs. Dec. 38/2005, in its Order of 22 December 2005 with which it issued Circular No. 262/05.

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

The financial statements, therefore, are clearly set out and give a true and fair picture of the economic and financial situation of Banca Sella Holding.

With reference to the first implementation of the IFRS7 "Financial instruments: disclosures" the Bank avails itself of the exemptions provided as per paragraph 44 g, in the 1st amendment of Circ. 262/2005 dated 18 November 2009 issued by the Banca d'Italia. Therefore, with reference to the comparative information on the fair value hierarchy, only the distinction between "level 1" and "level 2/3" is provided, while the tables concerning "annual variations of financial assets measured at fair value (level 3)" are omitted.

Section 2
General drafting principles

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the Other Comprehensive Income 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 08; the notes to the financial statements are stated in thousands of euro.

The 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.

If the information required under international accounting standards and by the instructions in the first amendment to the Banca d'Italia Circular N0. 262 dated 18th November 2009 are not sufficient to give a true and fair view, the notes to the financial statements provide the complementary information necessary in order to do so.

If, in exceptional cases, the application of a rule envisaged in the international accounting standards is incompatible with a true and fair picture of the assets and liabilities, financial position and earnings, this rule 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

In drawing up these financial statements consideration was taken of Banca d'Italia/Consob/Isvap document no. 4 dated 3 March 2010 which, while not introducing additional obligations to those envisaged by international accounting standards, stresses the need to ensure adequate information is included in the financial statements, recommending the prompt and exhaustive application of these standards particularly as regards impairment tests, contractual clauses on financial debt, debts restructuring and the "fair value hierarchy".

The table below shows the new international accounting standards or amendments to effective accounting standards with the respective European Commission homologation regulations, which entered into force as of financial year 2009.

International accounting standards as of 2009

Amending regulation	Title
1126/2008	IFRS 8 – Operational sectors
1274/2008	Amendment to IAS 1 – Presentation of Financial Statements
1260/2008	Amendment to IAS 23 – Borrowing costs
1261/2008	Amendment to IFRS 2 – Share-based payment
53/2009	Amendment to IAS 1 - Presentation of Financial Statements Amendment to IAS 32 – Financial instruments: disclosure and presentation
69/2009	Amendment to IFRS 1 – First-time adoption of IFRS Amendment to IAS 27 – Consolidated and separate financial statements
70/2009	IFRS improvement: Amendment to: IFRS 5; IAS 1; IAS 8; IAS 16; IAS 20; IAS 23; Ias 27; Ias 28; IAS 29; IAS 31; IAS 34; IAS 36; IAS 38, IAS 39; IAS 40; IAS 41
254/2009	IFRIC 12 – Service concession agreements
824/2009	Amendment to IAS 39 – Financial instruments: recognition and measurement; Amendment to IFRS 7 – Financial instruments: disclosures
1164/2009	IFRIC 18 - Transfers of Assets to Customers
1165/2009	Amendment to IFRS 4 – Insurance contracts Amendment to IFRS 7 - Financial instruments: disclosures
1171/2009	Amendment to IAS 39 -Financial instruments: recognition and measurement Amendment to IFRIC 9 – Reassessment of embedded derivatives

The most significant innovation as regards the Banca Sella Holding financial statements are represented by:

- amendments to IFRS 7– Financial instruments: additional disclosures, which have increased the information required for the fair value measurement of financial instruments and liquidity risk;
- amendment to IAS 1 – Presentation of financial statements, which has introduced a new accounting statement represented by the Other comprehensive income statement, showing both the operating profit and all income components that are not reported in the income statement but in the shareholders' equity, as per accounting standards. Such components are represented by variations in the value of financial assets available for sale, the assessment of derivative contracts for hedging financial flows (for their effective part), the effects arising from translating the financial statements of a foreign operation and the elements pertaining to consolidated companies with the equity method.

Section 3
Events subsequent to the balance sheet date

There are no subsequent events to be reported.

Section 4
Other aspects

No other aspects to be pointed out.

A.2 Main accounting items

1 – FINANCIAL ASSETS HELD FOR TRADING

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

Derecognition criteria

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

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

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

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

In order to identify evidence of impairment the qualitative and quantitative information indicated in IAS 39, paragraph 59 is taken into consideration with the addition of the indications contained in IAS 39, paragraph 61, with particular reference to significant or prolonged impairment losses.

Paragraph 61 of IAS 39 envisages that impairment tests are regularly done on Available For Sale (AFS) assets in order to identify any objective evidence of significant or prolonged decline in their fair value.

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. Specifically, an impairment of more than 50% is regarded as significant.

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

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

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

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

Derecognition criteria

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

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

3 – FINANCIAL ASSETS HELD TO MATURITY

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

4 – LOANS AND RECEIVABLES

Classification criteria

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

Recognition criteria

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

Assessment criteria

After initial recognition, receivables are measured at their amortized cost, which is equivalent to their value on initial recognition reduced/increased by repayments of principal, writedowns/writebacks and amortization – calculated with the effective interest rate method – of the difference between the amount disbursed and the amount repayable at maturity, attributable typically to the costs/revenues booked directly to the single receivable. The effective interest rate is found by calculating the rate that makes the present value of future flows of the receivable, for principal and interest, equal to the amount disbursed inclusive of the costs/revenues associated with the receivable. This accounting method, using a financial formula, makes it possible to distribute the economic effect of the costs/revenues along the expected residual life of the receivable. The amortized cost method is not used for receivables whose short life makes it likely that the effect of application of the discounting formula will be negligible. These receivables are valved at their historical cost and the costs/revenues attributable to them are recognized in the Income Statement. The same valuation technique is adopted for receivables with no defined maturity or valid until revoked.

At every annual or interim balance sheet date all loans and receivables are examined to identify those that, following events that occurred after their recognition, show objective evidence of a possible impairment loss. Included in this group are loans classified as non-performing, watchlist or rescheduled in accordance with the current Banca d'Italia rules, in line with the International Accounting Standards.

These impaired loans are subject to an analytical valuation process and the amount of adjustment of each loan is the difference between the carrying value at the moment of the valuation (amortized cost) and the present value of the expected future cash flows, calculated by applying the original effective interest rate. The expected cash flows take into account expected recovery times, the presumable realization value of any guarantees, and costs likely to be incurred for recovery of the loan exposure. The cash flows of receivables which are expected to be recovered in a short time are not discounted. The original effective interest rate of each loan remains unchanged over time even if the position has been rescheduled entailing a change in the contractual interest rate and even if the position, in practice, no longer earns contractual interest.

The writedown is recognized in the Income Statement. The original value of the receivables is reinstated in subsequent years to the extent that the reasons which determined the writedown no longer apply, provided that this assessment can objectively be associated with an event that occurred after the writedown was made. The writeback is recognized in the Income Statement and it may not in any case exceed the amortized cost that the instrument would have had in the absence of the previous writedowns.

Loans for which no specific objective evidence of loss has been found, which are normally performing loans, undergo collective valuation. Under the terms of the International Accounting Standards (IAS/IFRS), the definition of the generic reserve for performing loans should follow a model based on incurred losses. The term incurred loss means a loss for which the fact that it has already happened is clearly identifiable, although it has not yet become manifest (loss "incurred" but not "recognized"). On the basis of its business and its own historical experience in the management and monitoring of exposure to credit risk, the Banca Sella Group has identified as the method of determination of incurred loss an approach based on the concept of expected loss. The term expected loss means the loss that a bank expects to suffer on average in a certain time frame.

The collective valuation of performing loans is carried out dividing customers into homogeneous segments in terms of credit risk. The associated loss percentages are estimated taking into account the Probability of Default (PD) and level of Loss Given Default (LGD). The probability of default and the proportion recoverable in the event of default are calculated, for each bank in the Group, using the same method on the basis of their customer portfolios. In particular the PD variable is determined on the basis of the internal rating model for the business segment and on the basis of the historical data of transition to default for the other customer segments.

As regards LGD, the Banca Sella Group adopts a regulatory LGD of 45% as laid down in the IRB Foundation method for the calculation of the capital absorption to cover credit risk (Banca d'Italia Circular 263/2006). The method described above enables an estimate of the so-called "latent loss" for each category of receivable. Value adjustments determined collectively are recognized in the Income

Statement. At every annual or interim balance sheet date any additional writedowns or writebacks are recalculated in a differential manner with reference to the entire portfolio of performing loans.

Derecognition criteria

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

We updated the valuation parameters associated with the following classes of non-performing or watchlist loans:

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

The updates and new valuation parameters are backed by historical and statistical series, both the bank's own and representative of the national situation, and maintained constant over time. In the same way the discounting to the present of disputed and non-performing loans was updated on the basis of the expected recovery times of loans backed by mortgage guarantees.

The valuation times are:

- valuation at the moment of default with transfer to the watchlist;
- valuation at the moment of classification of the loans as non-performing;
- valuation carried out during the stages of credit recovery management which by way of example can be summarised as acquisition of new real/personal guarantees, formalization and verification of observance of repayment schedules, adverse events, state of attachment and settlements proceedings etc..

5 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

For the 2009 financial statements, Banca Sella Holding did not adopt the so-called fair value option, meaning that it did not opt for the possibility to designate at fair value, recognising the result of the assessment to Income statement, financial assets other than those for which IAS 39 requires the application of the fair value criterion further to their specific functional purpose. Therefore, only the financial assets classified in the trading book, those with fair value hedges and hedging contracts are measured at fair value and the result of the measurement is recognised in the Income statement.

6 – HEDGING TRANSACTIONS

Classification criteria: types of hedging

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

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

IAS 39 describes the following types of hedges:

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

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

Recognition criteria

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

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

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

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

Assessment criteria

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

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

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

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

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

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

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

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

7 – EQUITY INVESTMENTS

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

8 – TANGIBLE ASSETS

Classification criteria

Tangible assets include land, buildings for business purposes, property investments, technical systems, furniture and fittings and equipment of all kinds. These are tangible assets held to be used in the production or supply of goods and services or for administrative purposes, or to be rented out to third parties, and which are likely to be used for more than one period. The item includes, finally, improvements and value-adding expenses incurred on third-party properties not classifiable in the item "other assets".

Recognition criteria

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

Assessment criteria

Tangible assets items 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.

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

Derecognition criteria

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

9 – INTANGIBLE ASSETS

Classification criteria

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

10 – CURRENT AND DEFERRED TAXATION

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

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

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

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

11 – PROVISIONS FOR RISKS AND CHARGES

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

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

Provisions are set aside for risks and chargest only when:

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

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

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

The congruity of these amounts is also reviewed regularly.

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

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

12 – PAYABLES AND OUTSTANDING SECURITIES

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

Financial liabilities are derecognized when they have expired or have been settled. Derecognition also occurs if securities previously issued are repurchased. The difference between the book value of the liability and the amount paid to purchase it is entered in the Income Statement. Replacing 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

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

Embedded derivates which, in accordance with IAS 39, have been separated from the hybrid financial instruments hosting them are also included.

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.

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

14 – FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the 2009 financial statements, Banca Sella Holding did not adopt the so-called fair value option, meaning that it did not opt for the possibility to designate at fair value, recognising the result of the assessment to Profit and Loss Account, financial assets other than those for which IAS 39 requires the application of the fair value criterion further to their specific functional purpose. Therefore, only the financial assets classified in the trading book, those with fair value hedges and hedging contracts are measured at fair value and the result of the measurement is recognised in the Profit and Loss account.

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.

Following recognition

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

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

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items at rates different from the initial ones or from those of translation of the previous financial statements, are charged to the Income Statement of the period in which they arise.
When a gain or loss relating to a non-monetary item is booked to shareholders' equity, the exchange difference relating to this item is also recognized in shareholders' equity. On the contrary, when a gain or loss is recognized in the Income Statement, the associated exchange difference is also booked to the Income Statement.

16 – OTHER INFORMATION

Employee benefits

Employee severance indemnities are entered on the basis of their actuarial value. For the purposes of discounting to the present, the projected unit credit method is used; this involves the projection of the future outflows on the basis of historical statistical analyses and of the demographic curves, and the financial discounting of these flows on the basis of a market interest rate.

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

In the light of the rules laid down in the 2007 state Budget Law, severance indemnities accrued from 1st January 2007 destined for complementary pension funds and the INPS Treasury Fund are to be considered a "defined contribution plan" and are, therefore, no longer the subject of actuarial valuation.

According to the International Accounting Standards, in fact, severance indemnities may not be recognized for an amount corresponding to that accrued (assuming that all the employees leave the company at the balance sheet date); instead the liability in question must be calculated projecting the amount already accrued to the future moment of termination of the employment relationship and then discounting this amount to the present at the balance sheet date using the actuarial "Projected Unit Credit Method".

Recognition of revenues and costs

Revenues are recognized at the moment in which they are received or at least, in the case of sale of goods or products, when it is probable that the future benefits will be received and these benefits can be quantified in a reliable manner, in the case of performance of services, at the moment in which they are rendered. In particular:

- interest received is recognized pro rata temporis on the basis of the contractual or effective interest rate in the case of application of the amortized cost;
- any contractually envisaged default interest is accounted for in the income statement only at the moment in which it is actually collected;

- dividends are recognized in the income statement during the period in which their distribution is approved;
- fees received for services are recognized, on the basis of the existence of contractual agreements, in the period in which these services are rendered;
- gains and losses deriving from the trading of financial instruments are recognized in the income statement at the moment of conclusion of the sale, on the basis of the difference between the price paid or collected and the carrying amount of the instruments themselves;
- revenues deriving from the sale of non-financial assets are recognized at the moment of conclusion of the sale, unless most of the risks and benefits associated with the assets are maintained.

Costs are recognized in the income statement in the periods in which the associated revenues are accounted for. If the costs and revenues can be associated in a generic and indirect manner, the costs are booked over several periods with rational procedures and on a systematic basis. Costs which cannot be associated with revenues are immediately recognized in the income statement.

Accruals and deferrals

Accruals and deferrals that include charges and revenues accruing in the period to assets and liabilities are recognized to adjust the assets and liabilities to which they refer.

Expenses for improvements to third-party properties

The costs of renovating properties not owned are capitalized in consideration of the fact that for the duration of the rental contract the user company has control over the assets and can draw future economic benefits from them. The above costs, classified among Other assets as provided for in the Instructions of the Banca d'Italia, are amortized for a period equivalent to the duration of the rental contract.

Provisions for guarantees issued and commitments

Provisions on a collective basis, in relation to the estimate of the possible outflows connected with the credit risk relating to the guarantees, determined applying the same criteria previously explained with reference to loans and receivables, are classified among Other liabilities, as envisaged in the Instructions of the Banca d'Italia.

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

In drafting the financial statements, the Bank made use of estimates and assumptions which can have effects on the amounts recognized in the balance sheet and income statement. These estimates are prepared:

- using the information available;
- adopting measurements, based also on historical experience, used in formulating rational assumptions for the recognition of operating data.

In future periods the current values recognized may differ, even significantly, following changes in the valuations used, because, by their very nature, the estimates and assumptions used may vary from one year to another.

The main cases which most require the use of valuations are:

- for the reduction of the value of loans and other financial assets, the determination of losses;
- in determining the fair value of financial instruments not quoted on active markets, the use of valuation models;
- for goodwill and other intangible assets, the estimate of the congruity of the value;
- for provisions for personnel and for risks and liabilities, estimates of their value;
- for deferred tax assets, estimates and assumptions on their recoverability.

Fair value measurement method

IAS 39 defines Fair Value as the "amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction" while IFRS 7 introduces the definition of "Fair Value hierarchy". This standard envisages that each valuation made is classified on the basis of a three-level hierarchy in connection with the significance of the inputs used for such valuation. The purpose is to fix the price at which the asset might be sold. In this connection, three fair value levels have been established and they should be applied in hierarchical order, and more precisely:

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

Below is an explanation of the methods adopted for determining the fair value:

Financial instruments

(L1) Instruments whose fair value corresponds to the market value (instruments quoted on an active market):

- securities quoted on a regulated market or an Italian funds market and whose price reflects market information;
- securities quoted on Bloomberg provided that the amount issued is higher than or equal to 500 million euro and at least one market maker with regularly available prices exists;
- funds for which the daily NAV or daily quotation are available;
- equity investments in an active market;
- derivatives quoted on regulated markets.

(L2) Instruments whose fair value is determined using inputs differing from the prices quoted in an active market, which are directly (as prices) or indirectly (derived from prices) observable in the market:

- securities for which Bloomberg gives a quotation featuring an issued amount lower than 500 million euro or securities for which, although they feature issued amounts higher than 500 million euro, there is no Bloomberg market maker with regularly available prices;
- bonds issued by the Banca Sella Group, needing the application of a specific Fair Value Policy for their valuation;
- securities defined as illiquid and listed under Addendum 2 of the Fair Value Policy, excluding those unequivocally evaluated according to the model (which are included under L3);
- funds for which no daily NAV or daily quotation is available, but which periodically express a NAV or a reliable quotation;
- investments that do not have an active market, for which a limited yet recurring number of transactions are known;
- OTC derivatives.

The asset swap spread model is used for the valuation of fixed-rate bonds, while the discount margin model is adopted for floating rate bonds. Having recourse to said models is motivated by the consideration that they represent the market standard for these types of securities in Europe.

The Euro swap rate curve used as the pricing input for fixed-rate bonds derives from the info-providers used in the Bank, while the spread levels used derive from the elaboration of variables connected with credit spread reported by info-providers. The purpose of such elaboration is to consider various variables that may affect pricing processes.

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

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

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

The OTC derivatives that can typically be found in the financial statements concern swap, rate option and exchange option categories.

Swaps are evaluated according to the discounted-cash-flow (DCF) method which represents the market standard and uses as input data the swap rate curve relative to the contract currency. This curve is periodically drawn from the curve published by the main info-providers in the Bank. If the swap structure is more complex, and such as to prevent a reasonable certainty in the estimate of the contract value, a valuation of the contract is requested to the counterparty of the transaction.

The rate options are represented by cap and floor, and are priced according to the Black model. This choice is based on the consideration that alternative models would present the problem of adjusting pricing parameters and would not provide significant improvement to the price estimate. Further elements supporting this choice are connected with the consideration that a wide amount of implicit volatility is reported by the main info-providers, together with the price of options themselves for standard maturity dates.

Both “plain vanilla” and “exotic” exchange options (European or American barrier options) are evaluated according to the Black&Scholes model. The necessary volatility curves for the calculation of implicit volatility for each option as well as the market rate and exchange quotations used for contract valuations are taken from the main info-providers in the Bank (Bloomberg). In the case of more complex exotic option structures that do not allow having reasonable certainty about the contract value, the valuation of the contract is requested to the counterparty of the transaction.

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

- default or delisted securities, should the price communicated by the reference provider for the single security be above 0. If the price is equal to 0, said securities are regarded as “not measured at fair value”;
- securities deriving from Mars 2600 and Secursel and other ABS securization;
- funds or Sicav specializing in ABS;
- unquoted closed-end funds;
- private equity funds;
- equity investments that do not have an active market for which single transactions are carried out or for which valuation methods are used.

The fair value of ABS securities in the portfolio is measured according to Bloomberg pricing models. These models are based on a DCF (Discounted Cash Flow) method, using as input data the latest data provided by the company in charge of the securitization.

The discount margin level used is deduced from the one reported by research, according to secondary market spreads for similar securities as to underlying security, country and rating. This level may be rectified to take into consideration external factors (and typical factors of the security) such as the different quality of assets, the performance of the underlying security, etc.

The techniques adopted for evaluating AFS investments each time are:

- the income approach, which determines the value of the Company on the basis of its ability to yield income; to that end, the value of the Company is calculated by discounting the expected income back to a present value: average future earnings are estimated on the basis of corporate data (financial statements, interim reports, budgets, industrial plans); in addition to risk-free securities, the discount rate considers a premium for investments in business activities;
- the equity method, which determines the Company value on the basis of the zero balance between assets and liabilities; the analysis is based on historical data that can be gathered on the basis of corporate data; financial statements, interim reports, budgets, industrial plans;
- Multiples, which determines the Company value on the basis of specific indicators relating market prices to financial statement values; multiples are expressed by a sample of quoted companies as similar as possible to the Company to be evaluated. A number of factors are taken into account to establish sample homogeneity: the belonging to the same economic sector, the size of the company, financial risks deriving from the corporate financial structure, market shares, geographical diversification, and so on.

Unquoted close-end funds and private equity funds are evaluated on the basis of the data provided by the issuer or, if these data are not provided, according to the amount appropriated to the fund.

Receivables: hedged fixed-rate loans

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

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

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

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

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

A.3 – Information on fair value

A.3.1. Transfers between portfolios

A.3.1.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

Type of financial instrument (1)	Previous portfolio (2)	New portfolio (3)	Book value at 31/12/2009 (4)	Fair Value at 31/12/2009 (5)	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities			**33.679**	**33.001**	**775**	**-**	**-**	**242**
	HFT	Due from banks	19.677	19.402	547	-	-	189
	HFT	Due from customers	14.002	13.599	228	-	-	53
Total			**33.679**	**33.001**	**775**	**-**	**-**	**242**

Key:

HFT = Financial assets held for trading

On 13 October 2008 the International Accounting Standards Board (IASB) adopted changes to the international accounting standard IAS 39 and to IFRS 7. These changes authorize the reclassification of certain financial instruments from the “held for trading” category in rare circumstances.

The financial crisis which characterized part of 2008 and which continues in 2009, is considered one of these rare circumstances which may justify the use of this possibility on the part of the Bank. As a consequence the Bank therefore availed itself of this option, reclassifying part of its own securities portfolio recognized in the “held for trading” category to the “loans and receivables” category.

If the Bank had not taken the option to reclassify the aforementioned financial assets in 2008, larger valuation income components (6) would have been recognized for euro 775 thousand, whilst during the year other income components have been recognized for euro 242 thousand.

A.3.2. Hierarchy of fair value

A.3.2.1 Accaunting portfolios: fair value by level

Financial assets/liabilities at fair value	31/12/2009			31/12/2008	
	Level 1	Level 2	Level 3	Level 1	Level 2/3
1. Financial assets held for trading	868.120	218.770	3.980	351.695	143.215
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Financial assets available for sale	15.334	-	2.406	11.470	21.515
4. Hedging derivatives	-	259	-	-	1.769
Total	**883.454**	**219.029**	**6.386**	**363.165**	**166.499**
1. Financial liabilities held for trading	32.925	106.112	-	6.355	115.380
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**32.925**	**106.112**	**-**	**6.355**	**115.380**

PART B
INFORMATION ON THE BALANCE SHEET

ASSETS

Section 2
Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Item/Amount	31/12/2009			31/12/2008	
	Level 1	Level 2	Level 3	Level 1	Level 2/3
A. Cash assets					
1. Debt securities	860.546	105.708	109	344.739	28.067
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	860.546	105.708	109	344.739	28.067
2. Equity securities	4.046	-	1.888	2.237	13
3. UCITS units	-	4.040	1.983	999	7.368
4. Loans and advances	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-
4.2 Others	-	-	-	-	-
Total A	**864.592**	**109.748**	**3.980**	**347.975**	**35.448**
B. Derivative instruments					
1. Financial derivatives:	3.528	109.022	-	3.720	107.767
1.1 for trading	3.528	108.857	-	3.720	107.209
1.2 linked to fair value option	-	-	-	-	-
1.3 others	-	165	-	-	558
2. Credit derivatives:	-	-	-	-	-
2.1 for trading	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-
2.3 others	-	-	-	-	-
Total B	**3.528**	**109.022**	**-**	**3.720**	**107.767**
Total A+B	**868.120**	**218.770**	**3.980**	**351.695**	**143.215**

Such increase is mainly due to the purchase of eurozone government securities, bonds backed by eurozone Countries, securities of AAA rated supranational issuers and senior issues from European banks.

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

Item/Amount	Total 31/12/2009	Total 31/12/2008
A. Cash assets		
1. Debt securities	**966.363**	**372.806**
a) Governments and Central Banks	399.593	210.070
b) Other public bodies	38	105
c) Banks	461.557	131.712
d) Other issuers	105.175	30.919
2. Equity securities	**4.088**	**2.250**
a) Banks	779	760
b) Other issuers:	3.309	1.490
- insurance companies	908	309
- financial companies	27	18
- non-financial companies	2.374	1.163
- others	-	-
3. UCITS units	**7.869**	**8.367**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**978.320**	**383.423**
B. Derivative instruments		
a) Banks		
- fair value	81.837	87.610
b) Customers		
- fair value	30.713	23.877
Total B	**112.550**	**111.487**
Total A+B	**1.090.870**	**494.910**

2.3 Cash financial assets held for trading: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**372.806**	**2.250**	**8.367**	**-**	**383.423**
B. Increases	**57.766.362**	**1.920.623**	**7.515**	**-**	**59.694.500**
B.1 Purchases	57.730.983	1.915.774	7.293	-	59.654.050
B.2 Increases in fair value	4.858	503	222	-	5.583
B.3 Other changes	30.521	4.346	-	-	34.867
C. Decreases	**57.172.805**	**1.918.785**	**8.013**	**-**	**59.099.603**
C.1 Sales	56.875.406	1.917.010	7.349	-	58.799.765
C.2 Redemptions	286.578	-	-	-	286.578
C.3 Reductions in fair value	3.775	3	436	-	4.214
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	7.046	1.772	228	-	9.046
D. Closing balance	**966.363**	**4.088**	**7.869**	**-**	**978.320**

Section 4
Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type

Item/Amount	Total 31/12/2009			Total 31/12/2008	
	Level 1	Level 2	Level 3	Level 1	Level 2/3
1. Debt securities	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-
2. Equity securities	15.334	-	2.406	11.470	21.515
2.1 Carried at fair value	15.334	-	245	11.470	17.487
2.2 Carried at cost	-	-	2.161	-	4.028
3. UCITS units	-	-	-	-	-
4. Loans and advances	-	-	-	-	-
Total	**15.334**	**-**	**2.406**	**11.470**	**21.515**

Securities available for sale 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 financial statements. The following writedowns have been made:

- *Cartalis (measurement method: net equity): it was deemed appropriate to write down the investment recognised in the Income statement for an amount of 500 thousand euro, seeing the persistence of negative balance sheet results over time and their value;*
- *SACE - Società Aeroporto di Cerrione (measurement method: net equity): it was deemed appropriate to write down the investment recognised in the Income statement for an amount of 21 thousand euro, seeing the structural nature of the Company losses.*

Instead, securities subject to revaluations according to the criteria described in Part A of the Notes to the Financial statements, were:

- *London Stock Exchange Group (measurement method: market price): Banca Sella Holding wrote up its investment on the basis of the closing market price at 31 December 2009 recognising a positive reserve of 2,7 million euro in the shareholders' equity;*
- *Intesa Sanpaolo S.p.A. (measurement method: market price): after writing down the investment recognised in the Income statement at the closing market price at 30 June 2009, for an amount of 1,3 million euro, on preparation of the half-yearly report (given the significance of the impairment over the value recognised in the Income statement and its continuation over time, and as provided by the accounting principle IAS 39 relative to the significance and duration of the impairment) Banca Sella Holding wrote up its investment according to the closing price at 31 December 2009 recognising a positive reserve of 469 thousand euro in the shareholders' equity;*
- *Gruppo Mutui On Line (measurement method: market price): Banca Sella Holding wrote up its investment, purchased in April 2009, on the basis of the closing market price at 31 December 2009 recognising a positive reserve of 1 million euro in the shareholders' equity;*
- *Visa Inc. (measurement method: comparable transactions): the class C shares held by Banca Sella Holding were measured in a 1:1 ratio with class A shares, discounting them to take into consideration the lock-in clause preventing trading until 2013; the positive reserve recognised in the shareholders' equity in 2008 was increased by 1,1 million euro.*

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

Item/Amount	Total 31/12/2009	Total 31/12/2008
1. Debt securities	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity securities	**17.740**	**32.985**
a) Banks	1.771	13.248
b) Other issuers:	15.969	19.737
- insurance companies	-	-
- financial companies	15.214	13.457
- non-financial companies	755	6.280
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**17.740**	**32.985**

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**-**	**32.985**	**-**	**-**	**32.985**
B. Increases	**-**	**7.657**	**-**	**-**	**7.657**
B.1 Purchases	-	2.005	-	-	2.005
B.2 Increases in fair value	-	5.652	-	-	5.652
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	-	-	-	-	-
C. Decreases	**-**	**22.902**	**-**	**-**	**22.902**
C.1 Sales	-	21.043	-	-	21.043
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-
C.4 Impairment losses	-	521	-	-	521
- charged to the income statement	-	521	-	-	521
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	1.306	-	-	1.306
C.6 Other changes	-	32	-	-	32
D. Closing balance	**-**	**17.740**	**-**	**-**	**17.740**

During the financial year the interests in London Stock Exchange Group and Visa were partly sold and the interests in Mastercard and Centrale dei Bilanci were entirely sold; on the whole, 7,9 million euro of gross capital gains were realised. Finally, in 2009, Centro Sviluppo, a company in which Banca Sella Holding held an interest of 6%, was wound up; the annulment of this interest caused a capital loss of 32 thousand euro.

Section 5
Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type

	Total 31/12/2009				Total 31/12/2008		
	Book value	*Fair value*			Book value	*Fair value*	
		Level 1	Level 2	Level 3		Level 1	Level 2/3
1. Debt securities	69.087	70.496	-	-	63.107	64.677	-
- Structured	-	-	-	-	-	-	-
- Others	69.087	70.496	-	-	63.107	64.677	-
2. Loans and advances	-	-	-	-	-	-	-

The securities under this category are made up of long term treasury bonds falling due between 2015 and 2018.

5.2 Financial assets held to maturity: borrowers/issuers

Type of transaction/Amount	Total 31/12/2009	Total 31/12/2008
1. Debt securities	**69.087**	**63.107**
a) Governments and central banks	69.087	63.107
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**69.087**	**63.107**

5.4 Financial assets held to maturity: annual changes

	Debt securities	Loans and advances	Total
A. Opening balance	**63.107**	**-**	**63.107**
B. Increases	**59.652**	**-**	**59.652**
B.1 Purchases	58.214	-	58.214
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	1.438	-	1.438
C. Decreases	**53.672**	**-**	**53.672**
C.1 Sales	-	-	-
C.2 Redemptions	53.000	-	53.000
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	672	-	672
D. Closing balance	**69.087**	**-**	**69.087**

Section 6
Due from banks - Item 60

6.1 Due from banks: breakdown by type

Type of transaction/Amount	Total 31/12/2009	Total 31/12/2008
A) Due from central banks	**232.139**	**1.671.261**
1. Term deposits	225.000	1.670.001
2. Statutory reserve	7.139	1.260
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**1.239.585**	**1.649.803**
1. Current accounts and demand deposits	56.658	148.287
2. Term deposits	401.266	414.690
3. Other loans and advances	47.568	336.652
3.1 reverse repurchase agreements	32.341	335.898
3.2 financial leasing	-	-
3.3 others	15.227	754
4. Debt securities	734.093	750.174
4.1 structured	-	-
4.2 others	734.093	750.174
Total (book value)	**1.471.724**	**3.321.064**
Total (fair value)	**1.472.349**	**3.317.797**

The decrease in the item “A) Due from central banks” is caused by the different allocation of group liquidity following the progressive standardisation of the economic and financial framework. The liquidity was mainly invested in high-standing government and bank corporate bonds eligible at the ECB.
The decrease in the item “B) Due from banks”, can instead be almost totally attributed to the repurchase agreement component, which is still declining with respect to 2008 owing to a drop in subscriptions and an increase in transactions with underlying own securities.

Section 7
Due from customers - Item 70

7.1 Due from customers: breakdown by type

Type of transaction/Amount	Total 31/12/2009		Total 31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Current accounts	104	10	3.002	-
2. Repurchase agreements	7.240	-	-	-
3. Mortgage loans	469.000	-	600.810	-
4. Credit cards, personal loans, salary-backed loans	86.763	77	81.611	-
5. Financial leasing	-	-	-	-
6. Factoring	-	-	-	-
7. Other operations	801.897	3	935.392	94
8. Debt securities	23.119	-	31.410	-
8.1 Structured	-	-	-	-
8.2 Others	23.119	-	31.410	-
Total (Book value)	**1.388.123**	**90**	**1.652.225**	**94**
Total (fair value)	**1.387.622**	**89**	**1.651.492**	**94**

7.2 Due from customers: breakdown by borrowers/issuers

Type of transaction/Amount	Total 31/12/2009		Total 31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Debt securities issued by:	**23.119**	**-**	**31.410**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	23.119	-	31.410	-
- non-financial companies	-	-	1.480	-
- financial companies	15.619	-	29.930	-
- insurance companies	7.500	-	-	-
- others	-	-	-	-
2. Loans and advances to:	**1.365.005**	**89**	**1.620.815**	**94**
a) Governments	-	-	-	-
b) Other public bodies	4	-	2	-
c) Other subjects	1.365.001	89	1.620.813	94
- non-financial companies	9.981	15	8.815	87
- financial companies	1.277.558	-	1.538.819	-
- insurance companies	12	-	21	-
- others	77.450	74	73.158	7
Total	**1.388.124**	**89**	**1.652.225**	**94**

The 7,5 million euro amount recognised among debt securities under the item c) Other issuers - insurers refers to the purchase of a policy issued by CBA Vita with underlying corporate bonds.

Section 8
Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by hedging type and by levels

	FV 31/12/2009			VN 31/12/2009	FV 31/12/2008		VN 31/12/2008
	Level 1	Level 2	Level 3		Level 1	Level 2/3	
A. Financial derivatives	**-**	**259**	**-**	**11.642**	**-**	**1.769**	**19.308**
1) Fair value	-	259	-	11.642	-	1.769	19.308
2) Cash flow	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-
Total	**-**	**259**	**-**	**11.642**	**-**	**1.769**	**19.308**

Key:

FV = fair value

VN = notional value

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

Transaction/Type of hedging	Fair value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	-	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	259	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**259**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 10
Equity investments - Item 100

10.1 Equity investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: equity percentage information

Name	Head office	Equity interest %	Voting rights %
A. Solely-controlled companies			
Banca Sella Nord Est Bovio Calderari S.p.A.	Trento	56,75	56,75
Banca Sella Sud Arditi Galati S.p.A.	Lecce	60,13	60,13
Banca Patrimoni Sella & C. S.p.A.	Torino	68,42	68,42
Banca Sella S.p.A.	Biella	100,00	100,00
Biella Leasing S.p.A.	Biella	76,99	76,99
Brosel S.p.A.	Biella	61,50	61,50
C.B.A. Vita S.p.A.	Milano	82,00	82,00
Consel S.p.A.	Torino	51,98	51,98
Easy Nolo S.p.A.	Biella	84,74	84,74
Immobiliare Lanificio M.Sella S.p.A.	Biella	100,00	100,00
Immobiliare Sella S.p.A.	Biella	100,00	100,00
Secursel S.p.A.	Biella	80,00	80,00
Selfid S.p.A.	Biella	88,00	88,00
Selgest S.a.	Lussemburgo	96,23	96,23
Sella Bank Luxembourg S.a.	Lussemburgo	23,66	23,66
Sella Capital Management SGR. S.p.A.	Milano	86,03	86,03
Sella Gestioni SGR S.p.A.	Milano	75,45	75,45
Sella Holding N.V.	Olanda	100,00	100,00
Sella Servizi Bancari S.c.p.a.	Biella	80,23	80,23
C. Companies subject to significant influence			
Agata S.p.A.	Ivrea	40,00	40,00
Banca Monte Parma S.p.A.	Parma	4,60	4,60
Hi-Mtf S.i.m.p.a.	Milano	20,00	20,00
S.C.P. VDP1	Principato di Monaco	29,00	29,00

10.2 Equity investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: accounting information

Name	Total assets	Total income	Profit (loss)	Shareholders' equity	Book value	Fair Value
A. Solely-controlled companies						
Banca Sella Nord Est Bovio Calderari S.p.A.	845.777	43.473	(6.260)	47.886	50.793	X
Banca Sella Sud Arditi Galati S.p.A.	1.706.244	111.401	4.204	90.258	70.450	X
Banca Patrimoni Sella & C. S.p.A.	634.089	50.153	910	48.131	31.007	X
Banca Sella S.p.A.	8.366.258	449.794	8.686	374.675	300.000	X
Biella Leasing S.p.A.	1.082.205	56.895	5.351	52.338	15.810	X
Brosel S.p.A.	4.687	2.968	556	3.214	525	X
C.B.A. Vita S.p.A.	895.708	281.498	4.978	45.448	49.057	X
Consel S.p.A.	885.223	85.275	2.109	95.266	32.183	X
Easy Nolo S.p.A.	13.582	11.325	684	4.483	1.633	X
Immobiliare Lanificio M.Sella S.p.A.	35.610	1.828	145	33.422	28.082	X
Immobiliare Sella S.p.A.	44.826	15.663	(98)	42.749	42.413	X
Secursel S.p.A.	48	48	2	16	8	X
Selfid S.p.A.	1.932	883	199	1.438	1.364	X
Selgest S.a.	1.817	1.326	(894)	268	257	X
Sella Bank Luxembourg S.a.	220.293	8.967	83	13.784	4.163	X
Sella Capital Management SGR. S.p.A.	11.748	485	258	10.487	4.570	X
Sella Gestioni SGR S.p.A.	29.410	665.589	1.510	21.834	24.914	X
Sella Holding N.V.	43.560	3.397	1.504	31.355	47.274	X
Sella Servizi Bancari S.c.p.a.	71.744	61.216	(479)	44.483	36.066	X
C. Companies subject to significant influence						
Agata S.p.A.	920	7	(25)	746	953	953
Banca Monte Parma S.p.A.	3.082.078	147.135	(15.061)	168.202	16.954	16.954
Hi-Mtf S.i.m.p.a.	4.347	2.125	120.668	3.967	1.000	1.000
S.C.P. VDP1	5.543	181	(3)	1.964	580	580
Totale	**17.987.649**	**2.001.632**	**129.027**	**1.136.414**	**760.056**	**19.487**

Equity investments include the participation in Sella Servizi Bancari Consortium Company. This company closed the 2009 financial statements reporting a loss of 479 thousand euro. This loss was settled by all associated companies according to the rules provided in the relevant shareholders' agreements. The share pertaining to Banca Sella Holding amounts to 248 thousand euro. The book value of the interest in Sella Servizi Bancari was therefore reduced by said amount recognising at the same time a write-down in the 2009 Income statement.

Impairment tests on equity investments

As required by the IFRS, equity investments were subjected to impairment tests in order to ascertain whether there was objective evidence that might indicate that the book value of such assets was not fully recoverable. The impairment test aims at assessing the existence of impairment indicators. In particular, the impairment test is carried out on companies that reported negative economic results in the last financial year and/or companies whose Shareholders' Equity is lower than the carrying amount.

Below is a list of the companies subject to impairment test (thousand euro):

Companies subjected to impairment tests	CGU	Carrying value A (before any adjustments in the year)	Shareholders' equity amount B	Difference A-B
Banca Sella Nordest Bovio Calderari	CGU A1	57.162	27.161	30.001
Banca Sella Sud Arditi Galati	CGU A2	70.450	54.272	16.178
Sella Bank Luxembourg	CGU A3	4.495	3.262	1.232
Sella Gestioni	CGU A4	24.914	16.474	8.440
Selgest	CGU A5	650	257	393
Selfid	CGU A6	1.364	1.213	151
CBA Vita	CGU A7	49.057	37.189	11.868
Sella Holding N.V.	CGU A8	47.274	31.356	15.918
Banca Monte Parma	CGU A9	18.680	7.755	10.925

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 recognized. 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 method of calculation of the recoverable amount of the CGU and the results of the impairment test:

CGU	Recoverable value	Method of calculation used	Result of impairment test
CGU A1	*Fair value*	Multiples of comparable transactions	The impairment test detected a loss in value of 6,369 thousand euro
CGU A2	*Fair value*	Multiples of comparable transactions	The impairment test did not detect a loss in value (the measurement highlighted a value higher than + 10% of the carrying value)
CGU A3	Value in Use	Dividend discount model (excess capital)	The impairment test detected a loss in value of 331 thousand euro
CGU A4	Fair value	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A5	*Fair value*	Net Equity	The impairment test detected a loss in value of 393 thousand euro
CGU A6	Value in use	Discounting of future financial flows	The impairment test detected no loss in value
CGU A7	*Fair value*	Actuarial method	The impairment test detected no loss in value
CGU A8	*Fair value*	Adjusted Net Equity	The impairment test detected no loss in value
CGU A9	*Fair value*	Multiples of comparable transactions	The impairment test detected a loss in value of 1.726 thousand euro

Methods 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:*

- *the **Transaction of Comparable Multiples Method**: is based on the estimate of multiples implicit in the prices of a sample of comparable entity transactions and the subsequent application of these multiples to the fundamental indicators of the CGU measured on the closing date; these multiples have been properly adjusted to take into consideration possible high-low yields relative to the company at issue.*
- ***Actuarial method**: it is applied to insurance companies; the assessment is obtained by summing up shareholders' equity, the in-force value (embedded value) and the new business value (appraisal value). The shareholders' equity is represented by the Company's net assets, deriving from the last accounting statement available, adjusted to the market value of underlying assets, if necessary. The in-force value is*

the present value of future cash flows on net profits which are expected to arise from policies in force at the valuation date, considering the cost of the solvency capital requirement. The value of new business is the present value of future cash flows on net profits which are expected to arise from newly issued policies, considering the cost of the solvency capital requirement.

- ***Equity Method**: this involves considering the proportion of shareholders' equity (share capital, provisions, profit for the period) held.*
- ***Adjusted Equity Method**: this involves considering the proportion of shareholders' equity held adjusted as 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 of cash flows: it was applied in all other cases.*

The estimate of value in use incorporates the following elements:

- *estimate of future financial flows expected to arise from the continuing use of the asset and its final disposal: it was referred to the most recent budget/plans relative to the CGU approved by the company's Administrative bodies. Apart from the period covered by said plans, the projections of financial flows are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);*
- *discount rate (Ke): it was calculated according to the Capital Asset Pricing Model (CAPM). The formula used is: Ke = Rf + Beta * (RM- Rf) where:*
    - *Rf is the free risk rate determined by using the 10-year yield of German government bonds (the only bonds in the present European framework assimilable to risk-free rates) at December 2009, equal to 3,387%;*
    - *(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 is 5% (source: independent advisory company);*
    - *Beta is the specific risk of the investment. Beta expresses the correlation between the yield of one risky investment and the yield of the market portfolio.*
- *capital requirement for the estimate of distributable cash flows (when the excess capital method was used): it was defined following the provisions of Supervisory regulations.*

Future cash flows were determined by using three-year plans for each CGU.
These plans were defined following a forecast whose main indicators are reported in the table below:

Eurozone	2009	2010	2011	2012
Real Gdp	-3,9	0,8	1,4	1,7
Consumer price index	0,3	1,3	1,6	2,0
Official rates	1,0	1,0	2,0	2,5
Short-term interest rates (Euribor 3m)	1,2	1,0	2,2	2,7
Italy				
Real Gdp	-4,8	0,4	1,0	1,3
Consumption	-1,7	-0,2	0,7	1,0
Fixed investments to companies	-12,0	1,5	2,6	3,2
Consumer price index	0,8	1,5	2,0	2,2

Within the three-year period the international situation should make it possible to pick up growth; this scenario may be associated with new increases in the price of raw materials, but is unlikely to cause significant and long-lasting increases in inflation.
As for Italy, growth prospects in the three-year period 2010-2012 seem to be positive, but are below the Eurozone average.
As regards the financial sector, the scenario assumes a gradual upturn in official rates, which would lead to an improvement of the average bank spread.

These three-year plans were prepared using reasonable and consistent preconditions representing the best estimate that the corporate management could make within the range of possible economic conditions that may occur during the useful life of each entity.

The table below shows the elements used for each CGU for calculating the recoverable amount.
The notes on the side are an integration, where necessary, to the general guidelines described above.

CGU	Basic assumptions	Method of determination	Notes
CGU A1	Net Equity	Book value at 31/12/2009 (adjusted for goodwill as recognised in the assets)	- The valuation was prepared with the assistance of an independent advisory company. - Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 2 years (6 transactions) - Multiples were adjusted applying a discount to include the profitability deficit of Banca Sella Nordest Bovio Calderari over the banks in the sample
	Net interest and other banking income	Book value at 31/12/2009	
	Total deposits	Performance management data at 31/12/2009	
	Intermediated volumes	Book value at 31/12/2009	
CGU A2	Net Equity	Book value at 31/12/2009 (adjusted for goodwill as recognised in the assets)	- Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 2 years (6 transactions)
	Net interest and other banking income	Book value at 31/12/2009	
	Total deposits	Performance management data at 31/12/2009	
CGU A3	Economic and balance sheet variables	Last three-year plan (2010-2012) approved by the Board of Directors of the company	- The forecasting data, although they include the uncertainties of the current macroeconomic scenario, take into account a gradual recovery in the companies' profitability, basically deriving from: . the improvement of net interest and other banking income connected with both the increase in the interest margin due to the expected increase in bank rates, and the development of proceeds from brokerage services with special reference to trading activities carried out on behalf of customers . the fair increase in direct operating costs - The discount rate used is 8,39%
	Discount rate	Calculated according to the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU A4	Net equity	Book value at 31/12/2009	- Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 2 years and 3 months (5 transactions) - Multiples were adjusted applying a discount to include the profitability deficit of Sella Gestioni over the companies in the sample
	Asset Under Management	Book value at 31/12/2009	
CGU A5	Net equity	Book value at 31/12/2009	
CGU A6	Economic and balance sheet variables	Last three-year plan (2010-2012) approved by the Board of Directors of the company	- Forecasting data, with a prudential view, a financial 2010 characterised by a decrease in profitability compared to the positive result of 2009 and a relative recovery in the two following years with a progressive improvement in the cost to income, achieved thanks to an increase in proceeds, in the presence of a fair rise in costs - The discount rate used is 7,64%
	Discount rate	Calculated according to the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

CGU	Basic assumptions	Method of determination	Notes
CGU A7	Net Equity	Book value at 31/12/2009	- As regards separate management yields, expected management yields were calculated at 31/12/2009 were considered; for the new production, as well as for the yield of assets hedging the margin, we assumed a constant yield of 3% - The discount rate used for discounting cash flows was assumed at 7% - With regard to future management expenses we assumed that expense reserves currently entered are sufficient to hedge portfolio costs. For the new business we assumed an annual policy cost based on the costs detected in the last two years. The recoverable value is higher than the carrying value, according to the more conservative assumption that considers the value of the new production as referred only to the next 5 years.
	Value of existing portfolio	Life portfolio as of 31/12/2009	
	Value of future policies	The value of the new production was alternatively calculated taking into consideration the following time frames: - 5 years (from 2010 to 2014) - 10 years (from 2010 to 2019) - 15 years (from 2010 to 2024) - 20 years (from 2010 to 2029)	
CGU A8	Net Equity	Book value at 31/12/2009	Sella Holding NV associated companies closed the balance generating positive economic results (with the exception of International Capital Gestion whose carrying value is less than 1% of the assets held by Sella Holding NV)
	NAV of equity investments held	The value of equity investments was determined by using the Equity method, except for Sella Bank Luxembourg, for which the Discount of future financial flows (DDM - excess capital) method was used.	
CGU A9	Net Equity	Preliminary consolidated results at 31/12/2009	- The valuation was prepared with the assistance of an independent advisory company - Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 2 years (4 transactions) - Multiples were adjusted applying a discount to include the return deficit of Banca Monte Parma over the banks in the sample
	Net interest and other banking income	Preliminary consolidated results at 31/12/2009	
	Total deposits	Preliminary consolidated results at 31/12/2009	

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 "g" rate to +/- 25 bps.

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 A3	+/- 25 b. p.	2,9%	+/- 25 b. p.	2,6%
CGU A6	+/- 25 b. p.	4,5%	+/- 25 b. p.	4,0%

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.

CGU	Discount rate	"G" rate
CGU A3	Analysis not carried out as the CGU was impaired	
CGU A6	8,85%	0,62%

10.3 Equity investments: annual changes

	31/12/2009	31/12/2008
A. Opening balance	**721.087**	**666.296**
B. Increases	**117.836**	**75.698**
B.1 Purchases	80.729	75.698
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	37.107	-
C. Decreases	**78.867**	**20.907**
C.1 Sales	69.794	544
C.2 Writedowns	9.073	20.363
C.4 Other changes	-	-
D. Closing balance	**760.056**	**721.087**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

The item C.1 Sales refers to the effects of the merger between Banca Sella Holding and Finanziaria 2007, which occurred on 1st April 2009, for an amount of 60.028 thousand euro. Prior to this transaction, Banca Sella Holding purchased 100% of the shares of Finanziaria 2007. Due to the merger, the Parent company has become the direct shareholder of Banca Sella Nordest Bovio Calderari with a controlling interest of 56,756%.

Section 11
Tangible assets - Item 110

11.1 Tangible assets: breakdown of assets carried at cost

Item/Amount	Total 31/12/2009	Total 31/12/2008
A. Assets used for business purposes		
1.1 owned	**43.267**	**60.201**
a) land	9.110	10.268
b) buildings	32.635	35.766
c) furniture	93	299
d) electronic equipment	348	11.508
e) other	1.081	2.360
1.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total A	**43.267**	**60.201**
B. Assets held for investment		
2.1 owned	**1.689**	**1.729**
a) land	932	932
b) buildings	757	797
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**1.689**	**1.729**
Total (A+B)	**44.956**	**61.930**

11.3 Tangible assets used for business purposes: annual changes

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**10.268**	**52.071**	**2.579**	**84.595**	**8.829**	**158.342**
A.1 Total net impairments		16.305	2.280	73.088	6.469	98.142
A.2 Net opening balance	**10.268**	**35.766**	**299**	**11.507**	**2.360**	**60.200**
B. Increases	**-**	**853**	**41**	**473**	**814**	**2.181**
B.1 Purchases	-	853	41	473	813	2.180
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	1	1
C. Decreases	**1.158**	**3.984**	**247**	**11.633**	**2.093**	**19.115**
C.1 Sales	1.158	2.491	216	9.701	1.645	15.211
C.2 Depreciation	-	1.493	31	1.931	448	3.903
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	1	-	1
D. Net closing balance	**9.110**	**32.635**	**93**	**348**	**1.081**	**43.267**
D.1 Total net impairments		16.558	2.053	50.560	7.061	76.232
D.2 Gross closing balance	**9.110**	**49.193**	**2.146**	**50.908**	**8.142**	**119.499**
E. Carried at cost	-	-	-	-	-	-

The amount under item C.1 Sales refers to the effects of the contribution of business operations to Sella Servizi Bancari, for 15,1 million euro, relative to core and auxiliary services.

11.4 Tangible assets held for investment purpose: annual changes

	Total	
	Land	**Buildings**
A. Opening balance	**932**	**798**
B. Increases	**-**	**11**
B.1 Purchases	-	10
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from buildings for business purposes	-	-
B.7 Other changes	-	1
C. Decreases	**-**	**52**
C.1 Sales	-	-
C.2 Depreciation	-	52
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	-
a) buildings for business purposes	-	-
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Closing balance	**932**	**757**
E. Carried at fair value	-	-

Section 12
Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset

Item/Amount	Total 31/12/2009		Total 31/12/2008	
	Limited term	**Unlimited term**	**Limited term**	**Unlimited term**
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets:	**4.117**	**-**	**31.704**	**-**
A.2.1 Assets carried at cost	4.117	-	31.704	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	4.117	-	31.704	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**4.117**	**-**	**31.704**	**-**

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**-**	**-**	**-**	**110.521**	**-**	**110.521**
A.1 Total net reductions in value	-	-	-	78.817	-	78.817
A.2 Net opening balance	**-**	**-**	**-**	**31.704**	**-**	**31.704**
B. Increases	**-**	**-**	**-**	**7.714**	**-**	**7.714**
B.1 Purchases	-	-	-	7.714	-	7.714
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**35.301**	**-**	**35.301**
C.1 Sales	-	-	-	31.190	-	31.190
C.2 Writedowns	-	-	-	4.111	-	4.111
- amortization	X	-	-	4.004	-	4.004
- writedowns	-	-	-	107	-	107
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	107	-	107
C.3 Reductions in fair value	-	-	-	-	-	-
- to 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	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**4.117**	**-**	**4.117**
D.1 Total net adjustments	-	-	-	40.374	-	40.374
E. Gross closing balance	**-**	**-**	**-**	**44.491**	**-**	**44.491**
F. Carried at cost	-	-	-	-	-	-

The amount under item C.1 Sales refers to the effects of the contribution of business operations to Sella Servizi Bancari, for 31,0 million euro, relative to core and auxiliary services.

Section 13
Tax assets and liabilities - Item 130 of assets and item 80 of liabilities

Current tax assets: breakdown

	Total 31/12/2009	Total 31/12/2008
Prepaid taxes	5.959	4.587
Credits for withholdings	1	1
Assets from inclusion in tax consolidation	306	8.186
Tax credits	1.720	536
Total	**7.986**	**13.310**

Current tax liabilities: breakdown

	Total 31/12/2009	Total 31/12/2008
Provisions for direct taxes	4.492	523
Provisions for indirect taxes	-	57
Total	**4.492**	**580**

We highlight the existence of a dispute with the Inland Revenue as regards the application of stamp duties to the day book. The amount of this dispute, including sanctions, interests and collection fees, amounts to about 5,6 million euro. Considering resolution no. 371/E of 2008 issued by Agenzia delle Entrate (internal revenue service) and considering the reliable opinions of a leading Tax firm and Trade association, this potential fiscal is unlikely to occur. Finally, the explanations provided by the internal revenue with resolution no. 161/E of 2007 may considerably reduce the amount of the potential/possible debt deriving from the dispute.

13.1 - Deferred tax assets: breakdown

	Ires	Irap	Others	31/12/2009	31/12/2008
Losses on loans and receivables	2.979	171	-	3.150	3.384
Provisions for sundry risks and liabilities	750	-	-	750	842
Depreciation and valuation of buildings	683	46	-	729	1.168
Sundry administrative expenses	461	3	-	464	330
Personnel expenses	17	-	-	17	627
Other assets	292	92	-	384	689
Total deferred tax assets (charged to income statement)	**5.182**	**312**	**-**	**5.494**	**7.040**
Depreciation and valuation of buildings	1.142	-	-	1.142	1.396
Measurement of available-for-sale financial assets	-	-	-	-	79
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**1.142**	**-**	**-**	**1.142**	**1.475**

KEY

IRES = Corporation tax

IRAP= Regional business tax

13.2 - Deferred tax liabilities: breakdown

	Ires	Irap	Others	31/12/2009	31/12/2008
Gains on sale of available-for-sale financial assets	45	-	-	45	157
Different calculation of depreciation of tangible assets	-	-	-	-	589
Different calculation of amortization of intangible assets	-	-	-	-	2
Contributions for training costs	44	-	-	44	44
Discounting to the present of provisions for sundry risks and charges	-	-	-	-	1
Total deferred taxes (charged to income statement)	**89**	**-**	**-**	**89**	**793**
Measurement of available-for-sale financial assets	69	262	-	331	376
Other liabilities	4	-	-	4	140
Total deferred taxes (charged to shareholders' equity)	**73**	**262**	**-**	**335**	**516**

KEY

IRES = Corporation tax

IRAP= Regional business tax

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

	Total 31/12/2009	Total 31/12/2008
1. Initial amount	**7.040**	**8.003**
2. Increases	**1.143**	**1.666**
2.1 Prepaid taxes recognised during the year	1.143	1.666
a) relating to previous years	8	411
b) due to changes in accounting policies	-	-
c) writebacks	55	-
d) others	1.080	1.255
2.2 New taxes or increases of tax rate	-	-
2.3 Other increases	-	-
3. Decreases	**2.689**	**2.629**
3.1 Prepaid taxes cancelled during the year	1.446	2.629
a) reversals	468	2.629
b) writedowns for unrecoverable items	-	-
c) changes in accounting policies	-	-
d) others	978	-
3.2 Reductions in tax rates	-	-
3.3 Other changes	1.243	-
4. Final amount	**5.494**	**7.040**

The item Other reductions refers to the effects of the contribution of business operations to Sella Servizi Bancari and a reclassification for the offset of deferred tax assets and liabilities having the same origin.

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

	Total 31/12/2009	Total 31/12/2008
1. Opening balance	**793**	**2.457**
2. Increases	**-**	**418**
2.1 Deferred taxes recognized during the year	-	418
a) relating to previous years	-	365
b) due to changes in accounting policies	-	-
c) others	-	53
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**704**	**2.082**
3.1 Deferred taxes cancelled during the year	166	2.082
a) reversals	99	2.082
b) due to changes in accounting policies	-	-
c) others	67	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	538	-
4. Final amount	**89**	**793**

The item Other decreases refers to the effects of the contribution of business operations to Sella Servizi Bancari and a reclassification for the offset of deferred tax assets and liabilities having the same origin.

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

	Total 31/12/2009	Total 31/12/2008
1. Opening balance	**1.475**	**1.823**
2. Increases	**-**	**79**
2.1 Prepaid taxes recognized during the year	-	79
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	79
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**333**	**427**
3.1 Prepaid taxes cancelled during the year	79	427
a) reversals	-	-
b) writedowns for unrecoverable items	-	427
c) due to changes in accounting policies	-	-
d) others	79	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	254	-
4. Final amount	**1.142**	**1.475**

The item Other decreases refers to the effects of the contribution of business operations to Sella Servizi Bancari and a reclassification for the offset of deferred tax assets and liabilities having the same origin.

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

	31/12/2009	31/12/2008
1. Opening balance	**516**	**521**
2. Increases	**316**	**361**
2.1 Deferred taxes recognized during the year	316	361
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	316	361
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**497**	**366**
3.1 Deferred taxes cancelled during the year	361	366
a) reversals	361	366
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	136	-
4. Final amount	**335**	**516**

The item Other decreases refers to the effects of a reclassification for the offset of deferred tax assets and liabilities due to the contribution of business operations to Sella Servizi Bancari

Section 15
Other assets - Item 150

15.1 Other assets: breakdown

	31/12/2009	31/12/2008
Forms in stock	1.022	166
Payment orders to sundry others being debited	4.319	3.146
Countervalues on securities and derivatives trading being settled	11.523	8.954
Matured coupons and securities being settled	-	12.425
Current account cheques drawn against the bank	2.101	8.145
Fees, commissions and other income in the process of collection	8.729	9.208
Expenses for improvements to third-party property	39	79
Portfolio adjustments	-	18.756
Advances and accounts payable	37	1
Charges/invoices to be issued towards customers	5.124	878
Disputed items not deriving from lending transactions	3.628	920
Deferrals on administrative expenses and fees	460	1.033
Others	2.181	3.862
Total	**39.163**	**67.573**

PART B
INFORMATION ON THE BALANCE SHEET

LIABILITIES

Section 1
Due to banks - Item 10

1.1 Due to banks: breakdown by type

Type of transaction/Amount	31/12/2009	31/12/2008
1. Due to central banks	**40.101**	**10.077**
2. Due to banks	**2.819.353**	**3.951.830**
2.1 Current accounts and demand deposits	2.345.311	2.696.410
2.2 Term deposits	461.853	919.498
2.3. Loans and advances	12.189	335.922
2.3.1 financial leasing	3.604	-
2.3.2 others	8.585	335.922
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	-	-
Total	**2.859.454**	**3.961.907**
Fair value	**2.859.454**	**3.961.907**

1.3 Detail of item 10 "Due to banks": structured debts

	Totale 31/12/2009	Totale 31/12/2008
- structured debts	20.679	1.018
Total	**20.679**	**1.018**

Section 2
Due to customers - Item 20

2.1 Due to customers: breakdown by type

Type of transaction/Amount	31/12/2009	31/12/2008
1. Current accounts and demand deposits	74.516	87.789
2. Term deposits	-	-
3. Loans and advances	-	-
3.1 repurchase agreement	-	-
3.2 others	-	-
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	35.645	40.942
Total	**110.161**	**128.731**
Fair value	**110.161**	**128.731**

Section 3
Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type

Type of security/Amount	Total 31/12/2009				Total 31/12/2008		
	Book value	Fair value			Book value	Fair value	
		Level 1	Level 2	Level 3		Level 1	Level 2/3
A. Quoted securities							
1. Bonds	1.203.853	500.374	703.479	-	1.605.074	832.623	745.659
1.1 structured	-	-	-	-	14.410	-	14.769
1.2 others	1.203.853	500.374	703.479	-	1.590.664	832.623	730.890
2. Other securities	-	-	-	-	17.516	-	17.516
2.1 structured	-	-	-	-	-	-	-
2.2 others	-	-	-	-	17.516	-	17.516
Total	**1.203.853**	**500.374**	**703.479**	**-**	**1.622.590**	**832.623**	**763.175**

3.2 Details of Item 30 "Outstanding securities": subordinated securities

	Total 31/12/2009	Total 31/12/2008
- subordinated securities	272.409	286.225
Total	**272.409**	**286.225**

3.3 Outstanding securities subject to micro-hedging

	Total 31/12/2009	Total 31/12/2008
1. Securities subject to micro-hedging of fair value	**11.842**	**14.410**
a) interest rate risk	11.842	14.410
b) exchange rate risk	-	-
c) more than one risks	-	-
2. Securities subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**11.842**	**14.410**

Section 4
Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	31/12/2009					31/12/2008			
	VN	FV			FV*	VN	FV		FV*
		L1	L2	L3			L1	L2/3	
A. Cash liabilities									
1. Due to banks	-	-	-	-	-	-	-	-	-
2. Due to customers	27.551	29.311	-	-	29.311	-	-	-	-
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	**27.551**	**29.311**	**-**	**-**	**29.311**	**-**	**-**	**-**	**-**
B. Derivative instruments									
1. Financial derivatives	X	3.614	106.112	-	X	X	6.355	115.305	X
1.1 Held for trading	X	3.614	106.112	-	X	X	6.355	115.008	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	X
1.3 Others	X	-	-	-	X	X	-	297	X
2. Credit derivatives	X	-	-	-	X	X	-	75	X
2.1 Held for trading	X	-	-	-	X	X	-	75	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	X
Total B	**X**	**3.614**	**106.112**	**-**	**X**	**X**	**6.355**	**115.380**	**X**
Total A+B	**X**	**32.925**	**106.112**	**-**	**X**	**X**	**6.355**	**115.380**	**X**

Key

FV = fair value

FV* = fair value calculated excluding changes in value due to changes in credit worthiness of the issuer after the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

L2/3 = Level 2/3

Section 10
Other liabilities - Item 100

10.1 Other liabilities: breakdown

	31/12/2009	31/12/2008
Taxes payable for third parties	1.083	1.649
Adjustments for non-cash portfolio items	22.541	-
Countervalues on securities and derivatives trading being settled	8.849	-
Cash available to customers	2.489	5.292
Bank transfers and other payments due	9.208	82.113
Accounts payable and fees payable to sundry third parties	23.783	20.608
Personnel expenses	7.963	14.706
Payables for guarantees and commitments	-	18
Fees payable to statutory auditors and directors	242	1.948
Contributions payable to sundry agencies	472	609
Deferrals	23	15.940
Others	5.884	2.362
Total	**82.537**	**145.245**

Section 11
Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes

	31/12/2009	31/12/2008
A. Opening balance	**12.740**	**12.441**
B. Increases	**1.645**	**1.064**
B.1 Provision of the year	342	1.029
B.2 Other changes	1.303	35
C. Decreases	**10.761**	**764**
C.1 Liquidations paid	493	585
C.2 Other changes	10.268	179
D. Closing balance	**3.624**	**12.741**

Other decreases include, for an amount of 1 million euro, the effects of the contribution of the TFR (severance indemnity) to Sella Servizi Bancari due to the transfer to the consortium company of the offices supplying auxiliary services.

The technical bases were established with the evaluation at 31 December 2008 observing the company's experiences in 2007-2008 as regards the following demographic-financial variables:

- *Demographic assumptions*
  - *mortality/disability: in addition to the historical series observed, the 2003 ISTAT tables were adopted, divided by age and gender;*
  - *retirement, resignations/dismissals, expiry of contracts: these causes for exclusion were deduced from the observation of corporate data. The assumed probability of leaving the company is 7,4% per year. 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. Actuarial assumptions considered a maximum retirement age of 60 years for women and 65 for men;*
  - *severance indemnity advances: in order to take into account the effects that these advances may have on the timing of the severance pay and the discounting of the company's debt, the probability for the disbursement of a part of accrued amounts was calculated. The annual advance frequency, deduced by observing corporate data, was 1,47%, while the severance indemnity percentage requested as advance was assumed at 70%, that is the maximum percentage provided by governing regulations;*
  - *supplementary social security: those who have always entirely paid their severance indemnity fund to supplementary social security relieve the Company from paying severance indemnities and, therefore, were not evaluated. As regards other employees, the evaluation was carried out considering the choices made by employees at 31 December 2009.*

- *Economic/financial assumptions*
  - *inflation: we used the inflationary scenario indicated in the 2010-2013 Economic and Financial Planning Document which envisages planned inflation of 1,5%;*
  - *wage rises: the case was considered taking into account two components: the first is of meritocratic and contractual nature, the second relates to inflation. With reference to the first component, we adopted a zero increase rate. As regards the second component, we considered inflation levels mentioned above;*
  - *discount rates: the rate adopted was determined with reference to the market yield of leading company bonds at the measurement date. In this connection, the Euroswap rate curve was used (source: Bloomberg) with reference to 31 December 2009.*

Section 12
Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	31/12/2009	31/12/2008
1. Company pension funds	-	-
2. Other provisions for risks and charges	25.099	25.189
2.1 Legal disputes and customers complaint	1.630	2.011
2.2 Operational risks	23.177	23.127
2.3 Personnel charges	198	2
2.4 Supplementary customer allowance and goodwill compensation for termination of agency relationship	-	-
2.5 Others	94	49
Total	**25.099**	**25.189**

The item "Legal disputes" consists mainly of estimates of liabilities likely for bankruptcy revocatory actions, lawsuits against the company and customers claims. "Provisions for operational risks" include the amounts set aside for disputes relating to Sella Bank Luxembourg and for employee disloyalty.
The payment times of the liabilities relating to lawsuits and customer claims can be estimated as a time period of approximately 18/24 months, while for revocatory actions oscillates between about 30 and 40 months in relation to the geographical area of reference.

We highlight the existence of a dispute with the Inland Revenue as regards the application of stamp duties to the day book. The amount of this dispute, including sanctions, interests and collection fees, amounts to about 5,6 million euro. Considering resolution no. 371/E of 2008 issued by Agenzia delle Entrate (internal revenue service) and considering the reliable opinions of a leading Tax firm and Trade association, this potential fiscal is unlikely to occur. Finally, the explanations provided by the internal revenue with resolution no. 161/E of 2007 may considerably reduce the amount of the potential/possible debt deriving from the dispute.

In this connection, the Group and the Bank signed an agreement with trade unions on 4 December 2009 for the access to the extraordinary services provided by the Solidarity Allowance of the sector.
In the light of the aforesaid agreement, the Group's employees were given the chance to submit applications to access exit plans within 18 December 2009. Therefore, a properly discounted provision was approved at the end of the financial year to cope with the use of future economic resources.

12.2 Provisions for risks and charges annual changes

	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Others	Total
A. Opening balance	**-**	**2.011**	**23.127**	**2**	**49**	**25.189**
B. Increases	**-**	**474**	**1.383**	**198**	**74**	**2.129**
B.1 Provisions for the year	-	422	74	198	74	768
B.2 Changes due to passing of time	-	20	600	-	-	620
B.3 Changes due to fluctuations in discount rate	-	32	709	-	-	741
B.4 Other changes	-	-	-	-	-	-
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	-	-	-	-	-
- other changes (+)	-	-	-	-	-	-
C. Decreases	**-**	**855**	**1.333**	**2**	**29**	**2.219**
C.1 Utilization in the period	-	631	530	1	14	1.176
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-	-
C.3 Other changes	-	224	803	1	15	1.043
- business combinations (+)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	224	803	1	15	1.043
D. Closing balance	**-**	**1.630**	**23.177**	**198**	**94**	**25.099**

Section 14
Corporate capital - Items 130,150,160,170,180,190 and 200

14.1 "Capital" and "Treasury shares": breakdown

	31/12/2009			31/12/2008		
	Shares issued	Shares subscribed and not yet paid up	Total	Shares issued	Shares subscribed and not yet paid up	Total
A. Capital	**100.500**	**-**	**100.500**	**100.500**	**-**	**100.500**
A.1 ordinary shares	100.500	-	100.500	100.500	-	100.500
A.2 preference shares	-	-	-	-	-	-
A.3 other shares	-	-	-	-	-	-
B. Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**
B.1 ordinary shares	-	-	-	-	-	-
B.2 preference shares	-	-	-	-	-	-
B.3 other shares	-	-	-	-	-	-

14.2 Capital - Number of shares: annual changes

Item/Type	Ordinary	Others
A. Total shares at start of period	**201.000.000**	**-**
- fully paid up	201.000.000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**201.000.000**	**-**
B. Increases	-	-
B.1 New issues	-	-
- for payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercize of warrants	-	-
- others	-	-
- free of charge	-	-
- for employees	-	-
- for directors	-	-
- others	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Business sale transactions	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**201.000.000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Total shares at end of period	201.000.000	-
- fully paid up	201.000.000	-
- not fully paid up	-	-

At the end of the financial year, the share capital requirements due to the suspended tax regime were 23.371 thousand euro, illustrated below:

- *merger reserve under law 2/12/1975 no. 576 (deriving from merged company Finanziaria Bansel SpA): 88 thousand euro;*
- *merger reserve under law 19/03/1986 no. 72 (deriving from merged company Finanziaria Bansel SpA): 3.034 thousand euro;*
- *real estate revaluation reserve under law no. 266 of 2005, art. 1, paragraph 469: 8.317 thousand euro;*
- *real estate revaluation reserve under law no. 342 of 2000: 8.895 thousand euro;*
- *tied up extraordinary reserve restricted under the terms of law no. 266 of 2005, art. 1, paragraph 469: 3.036 thousand euro.*

14.4 Profit reserves: other information

	31/12/2009	31/12/2008
Legal Reserve	28.759	28.759
Statutory Reserve	60.848	60.154
Extraordinary Reserve	100.853	102.305
Free	100.853	102.305
Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943	74.943
Realignment reserve pursuant to Law 266/05 Art.1 paragraph 469	18.344	18.344
Reserve pursuant to Lgs. Dec. 218/90 Art. 7	2.586	2.586
Reinvested capital gain reserve	710	710
Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239	239
Group company merger surplus reserve	6.194	6.194
Reserve for purchase of company divisions from Group companies	(144)	(144)
Reserve for sale of company divisions to Group companies	587	-
Total	**293.919**	**294.090**

The reserve for the contribution of business operations refers to the transfer of core and auxiliary services to Sella Servizi Bancari.

Details of utilization of Reserves (Prepared under the terms of Art. 2427 p. 7bis of the Civil Code)

	Amount	Possibility of utilization (*)	Proportion available for distribution	Summary of utilizations in the three previous years	
				To cover losses	For other reasons
Equity	**100.500**				
Equity reserves					
Share premium reserve	49.414	A - B - C	49.414		
Profit reserves					
Legal reserve	28.759	B			
Statutory reserve	60.848	B			
Extraordinary reserve	100.853	A - B - C	100.853	-	6.740
Tied up extraordinary reserve restricted under the terms of Law 266/05 Art 1 paragraph 469	-	A - B[(1)] - C[(2)]	-	-	3.036
Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943	A[(3)] - B[(1)] - C[(2)]	74.943	-	-
Realignment reserve pursuant to Law 266/05 Art 1 paragraph 469	18.344	A - B[(1)] - C[(2)]	18.344	-	-
Reserve pursuant to Law 218/90 Art. 7	2.586	A - B - C[(2)]	2.586	-	-
Reinvested capital gain reserve	710	A - B - C[(2)]	710	-	-
Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239	A - B - C[(2)]	239	-	-
Group company merger surplus reserve	6.194	A - B - C	6.194	-	-
IAS/IFRS first application reserve					
IAS/IFRS adoption reserve under Legislative Decree 38/05 art. 7 paragraph 3	-	A - B - C	-	-	148
IAS/IFRS adoption reserve under Legislative Decree 38/05 art. 7 paragraph 4	-	A - B - C	-	-	1.223
IAS/IFRS adoption reserve under Legislative Decree 38/05 art. 7 paragraph 5	-	A - B - C	-	-	8.002
Valuation reserves					
Revaluation reserve pursuant to Law 342/00	-	A - B[(1)] - C[(2)]	-	-	8.895
Revaluation reserve after IAS/IFRS adoption under Legislative Decree 38/05 art. 7 paragraph 6[(5)]	-	A - B[(1)] - C[(2)]	-	-	8.317
Available-for-sale asset valuation reserve pursuant to Lgs. Dec. 38/05 Art. 7 paragraph 2	5.219	---[(4)]	-		
Other reserves					
Reserve for purchase of company divisions from Group companies	(144)	---	(144)	-	-
Reserve for sale of company divisions to Group companies	587	---	587		
Total	**449.053**		**253.727**		
Proportion not available for distribution pursuant to Art 2426 no. 5 C.C.			-		
Remainder of proportion available for distribution			253.727		

(*) Key: A: for capital increase B: to cover losses C: for distribution to shareholders

(1) If used to cover losses (B) no profits can be distributed until the reserve has been reinstated or its amount reduced by the corresponding amount. The reduction must be made after a resolution of the extraordinary general meeting, without following the provisions of paragraphs 2 and 3 of Art. 2445 C.C..

(2) If not allocated to capital the reserve may be reduced only in accordance with the provisions of paragraphs 2 and 3 of Art. 2445 C.C. If distributed to shareholders it counts towards the taxable income of the company.

(3) If allocated to capital or distributed to shareholders the reserve counts towards the taxable income of the company.

(4) The reserve is unavailable under the terms of Art. 6 of Lgs. Dec. 38/2005.

(5) The reserve is restricted under the terms of Law 266/05 Art. 1 paragraph 469.

Other information

1. Guarantees issued and commitments

Transactions	Balance 31/12/2009	Balance 31/12/2008
1) Financial guarantees issued	**10.106**	**25.025**
a) banks	10.106	25.025
b) customers	-	-
2) Commercial guarantees issued	**-**	**20**
a) banks	-	20
b) customers	-	-
3) Irrevocable commitments to disburse funds	**247.632**	**431.476**
a) banks	224.999	351.970
i) certain to be drawn down	224.999	351.808
ii) not certain to be drawn down	-	162
b) customers	22.633	79.506
i) certain to be drawn down	22.633	79.506
ii) not certain to be drawn down	-	-
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**45.595**	**62.424**
6) Other commitments	**12.050**	**76.251**
Total	**315.383**	**595.196**

2. Assets pledged against own liabilities and commitments

Portfolios	Balance 31/12/2009	Balance 31/12/2008
1. Financial assets held for trading	188.571	109.676
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	40.916	62.115
5. Due from banks	3.475	8.474
6. Due from customers	1.503	1.514
7. Property, plant and equipment	-	-

4. Management and intermediation on third parties behalf

Type of service	Balance 31/12/2009	Balance 31/12/2008
1. Order execution on customers' behalf	***64.308.953***	***117.673.466***
a) Purchases	31.966.072	58.597.514
1. settled	31.773.262	58.509.603
2. not settled	192.810	87.911
b) Sales	32.342.881	59.075.952
1. settled	32.136.039	58.985.519
2. not settled	206.842	90.433
2. Portfolio management	***-***	***-***
a) Individual	-	-
b) Collective	-	-
3. Custody and administration of securities		
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	1.675.220	1.743.475
1. securities issued by the reporting bank	-	-
2. other securities	1.675.220	1.743.475
b) other third-party securities on deposit (excluding asset management): others	14.159.012	13.066.047
1. securities issued by the reporting bank	598.202	568.152
2. other securities	13.560.810	12.497.895
c) third-party securities deposited with third parties	14.607.096	13.704.364
c) own securities deposited with third parties	1.936.847	1.417.420
4. Other transactions *	***18.822.212***	***43.521.659***

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

- purchases: 9.253.725
- sales: 9.568.487

PART C
INFORMATION ON THE INCOME STATEMENT

Section 1
Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Item/Technical type	Debt securities	Loans and advances	Other operations	Total 31/12/2009	Total 31/12/2008
1. Financial assets held for trading	18.881	-	924	19.805	22.637
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-
4. Financial assets held to maturity	3.097	-	-	3.097	3.013
5. Due from banks	18.474	14.730	-	33.204	142.015
6. Due from customers	53	29.128	-	29.181	76.237
7. Hedging derivatives	X	X	385	385	5.146
8. Other assets	X	X	57	57	666
Total	**40.505**	**43.858**	**1.366**	**85.729**	**249.714**

As required by the 1st amendment of 18 November 2009 to Circular letter 262/2005 of Banca d'Italia, the interest income accrued on revoked watchlist loans and non-performing loans is reported below:

- *non-performing loans: 38,75 thousand euro (accrued and collected); 50,9 thousand euro (accrued and depreciated);*
- *non revoked watchlist loans: 744,4 thousand euro.*

1.2 Interest and similar expense: differences on hedging transactions

Item/Segment	Total 31/12/2009	Total 31/12/2008
A. Positive differences on hedging transactions	385	5.146
B. Negative differences on hedging transactions	103	13.327
Balance (A-B)	**282**	**8.181**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies

	Total 31/12/2009	Total 31/12/2008
- on assets in foreign currencies	1.804	21.571

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2009	Total 31/12/2008
1. Due to central banks	131	X	-	131	-
2. Due to banks	32.347	X	-	32.347	163.130
3. Due to customers	421	X	-	421	3.175
4. Outstanding securities	X	33.108	-	33.108	68.652
5. Financial liabilities held for trading	-	-	1.218	1.218	4.611
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	90	90	47
8. Hedging derivatives	X	X	103	103	13.327
Total	**32.899**	**33.108**	**1.411**	**67.418**	**252.942**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies

	Total 31/12/2009	Total 31/12/2008
- on liabilities in foreign currencies	3.420	14.069

Section 2
Fees - Items 40 and 50

2.1 Fee income: breakdown

Type of service/Amount	Total 31/12/2009	Total 31/12/2008
a) Sureties issued	19	40
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	12.100	14.480
1. Financial instruments trading	6.681	9.001
2. Currency trading	-	26
3. Portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. Custody and administration of securities	520	681
5. Depositary bank	1.571	1.929
6. Placement of securities	886	846
7. Order reception and transmission activities	1.964	1.948
8. Consultancy activities	478	26
8.1 about investments matters	478	26
8.2 about financial structure matters	-	-
9. Distribution of third party services	-	23
9.1. Portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	-	-
9.3. Other products	-	23
d) Collection and payment services	71.269	67.594
e) Servicing for securitization transactions	2	1
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	-	-
j) Other services	7.339	8.635
Credit and debit cards	5.292	6.696
Recupero spese su finanziamenti concessi a clientela	1	-
Fees and commissions on relations with credit institutions	11	-
Recovery of postal, printing and similar expenses.	1.946	1.924
Commissioni su finanziamenti concessi a clientela	-	10
Others	89	5
Total	**90.729**	**90.750**

The 1st amendment of 18 November 2009 of circular 262/2005 issued by the Banca d'Italia specifies that account fees charged to creditors fall within the item fee and commission income, other services, recovery of expenses for loans to customers, instead of other operating income.

2.2 Fee income: product and service distribution channels

Channel/Amount	Total 31/12/2009	Total 31/12/2008
a) At own branches:	**874**	**828**
1. Portfolio management	-	-
2. Placement of securities	874	805
3. Third party products and services	-	23
b) Door-to-door sales:	**-**	**-**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third party products and services	-	-
c) Other distribution channels:	**12**	**41**
1. Portfolio management	-	-
2. Placement of securities	12	41
3. Third party products and services	-	-
Total	**886**	**869**

2.3 Commissioni passive: composizione

Servizi/Settori	Totale 31/12/2009	Totale 31/12/2008
a) Garanzie ricevute	-	-
b) Derivati su crediti	-	-
c) Servizi di gestione e intermediazione:	8.901	7.178
1. Negoziazione di strumenti finanziari	4.187	3.924
2. Negoziazione di valute	2	4
3. Gestioni di portafogli	-	-
3.1. proprie	-	-
3.2. delegate da terzi	-	-
4. Custodia e amministrazione di titoli	1.016	1.128
5. Collocamento di strumenti finanziari	119	74
6. Offerta fuori sede di strumenti finanziari, prodotti e servizi	3.577	2.048
d) Servizi di incasso e pagamento	45.196	44.471
e) Altri servizi	2.110	2.537
Totale	**56.207**	**54.186**

Section 3
Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Item/Income	Total 31/12/2009		Total 31/12/2008	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	865	-	4.668	247
B. Financial assets available for sale	471	-	7.527	-
C. Financial assets carried at fair value - others	-	-	-	-
D. Equity investments	23.394	X	35.242	X
Total	**24.730**	**-**	**47.437**	**247**

Section 4
Gains (losses) on trading activities - Item 80

4.1 Net gains/(losses) on trading activities: breakdown

Transaction/Income component	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains/(losses) [(A+B)-(C+D)]
1. Financial assets held for trading	**5.614**	**29.008**	**4.585**	**5.344**	**24.693**
1.1 Debt securities	4.889	24.673	4.146	3.361	22.055
1.2 Equity securities	503	4.319	3	1.755	3.064
1.3 UCITS units	222	-	436	228	(442)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	16	-	-	16
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**3.234**
4. Derivative instruments	**135.598**	**184.009**	**136.261**	**184.304**	**(2.616)**
4.1 Financial derivatives:	135.523	184.009	136.261	184.263	(2.650)
- On debt securities and interest rates	135.227	124.580	135.704	125.882	(1.779)
- On equity securities and share indices	296	59.429	557	58.381	787
- On currencies and gold	X	X	X	X	(1.658)
- Others	-	-	-	-	-
4.2 Credit derivatives	75	-	-	41	34
TOTAL	**141.212**	**213.017**	**140.846**	**189.648**	**25.311**

Section 5
Net gains/(losses) on hedging activities - Item 90

5.1 Net gains/(losses) on hedging activities: breakdown

Income component/Amount	Total 31/12/2009	Total 31/12/2008
A. Income from:		
A.1 Fair value hedging derivatives	188	8.316
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	39	-
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**227**	**8.316**
B. Expenses for:		
B.1 Fair value hedging derivatives	261	15
B.2 Hedged financial assets (fair value)	-	7.954
B.3 Hedged financial liabilities (fair value)	-	657
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**261**	**8.626**
C. Net gains/(losses) on hedging activities (A-B)	**(34)**	**(310)**

Section 6
Gains (losses) from sale/repurchase - Item 100

6.1 Gains/(Losses) on sale/repurchase: breakdown

Item/Income component	Total 31/12/2009			Total 31/12/2008		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	455	185	270	-	-	-
2. Due from customers	896	207	689	-	-	-
3. Financial assets available for sale	7.985	97	7.888	6	14	(8)
3.1 Debt securities	-	-	-	-	-	-
3.2 Equity securities	7.985	97	7.888	6	14	(8)
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	187	187	-	-	-	-
Total assets	**9.523**	**676**	**8.847**	**6**	**14**	**(8)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	95	63	32	182	159	23
Total liabilities	**95**	**63**	**32**	**182**	**159**	**23**

The item Profits of disposal of financial assets available for sale shows the effects of the partial sales of the equity investments in London Stock Exchange Group and Visa and the total disposal of the equity investments in Mastercard and Centrale dei Bilanci.

Section 8
Net value adjustments for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2009 (1)-(2)	Total 31/12/2008 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**(51)**	**(373)**	**(30)**	**2**	**50**	**-**	**-**	**(402)**	**(385)**
- Loans and advances	(51)	(373)	(30)	2	50	-	-	(402)	(385)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(51)**	**(373)**	**(30)**	**2**	**50**	**-**	**-**	**(402)**	**(385)**

8.2 Net value adjustments for impairment of financial assets available for sale: breakdown

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2009 (1)-(2)	Total 31/12/2008 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	(1.816)	X	X	(1.816)	(23.745)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
F. Total	**-**	**(1.816)**	**-**	**-**	**(1.816)**	**(23.745)**

The item shows the impact of the impairment on some minority interests. In particular, the financial year saw the impairment of investments in Intesa Sanpaolo (for an amount of 1,3 million euro) and Cartalis (for 0,5 million euro).
The 2008 aggregate was almost entirely due to the depreciation of the investment in London Stock Exchange Group Plc. for which it was decided to carry out the impairment measurement according to the price of the security and the exchange rate Euro/GB pound at 31 December 2008.

8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2009 (1)-(2)	Total 31/12/2008 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	-	-	-	-	36	36	106
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	(54)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**36**	**36**	**52**

Section 9
Administrative expenses - Item 150

9.1 Personnel expenses: breakdown

Type of expense/Amount	Total 31/12/2009	Total 31/12/2008
1) Employees	35.446	65.100
a) Wages and Salaries	26.001	47.426
b) Social security contributions	7.137	12.947
c) Severance indemnities	871	2.391
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	342	1.029
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	924	953
- defined contribution	924	953
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	171	354
2) Other working personnel	668	960
3) Directors andf statuory auditors	2.382	1.501
4) Non-working personnel	-	-
5) Expenses recovered for employees seconded to other companies	(3.588)	(5.710)
6) Expenses rerefunded for third parties' employees seconded to the company	3.078	3.518
Total	**37.986**	**65.369**

The fall in Staff costs is directly due to the contribution of business operations to Sella Servizi Bancari and to the transfer of Telephone Banking operators to Banca Sella.

9.2 Average number of employees per category

	Total 31/12/2009	Total 31/12/2008
Employees:	481	1.053
- Executives	22	27
- Middle management	126	200
- Remaining employees	333	826
Other personnel	8	12
Total	**489**	**1.065**

The changes in staff number were caused by three different reasons:

- *the contribution of business operations to Sella Servizi Bancari;*
- *the transfer of Telephone Banking operators to Banca Sella;*
- *natural turnover.*

9.5 Other administrative expenses: breakdown

Type of expense/Segments	Total 31/12/2009	Total 31/12/2008
Legal and notarial expenses	1.310	2.112
IT assistance and sundry advice	7.656	2.542
Printing and stationery	217	523
Leasing of electronic machines and software licences	1.134	1.589
Sundry rentals and expenses for services provided by third parties	26.266	21.340
Fees for data transmission	724	1.110
Purchase of sundry materials for data processing centre	-	18
Postal and telegraphic expenses	1.878	1.858
Telephone charges	215	1.067
Transport expenses	422	599
Cleaning of premises	107	251
Surveillance and escort of valuables	333	451
Electricity and heating	1.056	1.945
Rent of premises	563	1.487
Sundry insurance policies	226	278
Advertising and promotion	84	549
Entertainment expenses	108	63
Donations	26	49
Membership fees	694	533
Subscriptions and books	82	67
Gifts to staff	253	294
Personnel studies	436	854
Information and inspections	410	460
Travelling expenses	388	815
Expenses for interbank network service	425	2
Expenses for web site	9	-
Others	554	1.052
Maintenance and repair expenses	**4.094**	**8.739**
- Properties owned	96	66
- Properties rented	5	11
- Movables	795	461
- Hardware and software	3.198	8.201
Indirect taxes and duties	**1.287**	**1.244**
- Stamp duty	779	770
- Local property tax	293	308
- Other indirect taxes and duties	215	166
Total	**50.957**	**51.891**

Section 10
Net provisions for risks and charges - Item 160

10.1 Net provisions for risks and charges: breakdown

	Balances 31/12/2009	Balances 31/12/2008
Provisions for risks for lawsuits brought	116	516
Provisions for customer complaints	359	146
Provisions for operational risks	512	(2.459)
Provisions for employee disloyalty	70	23
Provisions for personnel	198	2
Other provisions	74	19
Reattributions to Income Statement relating to revocatory provisions	(30)	(1)
Reattributions to Income Statement relating to provisions for risks for lawsuits brought	(2)	-
Reattributions to Income Statement relating to provisions for customer complaints	(194)	(11)
Reattributions to Income Statement relating to provisions for personnel	(1)	(11)
Reattributions to Income Statement relating to other provisions	(15)	(177)
Total	**1.087**	**(1.953)**

Section 11
Net value adjustments of tangible assets - Item 170

11.1 Net value adjustments of tangible assets: breakdown

Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	3.954	-	-	3.954
- for business purposes	3.903	-	-	3.903
- for investment	51	-	-	51
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**3.954**	**-**	**-**	**3.954**

Section 12
Net value adjustments of intangible assets - Item 180

12.1 Net value adjustments of intangible assets: breakdown

Asset/Income component	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets				
A.1 Owned	4.004	107	-	4.111
- Generated internally by the company	-	-	-	-
- Others	4.004	107	-	4.111
A.2 Acquired in financial leasing	-	-	-	-
Total	**4.004**	**107**	**-**	**4.111**

Section 13
Other operating expenses and income - Item 190

13.1 Other operating expenses: breakdown

	Total 31/12/2009	Total 31/12/2008
Amortization of expenses for improvements on third party assets	11	38
Losses related to operational risks	1.043	1.478
Refunds of interest on collection and payment transactions	221	678
Penalties payable for contract defaults	97	206
Others	778	280
Total	**2.150**	**2.680**

13.2 Other operating income: breakdown

	Total 31/12/2009	Total 31/12/2008
Rents and instalments receivable	1.766	1.808
Charges to third parties and refunds received:	209	189
- taxes recovered	204	189
- insurance premiums and refunds	5	-
Income from software services	8.493	1.183
Recoveries of interest on collection and payment transactions	515	494
Administrative services rendered to third parties	9.866	58.836
Penalties receivable for contract defaults	21	-
Expenses recovered for services rendered in relation to credit recovery	438	271
Other income	4.393	2.100
Total	**25.701**	**64.881**

The 1st amendment of 18 November 2009 of circular 262/2005 issued by the Bank of Italy specifies that account fees charged to creditors fall within the item fee and commission income, other services, recovery of expenses for loans to customers, instead of other operating income.

Section 14
Gains/(Losses) on equity investments - Item 210

14.1 Gains/(losses) on equity investments: breakdown

Income components/Amount	Total 31/12/2009	Total 31/12/2008
A. Income	8	1
1. Revaluations	-	-
2. Gains on sales	-	1
3. Writebacks	-	-
4. Other incomes	8	-
B. Expenses	9.163	1.267
1. Devaluations	9.072	1.113
2. Impairment losses	-	-
3. Losses on sales	91	-
4. Other expenses	-	154
Net gains/(losses)	**(9.155)**	**(1.266)**

Section 17
Gains (losses) on sales of investments - Item 240

17.1 Gains/(losses) on sales of investments: breakdown

Income component/Amount	Total 31/12/2009	Total 31/12/2008
A. Properties	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	3	25
- Gains on sales	6	25
- Losses on sales	3	-
Net gains/(losses)	**3**	**25**

Section 18
Income taxes for the period on continuing operations - Item 260

18.1 Income taxes for the period on continuing operations: breakdown

Component/Amount	Total 31/12/2009	Total 31/12/2008
1. Current taxes (-)	4.343	1.958
2. Change in current taxes of previous years (+/-)	(1.485)	(197)
3. Reduction of current taxes for the year (+)	297	8.162
4. Change in prepaid taxes (+/-)	302	964
5. Change in deferred taxes (+/-)	(166)	(1.664)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	2.697	(7.101)

18.2 Reconciliation between theoretical tax burden and actual tax burden in the financial statements

Description	Taxable income	Rate	Income tax
Profit from continuing operations before taxes	25.770		
Nominal rate [1]		32,32%	8.329
Tax-exempt dividends	(22.671)	-28,43%	(7.327)
Non-deductible costs	817	1,02%	264
Devaluation of equity investments	10.971	13,76%	3.546
Non-taxed gains on equity investments	(7.420)	-9,31%	(2.398)
Non-deductible interest expense	1.540	1,93%	498
Ires refund for IRAP of previous financial years		-3,24%	(835)
Other differences		-2,39%	(616)
Adjusted rate		5,67%	1.461
Other differences between IRES and IRAP taxable base	25.640	4,80%	1.236
Effective rate		10,47%	2.697

[1] *Weighted average IRES rate + IRAP rate on the basis of the territorial distribution of the taxable base.*

PART D
COMPREHENSIVE INCOME

Detailed statement of comprehensive income

	Items	Gross amount	Income tax	Net amount
10.	**Net profit/(Loss) for the year**	**X**	**X**	**23073**
	Other income net of tax			
20.	Financial assets available for sale:	810	(100)	710
	a) fair value changes	5.378	(376)	5.002
	b) reversal to income statement	(4.568)	276	(4.292)
	- impairment losses	1.243	(77)	1.166
	- gain/losses from disposal	(5.811)	353	(5.458)
	c) other changes	-	-	-
30.	Tangible assets	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges on foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
60.	Hedges on cash flows:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
70.	Foreign exchange differences:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial Gains (Losses) on defined benefit plans	-	-	-
100.	Share of valuation reserves connected with investments carried at equity:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gain/losses from disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income net of tax**	**810**	**(100)**	**710**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**23.783**

PART E
INFORMATION ON RISKS AND ASSOCIATED HEDGING POLICIES

As required by Banca d'italia Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it.

Section 1
Credit risks

QUALITATIVE INFORMATION

1. General aspects

Banca Sella Holding considers the measurement and management of credit risk to be of crucial importance. The lending policies and processes for the disbursement and monitoring of loans are consequently defined so as to combine business needs with the need to ensure the maintenance of high quality for the lending business.

Specifically, credit risk control activities are the responsibility of the Risk Management and Audit (Credit Risk Management Unit) of Banca Sella Holding and Credit Quality Control Services of Sella Servizi Bancari. The former has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating effective and proactive management. The latter is instead engaged in more traditional monitoring mainly oriented to an analysis of single risk positions.

2. Credit risk management policies

The work of disbursement and management of loans and advances, in their different forms, is an important component of the business and profitability of the Group.

The analysis of the various technical forms making up the loan book has highlighted, in the case of short-term credit, that the demand was largely prompted by the need to support companies in the development of their current business; in the case of medium/long-term credit, the demand has remained steady, even though to a lesser extent, for the purchase and the restoration of buildings by families.

During 2009 the Banca Sella Group pursued Lending Policies with the aim of:

- providing loans to support local economies, with special reference to small and medium enterprises, in a difficult economic scenario;
- supporting families, who were dedicated special attention, particularly to meet loan renegotiation requests relative to deadline extensions, the partial suspension of instalments and the renegotiation of the conditions applied;
- disseminating more advanced and monitored portfolio management policies aimed at improving the risk/return ratio, focusing in particular on strong diversification and fragmentation;
- promoting innovation and organizational evolution, also investing in control activities on credits granted, benefiting from new and effective techniques and procedures;
- investing in training and skills and increase of the corporate culture of risk management and internal auditing, also with a view of the delicate business climate;
- adopting a rigorous policy in the application of pricing aimed at applying the correct risk-related price.

2.1 Organizational Aspects

Banca Sella Holding has arranged its organizational structure in order to guarantee the necessary separation between acceptance services and control structures, and to define roles and responsibilities with utmost clearness.

The Bank, as a Parent Company, does not carry out “traditional” lending activities through a network of branches. The areas of operation that generate credit risks are shown below:

- exposures to banking and financial counterparties

Market operational limits are set by submitting the requests to the relevant deliberative bodies, with previous analysis of the counterparties' credit rating; in 2009, seeing the persistence of difficult macroeconomic conditions, a high level of attention was maintained in this area of operation.

- Financing the Group's companies
  Banca Sella Holding plays an important role in the Banca Sella Group for financing subsidiaries, supplying adequate credit lines according to the future use of such grants. The lending activity is mainly addressed to Consel and Biella Leasing.
- Exposure arising from credit cards
  The bank may grant credit by issuing credit cards to individuals who do not have a current account - mainly private customers. Applicants are carefully examined in order to verify their risk profile and their ability to pay back.

2.2 Systems of management, measurement and control

Credit risk exposure management, measurement and control systems involve the whole credit process, which includes the following stages: initial preliminary stage, periodic reassessment of paperwork, trend inspection and possible management of problematic credit lines, revocation and recovery.

The Parent Company's 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 of the Group. The Credit Risk Management Service also carries on supervisory work preparing regular reports at every level and laying down common guidelines. The regular analyses concern, among other things, the distribution of customers by rating class and the development of risk profiles covering the entire loan portfolio or particular sub-portfolios characterized by specific risk conditions.

As regards the assessment of the risk of default, Banca Sella Holding S.p.A. uses different management processes and analysis tools according to a segmentation of customers in keeping with the parameters laid down in the Basel 2 Standardized Approach, as confirmed in Banca d'italia Circular 263/2006. The customer segmentation makes it possible, among other things, to divide enterprises into four size classes, labelled in ascending order: small businesses, small and medium enterprises, corporate enterprises and large corporate enterprises.

Each enterprise is associated with a summary risk judgement attributed according to an internal rating model. The rating assignment process concerns all corporate customers: the assessments, in fact, cover enterprises operating in the industrial, commercial, tertiary and multi-annual production segments, as well as farms, cooperatives, non-profit organizations and financial companies.

The internal rating used in Banca Sella Holding is integrated into the company information system and is made up of the following components:

- Financial statements rating: this component assesses the risk of default based only on an analysis of the customer's accounting data. The financial statement rating may be calculated for every customer or potential customer. An indispensable premise for calculation of the financial statements rating is possession of financial statements containing a Balance Sheet and an Income Statement. For enterprises with simplified accounts a function has been developed for the attribution of a continual numerical judgement representing the customer's creditworthiness, called the Income Statement Score. Although an ad-hoc function has not been developed to divide the Income Statement Score into separate risk classes (known as clusterization), this Score is combined, by means of a specific function, with the qualitative assessment, contributing in this way to the calculation of the enterprise rating (see next point) also for companies with simplified accounts. The financial statements score is also the maximum level of detail obtainable for the following categories of customer: financial companies, leasing companies, factoring companies, holdings and real estate companies.

- Enterprise rating: a combination of the financial statements rating and the qualitative component deriving from compilation of a specific questionnaire by the account manager. Like the financial statements rating, the enterprise rating may be calculated for every borrower or potential borrower. In the case of a new customer, it represents the most detailed assessment possible of creditworthiness and is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. In view of the need to contain the volatility of the enterprise rating, the difference between this rating and the financial statements rating is opportunely limited to no more than one class.
- Overall rating: a combination of the enterprise rating and a behavioural component (data from the Central Credit Register (Centrale rischi) and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer. Unlike the financial statements rating and the enterprise rating, it can only be calculated on companies which have been customers for at least three months.

The internal rating is expressed in the form of a summary alphabetic classification. Each of the three components mentioned includes nine classes of performing loans: from AAA (least risky customers) to C (most risky customers). No rating is assigned if one of the essential elements for determination of the rating – such as recent financial statements and an up-to-date qualitative questionnaire – is missing.

A performance scoring model for continuous assessment of the probability of default associated with Private, Small Business and Small and Medium Enterprise Customers is also going to be added to the credit disbursement and monitoring processes (for now only for information purposes). Like the internal rating, the performance scoring leads to a summary final classification made up of nine classes. The main difference with respect to the internal rating lies in the fact that, as it concerns a precise customer segment, the relative weight of the single components of the model takes into due consideration the different risk characteristics of the counterparties.

In 2009 work continued on assigning and updating ratings to corporate borrowers, further consolidating the already significant levels of coverage achieved in previous years.

The new regulatory standards, known as Basel 2, were immediately interpreted by the Banca Sella Holding S.p.A. as an opportunity to refine the credit risk measurement techniques and to ensure supervision through the use of techniques with a growing degree of sophistication. Although capital requirement against credit risk is determined according to the First Pillar through the Standardized Method, the bank undertakes all the necessary organizational and methodological actions aimed at proving that its internal rating system is substantially in line with the requirements provided in regulatory standards (so-called experience test).

The bank is also aware of the importance of all the risk factors that are connected with credit risk but not measured by the instruments provided in the First Pillar of Basel 2, such as the concentration risk (in its dual single-name and sectorial meaning) and residual risk (the risk that credit measurement techniques prove to be less effective than expected). Alongside scrupulous observance of the regulatory standards on the subject of large risks and the quantification of internal capital to cover concentration risk under the terms of the Second Pillar of Basel 2, Banca Sella Holding has defined precise guidelines designed to mitigate concentration risk through fragmentation, both at the level of single entities, and in terms of business sector/geographical area. Exposure to concentration risk is monitored monthly on the basis of objective indicators, such as the Herfindahl index, and precise thresholds have been set to limit the overall exposure in each business sector/geographical area and dimensional class. As far as residual risk is concerned, a special process has been adopted with the purpose to check the acceptability of guarantees according to each specific and general requirement prescribed by the Supervisory Authority.

While formulating the Credit Policy for financial year 2010, the bank identified, among other aspects, some guidelines in terms of credit quality trend, which is measured using both the instruments mentioned above (rating and scoring) and by monitoring specific trend variables (such as overdraft over credit limits and outstanding instalments). Danger thresholds have been identified for each guideline and the observance of such limits is constantly monitored.

In the month of April the Parent Company's Credit Quality Service was moved to the newly established consortium Sella Servizi Bancari.

The Group's Credit Quality Service has carried out the following operations:

- checking the correct classification of positions within outsourced information procedures and their correct operation;
- supporting banks in credit risk monitoring and management operations;
- establishing prompt and effective actions for the management of high-risk customers with the general managers of each bank;
- checking the effectiveness of the actions performed and their functionality for the achievement of the targets set.

The various monitoring purposes, the different areas to be observed and reporting timing are such as to require the adoption of different and complementary instruments, whose use and specific operation techniques are such as to avoid report overlaps. Within the scope of its trend monitoring work, the Credit Quality Service employs the following information procedures:

- Credit Alarm procedure (first issue in 2005). The procedure is aimed at reporting individual trend anomalies that may concern customer account relationships. This report concerns the anomaly, regardless of a risk class connected with the customer account relationships assessed as a whole. Depending on the alarms, they may recur daily, weekly or monthly;
- Cadr procedure – Automatic risk classification (first issue 2008). With the purpose to improve the management of the most irregular relationships by sharing actions between customer managers and credit quality staff, the Cadr procedure (whose calculation criteria are integrated with rating and scoring systems for determining insolvency probability) classifies loan portfolios according to the credit risk associated to customers. The Cadr procedure classifies each customer under one of four risk levels: different types of action are identified on the basis of the seriousness corresponding to the Cadr value. The value is updated monthly;
- ISA – Indice sintetico di anomalia (Synthetic anomaly index, introduced in 2009). Such index is aimed at identifying the customer account relationship that present greater trend anomalies within the Cadr classes. Report addressees and frequency are the same as those mentioned for the Cadr procedure;
- Tableau de bord (introduced in 2009). This instrument monitors individual trend variables, with the possibility to divide portfolio reports into different levels.

2.3 Credit risk mitigation techniques

In the light of the significant attention paid by Banca Sella Holding S.p.A. to the work of loan disbursement, approval for credit is granted only after a particularly detailed initial selection of possible borrowers. In the first place, the assessment of creditworthiness is founded on the actual ability of borrowers to fulfil the commitments assumed exclusively on the basis of their capacity to generate adequate cash flows. However, in the process of disbursement and monitoring of loans, forms of protection from credit risk given by the technical type and by the presence of sureties are not neglected, above all with reference to customers associated with a higher probability of default.

The sureties normally acquired from counterparties are those typical of the banking business, primarily: personal guarantees and real guarantees on property and financial instruments. The bank does not have recourse to the use of clearing agreements related to balance-sheet and "off-balance-sheet" transactions nor to the purchase of credit derivatives.

The bank is well aware that credit risk mitigation techniques are more effective if they are acquired and managed so as to comply with the requirements of the Basel 2 standard in all its aspects: legal, rapid realization, organizational and specific to each guarantee. Effective compliance with the admissibility requisites is the result of a complex process, which is differentiated on the basis of the type of credit risk attenuation technique, and which involves numerous players: from the Distribution staff who deal with the guarantee acquisition process to the Parent Company's Risk Management and Audit Service which handles the stage of verification of admissibility of these guarantees.

With specific reference to the guarantee acquisition stage, the process is backed by a special software procedure which intervenes between the approval stage and the stage of disbursement of the loan and manages acquisition of the guarantees (pledges, mortgages and sureties), tying disbursement to a positive outcome of the controls envisaged.

As regards specifically the guarantee admissibility verification stage, starting out from the input data from the software procedure supporting the acquisition of new guarantees, the Parent Company's Risk Management and Audit Service works in two ways:

- statistical revaluations (known as surveillance) of the value of properties mortgaged for all contracts for which Banca d'Italia Circular note 263/2006 permits recourse to this type of valuation. To this end the bank makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;
- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

The specific admission requirements for lenders of personal guarantees are quite strict and, substantially, they exclusively recognize 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. In 2009, Italian ministerial decree of 25 March 2009 explicitly stated that the actions of the Guarantee Fund for small and medium enterprises (established as per section. 2, sub-paragraph 100, letter a, of law no. 662/1996) are in turn assisted by Italian government guarantee as a last resort. Since the bank makes use of the Guarantee Fund for small and medium enterprises, beginning from the financial statements at 31 December 2009, the Italian government falls within the types of guarantors as counter-guarantor. With the conviction 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, the bank may also accept natural 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 checking process for guarantee acceptability includes the analysis of contracts by legal experts with the purpose to identify, among other things, the presence of such obligations.

No concentration conditions were recognized for guarantee categories (in terms of credit or market risk). In particular:

- real guarantees on real estate: both mortgage loans and real-estate leasing transactions are mainly aimed at private customers or small-sized enterprises. This allows maintaining a high level of risk sharing;

- real guarantees on financial instruments and personal guarantees: despite the diversification of issuers and guarantors, we highlight that the Italian government is the issuer/guarantor towards whom the loan portfolio is most exposed.

2.4 Impaired financial assets

Among its management functions and for the fulfilment of the contractual conditions for the assignment received, the Sella Servizi Bancari S.C.p.A structure that manages the recovery of disputed bad debts for the Banca Sella Group has the responsibility of:

- calling in loans for new positions in default;
- pursuing timely actions to recover loans in default and acquiring further guarantees to cover exposure;
- promptly calculating expected losses in an analytical manner at the level of individual customer account relationships;
- periodically checking the adequacy of the recovery forecasts and the terms of recoverability of the credit;
- optimising the costs/results of the legal measures taken to recover the credit;
- making losses recorded at the end of court and out-of-court procedures definitive.

The decision-making power in relation to the assessment of recoveries and waiver proposals for arrangements with customers is almost completely devolved to single managers within the range of the powers granted to the single CEOs of the various companies managed in outsourcing.

The scope of the Sella Servizi Bancari legal division exclusively involves the management and analytical assessment of non-performing and watchlist impaired loans with revocation of credit lines.

In accordance with IAS 39, impaired loans are subject to an analytical assessment process and the amount of adjustment of each loan is the difference between the present value of the expected future flows, calculated by applying the original effective interest rate, and the carrying value at the moment of the assessment.

The forecast of recoverability of the credit takes account of:

- the amount of the recovery value as the sum of the expected cash flows estimated on the basis of the types of guarantees given and/or acquirable, their estimated realization value, the costs to be sustained and the debtor's desire to pay;
- recovery times estimated on the basis of the types of guarantees, the in-court or out-of-court liquidation methods for the guarantees, bankruptcy proceedings and the geographical area to which the loan belongs;
- discounting rates: for all credits measured at the amortized cost the original effective rate of return is used, whereas for revocable credit lines the interest rate considered is that at the moment of default;
- at the first implementation of 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 i) use the nominal rate applied at 31 December 2004 in the bank records, relatively to the individual default account: depending on the case, such rate may correspond to the rate adopted at the default, the rate deducible at the injunction or the one agreed upon with the customer with a repaiment plan; however, such rates have been reduced to the rate usury limit at 31 December 2004; ii) adopt, for all accounts with a zero rate at 31 December 2004, the last rate applied to the account before the zeroing, if available; when this information is not available, the legal rate is adopted.

The Legal Disputes service analyses the recoverability of each position without using estimation models for expected cash flows. Instead, a specific repayment schedule is drawn up on the basis of the features of each position, taking into account the guarantees given and/or acquirable and any agreements reached with the customers.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Impaired and performing loans:amounts, value adjustments, trend, economic and geographical distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/Quality	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Other assets	Total
1. Financial assets held for trading	-	-	-	-	1.090.869	1.090.869
2. Financial assets available for sale	-	-	-	-	17.740	17.740
3. Financial assets held to maturity	-	-	-	-	69.087	69.087
4. Due from banks	-	-	-	-	1.471.724	1.471.724
5. Due from customers	56	33	-	-	1.388.124	1.388.213
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	259	259
Total 31/12/2009	**56**	**33**	**-**	**-**	**4.037.803**	**4.037.892**
Total 31/12/2008	**88**	**6**	**-**	**-**	**5.565.993**	**5.566.087**

A.1.2 Distribution of credit exposures by portfolio and credit quality (gross and net values)

Portfolio/quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
1. Financial assets held for trading	-	-	-	1.090.869	-	1.090.869	1.090.869
2. Financial assets available for sale	-	-	-	17.740	-	17.740	17.740
3. Financial assets held to maturity	-	-	-	69.087	-	69.087	69.087
4. Due from banks	-	-	-	1.471.724	-	1.471.724	1.471.724
5. Due from customers	3.694	3.605	89	1.388.382	258	1.388.124	1.388.213
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	259	-	259	259
Total 31/12/2009	**3.694**	**3.605**	**89**	**4.038.061**	**258**	**4.037.803**	**4.037.892**
Total 31/12/2008	**3.444**	**3.350**	**94**	**5.566.220**	**227**	**5.565.993**	**5.566.087**

A.1.3 Cash and off balance sheet exposure to banks: gross and net amounts

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing exposures	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	1.935.832	X	-	1.935.832
TOTAL A	**1.935.832**	**-**	**-**	**1.935.832**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	-	-
b) Others	317.254	X	55	317.199
TOTAL B	**317.254**	**-**	**55**	**317.199**
TOTAL A+B	**2.253.086**	**-**	**55**	**2.253.031**

A.1.6 Cash and off balance sheet credit exposures to customers: gross and net amounts

Exposure type/Value	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURE				
a) Non-performing exposures	3.382	3.326	X	56
b) Watchlist exposures	312	279	X	33
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	1.989.421	X	258	1.989.163
TOTAL A	**1.993.115**	**3.605**	**258**	**1.989.252**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	-	-	-	-
b) Others	110.991	X	-	110.991
TOTAL B	**110.991**	**-**	**-**	**110.991**

A.1.7 Cash credit exposures to customers: trend in gross impaired exposures

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial gross exposure	**3.017**	**427**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-
B. Increases	**650**	**533**	**-**	**-**
B.1 Inflows from performing exposures	-	510	-	-
B.2 Transfers from other categories of impaired exposures	598	-	-	-
B.3 Other increases	52	23	-	-
C. Decreases	**285**	**647**	**-**	**-**
C.1 Outflows to performing exposures	-	42	-	-
C.2 Write-offs	167	-	-	-
C.3 Collections	118	7	-	-
C.4 Realizations through sales	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	598	-	-
C.6 Other decreases	-	-	-	-
D. Final gross exposure	**3.382**	**313**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-

A.1.8 Cash credit exposures to customers: trend in total value adjustments

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial total adjustments	**2.929**	**421**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-
B. Increases	**600**	**145**	**-**	**-**
B.1 Writedowns	329	145	-	-
B.2 Transfers from other categories of impaired exposures	271	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**202**	**288**	**-**	**-**
C.1 Writebacks on valuation	-	16	-	-
C.2 Writebacks on collection	35	1	-	-
C.3 Write-offs	167	-	-	-
C.4 Transfers to other categories of impaired exposures	-	271	-	-
C.5 Other decreases	-	-	-	-
D. Final total adjustments	**3.327**	**278**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-

A.2 Classification of exposures on basis of external and internal ratings

A.2.1 Distribution of cash and off balance sheet exposures by external rating classes

The table below shows the distribution of exposures by external rating classes assigned by Fitch of the customers of Banca Sella Holding SpA. With reference to the exposure to banks it should be noted that all counterparties with which relations are maintained have a rating higher than investment grade.

A.2.1 Distribution of cash and off balance sheet exposures by external rating classes

Exposures	External Rating Classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	**9.888**	**54.668**	**5.368**	**11**	**-**	**-**	**3.855.148**	**3.925.083**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**112.808**	**112.808**
B.1 Financial derivatives	-	-	-	-	-	-	112.808	112.808
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**10.106**	**10.106**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**247.632**	**247.632**
Total	**9.888**	**54.668**	**5.368**	**11**	**-**	**-**	**4.225.694**	**4.295.629**

A.2.2 Distribution of cash and off balance sheet exposures by internal rating classes

On the subject of internal ratings it is important to note that there is an internal model for the assignment of credit ratings to companies. The internal rating system includes, for terminological conformity with the scale adopted by external rating agencies, nine credit rating classes for performing customers, from AAA (the less risky) to C (the riskiest). At present, internal ratings are not used for calculating capital requirements.

Assignment and rating operations on Banca Sella Holding S.p.A. customers have not achieved significant levels compared to the overall size of the portfolio.

A.3 Distribution of guaranteed exposures by type of guarantee

In view of the particular nature of the Loan Disbursement work done by the Bank, in which its borrowers are exclusively Group companies and private customers to whom credit cards are issued and its counterparties are banks and financial companies, there are no guaranteed exposures, and therefore the section has no amounts.

B. CREDIT EXPOSURES DISTRIBUTION AND CONCENTRATION

B.1 Distribution by segment of cash and off balance sheet exposures to customers

Exposure/Counterparty	Governments and Central Banks			Other public bodies			Financial companies			Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures																		
A.1 Non-performing exposures	-	-	X	-	-	X	-	(37)	X	-	-	X	13	(1.484)	X	43	(1.805)	X
A.2 Watchlist exposures	-	-	X	-	-	X	-	(2)	X	-	-	X	3	(144)	X	30	(133)	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Past due exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.5 Other exposures	468.680	X	-	4	X	-	1.343.455	X	-	8.582	X	-	15.667	X	(91)	152.775	X	(167)
Total A	**468.680**	**-**	**-**	**4**	**-**	**-**	**1.343.455**	**(39)**	**-**	**8.582**	**-**	**-**	**15.683**	**(1.628)**	**(91)**	**152.848**	**(1.938)**	**(167)**
B. "Off balance sheet" exposures																		
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Watchlist exposures																		
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.4 Other exposures	-	X	-	-	X	-	110.991	X	-	-	X	-	-	X	-	-	X	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**110.991**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2009	**468.680**	**-**	**-**	**4**	**-**	**-**	**1.454.446**	**(39)**	**-**	**8.582**	**-**	**-**	**15.683**	**(1.628)**	**(91)**	**152.848**	**(1.938)**	**(167)**
Total (A+B) 31/12/2008	**273.177**	**-**	**-**	**107**	**-**	**-**	**1.790.692**	**(38)**	**-**	**330**	**-**	**-**	**15.223**	**(1.543)**	**(73)**	**71.205**	**(1.769)**	**(154)**

B.2 Distruibuzione territoriale delle esposizioni creditizie per cassa e "fuori bilancio" verso clientela (valore di bilancio)

Esposizioni / Aree geografiche	NORD OVEST		NORD EST		CENTRO		SUD E ISOLE	
	Esposizione netta	Rettifiche di valore complessive	Esposizione netta	Rettifiche di valore complessive	Esposizione netta	Rettifiche di valore complessive	Esposizione netta	Rettifiche di valore complessive
A. Esposizioni per cassa								
A.1 Sofferenze	10	(877)	6	(652)	9	(893)	31	(904)
A.2 Incagli	13	(97)	6	(27)	3	(58)	11	(97)
A.3 Esposizioni ristrutturate	-	-	-	-	-	-	-	-
A.4 Esposizioni scadute	-	-	-	-	-	-	-	-
A.5 Altre operazioni	1.511.669	(148)	10.198	(27)	452.589	(36)	14.708	(46)
TOTALE A	**1.511.692**	**(1.122)**	**10.210**	**(706)**	**452.601**	**(987)**	**14.750**	**(1.047)**
B. Esposizioni fuori bilancio								
B.1 Sofferenze	-	-	-	-	-	-	-	-
B.2 Incagli	-	-	-	-	-	-	-	-
B.3 Altre attività deteriorate	-	-	-	-	-	-	-	-
B.4 altre esposizioni	69.615	-	4.183	-	37.322	-	-	-
TOTALE B	**69.615**	**-**	**4.183**	**-**	**37.322**	**-**	**-**	**-**
TOTALE (A+B) 31/12/2009	**1.581.307**	**(1.122)**	**14.393**	**(706)**	**489.923**	**(987)**	**14.750**	**(1.047)**

B.3 Geographical distribution of cash and off balance sheet credit exposures to banks (book value)

Exposure/Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	1.788.425	-	145.969	-	781	-	610	-	45	-
TOTAL A	**1.788.425**	**-**	**145.969**	**-**	**781**	**-**	**610**	**-**	**45**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	212.071	(55)	104.783	-	252	-	-	-	-	-
TOTAL B	**212.071**	**(55)**	**104.783**	**-**	**252**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2009	**2.000.496**	**(55)**	**250.752**	**-**	**1.033**	**-**	**610**	**-**	**45**	**-**
TOTAL (A+B) 31/12/2008	**3.777.887**	**(18)**	**230.186**	**-**	**4.014**	**-**	**825**	**-**	**276**	**-**

C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securization transactions

QUALITATIVE INFORMATION

In Banca Sella Holding's own portfolio are present ABSs from third-party securitizations of the following kinds:

- ABSs issued by Italian companies (Società di Cartolarizzazione Italiana Crediti ARL and Società Cartolarizzazione Crediti INPS) have been held in the Banca Sella Holding portfolio since 2004 and a subsequent addition was made in the first half of 2008 with the purchase of a new tranche, again of senior securities of Società Cartolarizzazione Crediti INPS. The total countervalue is 3,1 million euro (decreased from 30 June 2009) representing about 0,18% of the total portfolio (floating+fixed) of Banca Sella Holding.
- ABSs issued in securitisation of residential and non-residential loans and leasing credits carried out by European Banks (Spain, the Netherlands, Germany, Great Britain and Italy), all with rating above AA. The total held at 31 December 2009 amounted to a countervalue of 7,5 million euro, thus representing a residual part of the whole portfolio, about 0,42%.

QUANTITATIVE INFORMATION

C.1.1 Exposures deriving from securization operations divided by quality of underlying assets

	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Quality of underlying assets/ Exposures	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	8.762	8.762	1.904	1.904	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3 Exposures deriving from main "third party" securization operations divided by type of securized asset and type of exposures

Type of underlying assets/Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
ABF - Contratti Leasing (ITA)	-	-	1.904	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BUMF - Commercial Mortgage Backed Securities (UK)	1.078	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Caja Madrid - Mutui Residenziali (SPA)	1.605	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Caja Medit - Mutui Residenziali (SPA)	651	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
E-Mac - Mutui Residenziali (OLANDA)	212	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EPICP - Commercial Mortgage Backed Securities (UK E SPA)	1.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pastor Consumo - Credito Consumo (SPA)	526	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SCIC - Credito Statale MIUR (ITA)	1.500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INPS - Credito Statale INPS (ITA)	1.632	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Exposures to securizations divided by portfolio of financial assets and by type

Exposure/ Portfolio	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets available for sale	Financial assets held to maturity	Loans & receivables	Total 31/12/2009	Total 31/12/2008
1. Cash exposure							
- " Senior"	3.132	-	-	-	5.629	**8.761**	**-**
- " Mezzanine"	-	-	-	-	1.904	**1.904**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**
2. Off balance sheet exposures							
- " Senior"	-	-	-	-	-	**-**	**-**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**

C.2 Sale transactions

C.2.1 Financial assets sold but not derecognized

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit or loss			Financial assets available for sale			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**31/12/2009**	**31/12/2008**
A. Cash assets																				
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.500
2. Share capital securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total 31/12/2008	**10.500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**10.500**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-

KEY

A= financial assets sold and fully recognized (book value)

B= financial assets sold and partially recognized (book value)

C= partially recognized financial assets (full value)

C.2.2. Financial liabilities against financial assets sold but not derecognized

Liability/Asset portfolio	Financial assets held for trading	Financial assets at fair value through profit or losso	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
2. Due to banks							
a) against fully recognized assets	40.101	-	-	-	-	-	40.101
b) against partially recognized assets	-	-	-	-	-	-	-
3. Outstanding securities							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
Total 31/12/2009	**40.101**	**-**	**-**	**-**	**-**	**-**	**40.101**
Total 31/12/2008	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 2
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, liquidity risk) is provided for by Group Regulations which lay down the rules under which the single Group companies may take on exposures to these types of risk.

The entity on which the market risks of the Banca Sella Group are concentrated is the Parent Company Banca Sella Holding, which carries on the financing activities.

The Parent Company's Risk Management Unit is responsible for the business 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 the purposes of measurement of risks and quantification of internal capital, market risk is measured by the Banca Sella Group applying the "standardized approach" defined by Banca d'italia Circular no. 263/2006. It follows that the quantification of internal capital for market risk consists of the sum of the capital requirements to cover the single risks that make up market risk on the basis of the so-called "building-block approach".

Still, for performance management purposes, the trading book market risk is measured and monitored on the basis of the VaR (value at risk), which is basically assessed according to the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time.

VaR Decomposition - Banca Sella Holding at 31.12.09

Holding period 10 days, confidence range 99%

Amounts at		31-Dec-09			31-Dec-08		
		Average VaR	Minimum VaR	Maximum VaR	Average VaR	Minimum VaR	Maximum VaR
Risk type							
Fixed Income	€	317.409	6.385	1.271.321	90.079	5.940	754.048
Equities	€	341.332	38.743	780.257	134.291	362	554.457
Equitiy Derivatives	€	41.761	2.372	242.834	80.296	6.976	788.903
Foreign Exchange	€	6.904	418	60.817	2.345	109	157.801
Derivatives OTC	€	2.003	933	4.964	1.681	566	3.888
Treasury	€	37.294	4.182	102.976	145.834	18.609	393.981
Total VaR(b)	€	**746.703**	**53.033**	**2.463.168**	**454.525**	**32.561**	**2.653.078**

(b) Total Value-at-Risk is given by the sum of single VaRs for risk types

Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of gains/losses that results is analyzed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

2.1 Interest rate risk and price risk – regulatory trading book

For the compilation of this section we will consider the financial instruments (assets and liabilities) falling within the “regulatory trading book”, as defined in the provision on market risk regulatory reporting (cp. Circular no. 155 of 18 December 1991 “Instructions for the compilation of reports on the regulatory capital and prudential coefficients” issued by the Banca d’italia and following amendments).

QUALITATIVE INFORMATION

A. General aspects

This section deals with the risk that a fluctuation in interest rates may have a negative effect on the value of the regulatory trading book arising from the financial positions assumed by the Banca Sella Holding within the assigned limits and powers.

The price risk inherent in the trading book is mainly a result of trading on the bank’s own behalf in debt and equity securities and UCITS.

The Bank’s trading book includes assets held as financial instruments for its own account. Most of these instruments can be traded on regulated markets (mainly fixed and variable-income securities). The rate risk and the price risk arising from it are often mitigated by having recourse to rate derivatives in regulated markets.

The goals and strategies underlying the trading activity involving the own securities portfolio aim to limit risks and maximize returns on the portfolio itself in the restricted and prudential field of action laid down in the Group rules on the subject.

The Parent Company Banca Sella Holding is also the market broker for third-party trading carried on by customers of the Banca Sella Group.

B. Interest rate risk and price risk management processes and measurement methods

The Group ALM Committee plays a recommendatory role in the definition of interest rate and price risks exposure policies as well as being one of the collegial bodies to which risk limit audits are reported. The Committee is also responsible for proposing any corrective actions needed to bring the Group’s risk positions back into balance.

The Risk Management, Strategic Planning and Budjetary Control Units and the Parent Company’s Finance Business Area play an active role in controlling such risks.

In order to measure the interest rate and price risks inherent in the regulatory trading book, the Banca Sella Group applies the “standardized approach” defined in Banca d’italia Circular No. 263/2006.

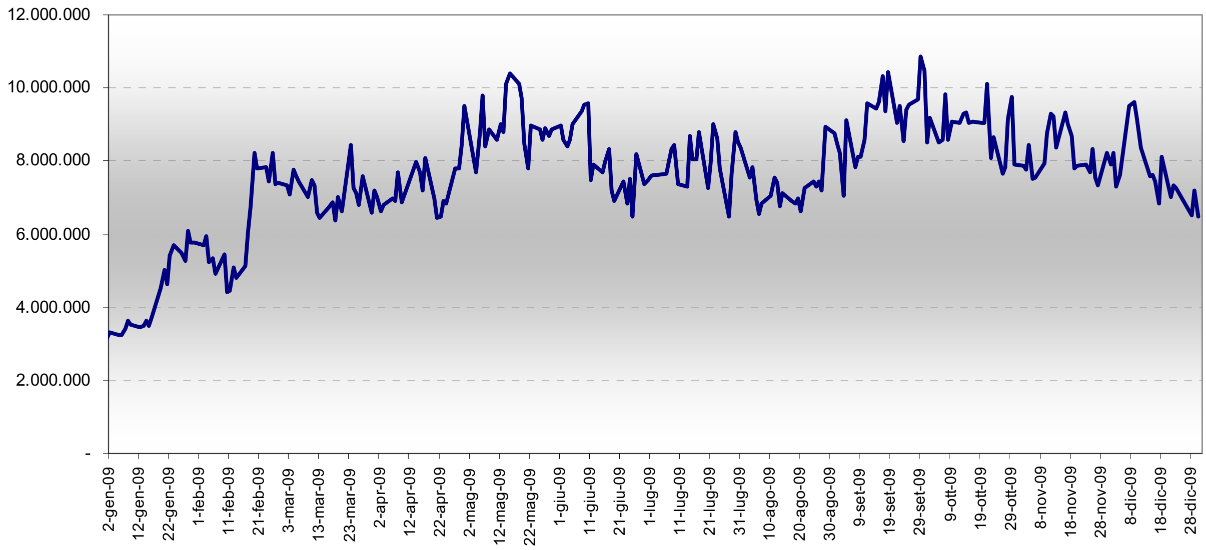
For performance management purposes, in any case, the Group Risk Management Unit measures the VaR (horizon 10 days and 3 months and confidence margin 99%) of the Banca Sella Group portfolios, and analyzes sensitivity factors, namely: portfolio duration, effects of sudden interest rate shocks and finally the check on the operational limits on investment in securities.

The average duration of the Banca Sella Holding trading book is equal to 0,6 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 4,57 million euro (about 0,62% of the portfolio).

In order to measure the price risk in the regulatory trading book, the Banca Sella Group applies the “standardized approach” defined in Banca d’italia Circular No. 263/2006.

The trend in the VaR of the Banca Sella Holding (confidence interval 99%, time horizon 3 months, historical method) is shown in the chart below. These values have always remained within the prudential limits set by the Parent Company.

Banca Sella Holding – Trading Book
Market Risks VaR (time horizon 3 months - confidence interval 99%)



QUANTITATIVE INFORMATION

2. Regulatory trading book: distribution of exposures in equity securities and equity indices by main quotation market countries

It is not regarded as necessary to fill in the Table as the overall exposure to shares and stock exchange indexes, equal to 0,61% of the Banca Sella Holding regulatory trading books, is concentrated on domestic securities only.

2.2 Interest rate and price risks – banking book

QUALITATIVE INFORMATION

A. Interest rate risk and price risk: general aspects, management procedures and measurement methods

The main sources of interest rate risk generated in the banking book can be traced back to:

- maturity mismatches (risk connected with the exposure of positions to changes in the slope and the shape of the yield curve);
- mismatches arising from the imperfect correlation between changes in earned and paid interest rates on the various instruments (so-called indexing risk)

The interest rate risk mainly derives from banking book securities and from bond funding and lending operations (loans granted to Group companies).

Internal interest rate risk management and audit processes are based on an organizational structure, which provides that the information is analyzed at operational level and critically assessed by the Group's ALM Committee every month. This Committee also provides appropriate operational guidelines. For management purposes, besides the 20% risk indicator limit defined in the regulation, the internal organization has been provided with more prudential danger thresholds, which, when exceeded, imply the assessment of operational strategies aimed at reducing the exposure.

The rate risk is measured according to the "standardized" approach set out in the Banca d'italia Circular no. 263/2006. The inspection is carried out taking into consideration all balance-sheet and off-balance-sheet positions, as regards interest-bearing assets and liabilities. The monitoring is carried out with a monthly assessment and provides the regulatory capital impact in the case of 2% rate shifts.

The sensitivity analysis figures at 31.12.09 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	8,4	681,5	81,1

Amounts in euro millions

The price risk of the portfolio is attributable mainly to equity interests held by the Parent Company for long-term investment purposes. These positions are adopted following the provisions of the Board of Directors and managed by the Finance Business Area of the Parent Company on the basis of the provisions of the Board of Directors itself.

B. Fair value hedging activities

Hedging strategies mainly aim at mitigating the typical interest rate risk of fixed-rate bonded loans issued (micro hedging).

The exposure to rate risk of fixed-rate bond funding is hedged using derivative instruments, such as interest rate swap amortizing. Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

The Parent Company generally adopts measurement methods and techniques based on the Black-Scholes, Monte Carlo and Net Present Value models using a number of parameters, which vary depending on the financial instrument to be measured. These parameters, which are approved by the Group Risk Management and Audit Service, are chosen and set up on the calculation software at the moment of a request for measurement of a new derivative instrument. Every time the fair value of the financial instrument is calculated, the above parameters are rechecked and updated both by the area that performs the calculation and by the Group Risk Management and Audit Service.

C. Cash flow hedging activities

Due to the substantial balance of assets and liabilities, no hedging is provided for cash flow interest rate risk arising from variable rate items.

D. Foreing investment hedging activities

Due to the minor amount of foreign investments, no hedging is provided for the interest rate risks arising from them.

2.3 - Exchange rate risk

QUALITATIVE INFORMATION

A. Exchange rate risk: general aspects, management processes and measurement methods

Currency transactions mainly take place at the Finance Business Area of the Parent Company, in which the Treasury carries out lending and inter-bank funding operations in foreign currency, and manages the exchange risk connected with currency imbalances.

Exchange rate risk is monitored through the application of the “standardized approach” defined by Banca d’Italia Circular No. 263/2006, which during the year never showed an absorption greater the 2% of Shareholders’ Equity.

In addition, the observance of the most important operating limits is monitored in comparison with the level mentioned above in order to obtain pre-alarm thresholds.

The Risk Management division of the Group monitors exchange risk exposure values and reports them to the Group’s ALM Committee. Such body, with the assistance of the Parent Company Treasury, assesses possible hedging actions, should the exposures towards currencies be judged as too high.

B. Exchange rate risk hedging activities

Over the years, Banca Sella Holding has progressively reduced its market making activity on the exchange market. The transactions conducted during the financial year can be mainly traced back to 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	Curreœies					
	US Dollar	Swiss Franc	Japanese Yen	British pound	Australian dollar	Other currencies
A. Financial assets	**29.216**	**38.633**	**23.551**	**9.632**	**771**	**13.648**
A.1 Debt securities	36	-	-	-	1	-
A.2 Equity securities	2.805	1	-	8.086	-	-
A.3 Loans and advances to banks	26.375	38.632	23.551	1.546	770	13.648
A.4 Loans and advances to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**5.261**	**266**	**708**	**634**	**568**	**1.304**
C. Financial liabilities	**214.094**	**6.582**	**1.306**	**11.784**	**3.827**	**9.681**
C.1 Due to banks	209.064	5.966	44	8.720	3.374	4.538
C.2 Due to customers	5.030	616	1.262	3.064	453	5.143
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**5.262**	**266**	**708**	**632**	**568**	**1.304**
E. Financial derivatives	**182.664**	**(32.278)**	**(22.938)**	**9.583**	**2.425**	**(5.551)**
- Options	(1)	-	-	-	-	-
+ Long positions	27.001	-	1.403	678	91	-
+ Short positions	27.002	-	1.403	678	91	-
- Others	182.665	(32.278)	(22.938)	9.583	2.425	(5.551)
+ Long positions	314.865	19.999	17.685	15.344	6.840	10.741
+ Short positions	132.200	52.277	40.623	5.761	4.415	16.292
Total assets	**376.343**	**58.898**	**43.347**	**26.288**	**8.270**	**25.693**
Total liabilities	**378.558**	**59.125**	**44.040**	**18.855**	**8.901**	**27.277**
Imbalance (+/-)	**(2.215)**	**(227)**	**(693)**	**7.433**	**(631)**	**(1.584)**

2.4 Derivative instruments

The 1st amendment of 18 November 2009 to circular letter 262/2005 issued by the Banca d'Italia requires that the derivative tables do not include spot exchange rates and securities. Consequently, the period of comparison, if applicable, was changed as well.

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: notional end-of-period and average amounts

Ulderlying assets/Type of derivatives	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	5.444.044	127.700	4.761.691	859
a) Options	554.890	-	491.660	-
b) Swap	4.889.154	-	4.270.031	-
c) Forward	-	-	-	-
d) Futures	-	127.700	-	859
e) Others	-	-	-	-
2. Equity securities and equity indices	-	130.982	-	153.160
a) Options	-	133.452	-	144.950
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	(2.470)	-	8.210
e) Others	-	-	-	-
3. Currencies and gold	459.922	-	585.500	-
a) Options	109.503	-	62.405	-
b) Swap	201.638	-	403.482	-
c) Forward	103.668	-	45.245	-
d) Futures	-	-	-	-
e) Others	45.113	-	74.368	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**5.903.966**	**258.682**	**5.347.191**	**154.019**
Average amounts	**5.686.690**	**208.821**	**5.177.112**	**313.726**

A.2 Banking book: notional end-of-period and average amounts

A.2.1 For heging

Ulderlying assets/Type of derivatives	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	11.642	-	19.308	-
a) Options	-	-	-	-
b) Swap	11.642	-	19.308	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**11.642**	**-**	**19.308**	**-**
Average amounts	**15.475**	**-**	**48.943**	**-**

A.2.2 Other derivatives

Ulderlying assets/Type of derivatives	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	5.723	-
a) Options	-	-	5.723	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	44.834	-	2.051	-
a) Options	44.834	-	2.051	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**44.834**	**-**	**7.774**	**-**
Average amounts	**26.304**	**-**	**3.887**	**-**

A.3 Financial derivatives: positive fair value - breakdown by products

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	108.839	3.529	107.209	3.720
a) Options	5.904	3.529	8.115	3.720
b) Interest rate swap	98.336	-	79.656	-
c) Cross currency swap	2.860	-	7.852	-
d) Equity swap	-	-	-	-
e) Forward	1.147	-	-	-
f) Futures	-	-	-	-
g) Others	592	-	11.586	-
B. Banking book - hedging	259	-	1.769	-
a) Options	-	-	-	-
b) Interest rate swap	259	-	1.769	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	165	-	557	-
a) Options	165	-	557	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**109.263**	**3.529**	**109.535**	**3.720**

A.4 Financial derivatives: negative fair value - breakdown by products

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	105.954	3.606	115.007	6.355
a) Options	5.910	3.606	8.113	6.355
b) Interest rate swap	98.308	-	79.343	-
c) Cross currency swap	344	-	16.953	-
d) Equity swap	-	-	-	-
e) Forward	880	-	-	-
f) Futures	-	-	-	-
g) Others	512	-	10.598	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	165	-	298	-
a) Options	165	-	298	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**106.119**	**3.606**	**115.305**	**6.355**

A.5 Over the counter financial derivatives: regulatory trading book - notional values, gross positive and negative fair value by counterparts - contracts not covered by netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates	**-**	**-**	**4.571.377**	**1.104.031**	**5.511**	**-**	**-**
- notional value	-	-	4.372.730	1.066.313	5.000	-	-
- positive fair value	-	-	75.998	26.718	-	-	-
- negative fair value	-	-	95.435	6.824	436	-	-
- future exposure	-	-	27.214	4.176	75	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**25.834**	**-**	**435.243**	**13.985**	**184**	**-**	**-**
- notional value	25.834	-	420.532	13.370	184	-	-
- positive fair value	-	-	5.653	489	-	-	-
- negative fair value	-	-	3.260	-	-	-	-
- future exposure	-	-	5.798	126	-	-	-
4) Other values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.7 Over the counter financial derivatives: banking book - notional values, gross positive and negative fair value by counterparts - contracts not covered by netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates	**-**	**-**	**11.986**	**-**	**-**	**-**	**-**
- notional value	-	-	11.642	-	-	-	-
- positive fair value	-	-	259	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	85	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**46.246**	**-**	**-**	**-**	**-**
- notional value	-	-	44.834	-	-	-	-
- positive fair value	-	-	165	-	-	-	-
- negative fair value	-	-	165	-	-	-	-
- future exposure	-	-	1.082	-	-	-	-
4) Other values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Residual life of over the counter financial derivatives: notional value

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total
A Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	1.881.502	1.695.384	1.867.157	5.444.043
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	459.921	-	-	459.921
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates	6.000	-	5.642	11.642
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	44.834	-	-	44.834
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2009	**2.392.257**	**1.695.384**	**1.872.799**	**5.960.440**
Total 31/12/2008	**607.973**	**1.497.171**	**1.807.259**	**3.912.403**

B. CREDIT DERIVATIVES

B.1 Credit derivatives: notional end-of-period and average values

Category of transaction	Regulatory trading book		Other transactions	
	On a single subject	On several subjects (basket)	On a single subject	On several subjects (basket)
1. Protection purchases				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Others	-	-	-	-
TOTAL 31/12/2009	**-**	**-**	**-**	**-**
AVERAGE AMOUNTS	**-**	**-**	**(1.250)**	**-**
TOTAL 31/12/2008	**-**	**-**	**(2.500)**	**-**
2. Protection sales				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Others	-	-	-	-
TOTAL 31/12/2009	**-**	**-**	**-**	**-**
AVERAGE AMOUNTS	**-**	**-**	**-**	**-**
TOTAL 31/12/2008	**-**	**-**	**-**	**-**

B.3 Over the counter credit derivatives: negative fair value - breakdown by products

Portfolio/Type of derivative	Negative fair value	
	Total 31/12/2009	Total 31/12/2008
A. Regulatory trading book	-	(75)
a) Credit default products	-	(75)
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
B. Banking group	-	-
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
Total	**-**	**(75)**

B.6 Residual life of credit derivative contracts: notional values

Underlying assets/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total 31/12/2009
A Regulatory trading book				
A.1 Credit derivatives with "subordinated" reference obligations	-	-	-	-
A.2 Credit derivatives with "unsubordinated" reference obligations	-	-	-	-
B. Banking book				
B.1 Credit derivatives with "subordinated" reference obligations	-	-	-	-
B.2 Credit derivatives with "unsubordinated" reference obligations	-	-	-	-
Total 31/12/2009	**-**	**-**	**-**	**-**
Total 31/12/2008	**-**	**-**	**(2.500)**	**(2.500)**

Section 3
Liquidity risk

QUALITATIVE INFORMATION

A. Liquidity risk: general aspects, management procedures and measurement methods

The liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by the inability to raise funds (funding liquidity risk) or by the presence of asset liquidity limits (market liquidity risk)[1]. Liquidity monitoring and management operations for Banca Sella Holding are formalized in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. Such strategies are an integral part of the emergency plan called "Contingency Liquidity Plan".

The governance model defined for managing and controlling the Banca Sella Group liquidity risk is based on the following principles:

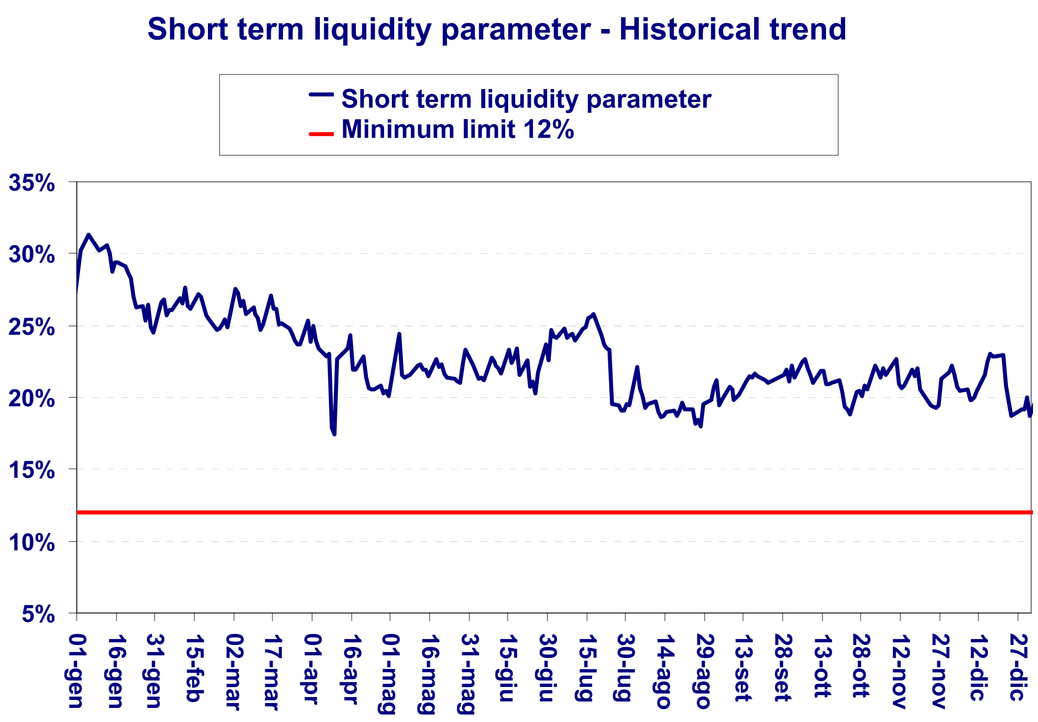
- conformity of liquidity risk management and monitoring processes and methods with prudential regulatory indications;
- decision-sharing and distinction of responsibilities among management, controlling and operating bodies;

The Group's liquidity level is managed by the Banca Sella Holding Finance Business Area, which in case of need promptly takes remedial actions with the support of the Group's Risk Management and Audit Service and the ALM Committee.

The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short-term and medium and long-term systemic and specific liquidity. More specifically, liquidity risk monitoring and management are carried out with reference to contractual maturity dates of assets and liabilities generated by non-derivative instruments considering that these last ones, as they are exclusively used for hedging banking book items, are characterized by a simple financial structure and have a minor impact on cash flows.

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 of this indicator is prudentially established at 12%; the level of this indicator has always considerably exceeded that threshold during the financial year.

[1] *Banca d'Italia circular note n.263/2006, title III, chap.1, Annex D*



In addition to the information provided by liquidity indicators, the Banca Sella Group Risk Management and Audit Service and Finance Business Area have the task to carry out stress analyses on the liquidity reserve of the Group itself.

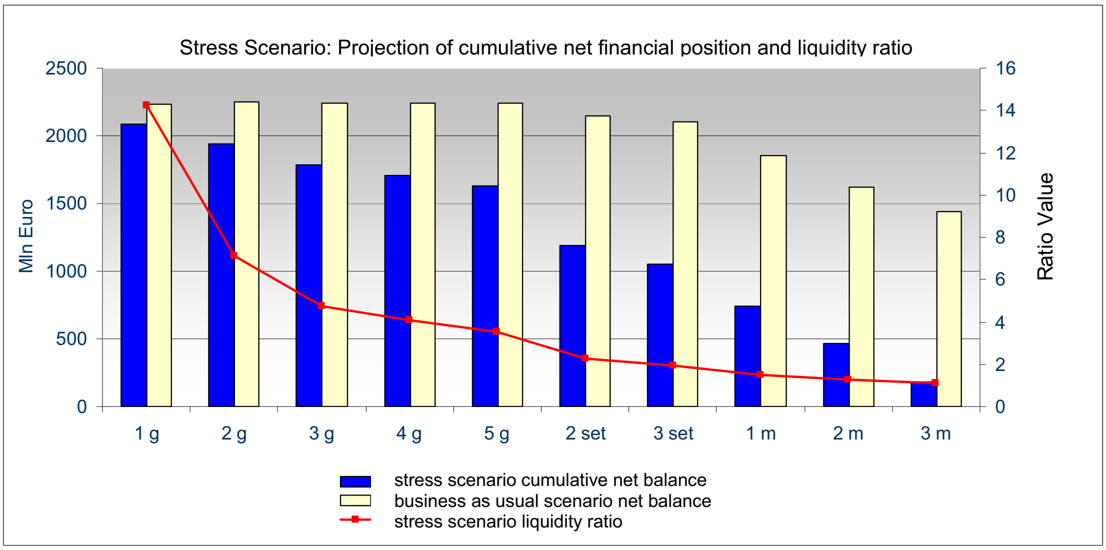
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated with the assumption that the business structure and capital profile of the Group will not be altered.

The Maturity Ladder is realized through the time-band mapping (horizon up to 3 months) of current and expected cash flows, together with items regarded as "potential liquidity reserves". This instrument allows assessing in various operational scenarios (business as usual and stress scenario) the net financial position as to liquidity in different time buckets.

The stress test has always showed the full ability of the liquidity sources of the Banca Sella Group to withstand any systemic and specific crises.

[2] *A Maturity Ladder is the projection of the net financial position over time*

Stress Scenario: Projection of cumulative net financial position and liquidity ratio (Stress test at 30 December 09)



1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: Euro

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**795.194**	**51.629**	**70.152**	**118.529**	**297.505**	**281.880**	**690.123**	**1.306.571**	**174.929**	**-**
A.1 Government securities	-	566	969	763	1.791	85.297	70.899	216.803	91.612	-
A.2 Other debt securities	804	20.062	2.000	17.333	83.749	59.006	336.957	720.699	83.316	-
A.3 UCITS units	7.869	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	786.521	31.001	67.183	100.433	211.965	137.577	282.267	369.069	1	-
- Banks	260.259	23.761	25.000	50.298	121.769	46.192	93.643	-	-	-
- Customers	526.262	7.240	42.183	50.135	90.196	91.385	188.624	369.069	1	-
Cash liabilities	**2.312.247**	**73.810**	**55.730**	**54.771**	**66.811**	**43.378**	**445.836**	**706.522**	**120.995**	**-**
B.1 Deposits and current accounts	2.311.536	73.810	55.730	54.771	66.811	34.868	30.081	-	7.546	-
- Banks	2.251.612	73.810	55.730	54.771	66.811	34.868	30.081	-	7.546	-
- Customers	59.924	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	8.510	375.654	706.522	113.449	-
B.3 Other liabilities	711	-	-	-	-	-	40.101	-	-	-
Off balance sheet transactions	**137.700**	**411.235**	**88.452**	**32.499**	**143.383**	**132.588**	**102.310**	**247.609**	**265.098**	**-**
C.1 Financial derivatives with equity swaps	127.700	402.646	85.214	31.498	127.985	105.797	59.096	140.110	222.926	-
- Long positions	4.100	184.588	26.445	5.101	46.337	44.176	31.626	121.314	121.736	-
- Short positions	123.600	218.058	58.769	26.397	81.648	61.621	27.470	18.796	101.190	-
C.2 Financial derivatives without equity swaps	-	8.589	3.238	1.001	15.398	26.791	43.214	107.499	42.127	-
- Long positions	-	4.294	1.619	500	7.653	13.297	21.503	52.887	23.991	-
- Short positions	-	4.295	1.619	501	7.745	13.494	21.711	54.612	18.136	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	10.000	-	-	-	-	-	-	-	45	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: US Dollar

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**1.040**	**-**	**-**	**6.942**	**9.335**	**8.826**	**247**	**21**	**1**	**-**
A.1 Government securities	-	-	-	-	-	-	-	2	-	-
A.2 Other debt securities	-	-	-	-	13	1	-	19	1	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	1.040	-	-	6.942	9.322	8.825	247	-	-	-
- Banks	1.040	-	-	6.942	9.322	8.825	247	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**88.961**	**18.534**	**10.837**	**21.990**	**49.203**	**21.007**	**3.562**	**-**	**-**	**-**
B.1 Deposits and current accounts	88.387	18.534	10.837	21.990	49.203	21.007	3.562	-	-	-
- Banks	83.931	18.534	10.837	21.990	49.203	21.007	3.562	-	-	-
- Customers	4.456	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	574	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**5.692**	**156.714**	**81.395**	**36.403**	**119.934**	**60.096**	**16.792**	**164**	**434**	**-**
C.1 Financial derivatives with equity swaps	-	151.022	81.395	36.403	119.934	60.096	16.792	164	434	-
- Long positions	-	102.839	59.271	32.359	86.249	37.062	7.538	82	217	-
- Short positions	-	48.183	22.124	4.044	33.685	23.034	9.254	82	217	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	5.692	5.692	-	-	-	-	-	-	-	-
- Long positions	-	5.692	-	-	-	-	-	-	-	-
- Short positions	5.692	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: Swiss Franc

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**13.432**	**57**	**4.887**	**674**	**18.705**	**29**	**849**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	13.432	57	4.887	674	18.705	29	849	-	-	-
- Banks	13.432	57	4.887	674	18.705	29	849	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**1.553**	**-**	**-**	**86**	**3.839**	**666**	**438**	**-**	**-**	**-**
B.1 Deposits and current accounts	1.553	-	-	86	3.839	666	438	-	-	-
- Banks	937	-	-	86	3.839	666	438	-	-	-
- Customers	616	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**52.901**	**-**	**-**	**18.217**	**220**	**810**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	52.901	-	-	18.217	220	810	-	-	-
- Long positions	-	18.248	-	-	1.366	220	35	-	-	-
- Short positions	-	34.653	-	-	16.851	-	775	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: Japanese Yen

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**11.074**	**4.656**	**1.125**	**6.234**	**462**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	11.074	4.656	1.125	6.234	462	-	-	-	-	-
- Banks	11.074	4.656	1.125	6.234	462	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**1.306**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	1.121	-	-	-	-	-	-	-	-	-
- Banks	44	-	-	-	-	-	-	-	-	-
- Customers	1.077	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	185	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**47.760**	**1.550**	**7.133**	**-**	**2.100**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	47.760	1.550	7.133	-	2.100	-	-	-	-
- Long positions	-	15.913	154	-	-	1.050	-	-	-	-
- Short positions	-	31.847	1.396	7.133	-	1.050	-	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: British Pound

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**308**	**281**	**619**	**338**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	308	281	619	338	-	-	-	-	-	-
- Banks	308	281	619	338	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**6.795**	**-**	**2.146**	**49**	**2.001**	**55**	**739**	**-**	**-**	**-**
B.1 Deposits and current accounts	6.787	-	2.146	49	2.001	55	739	-	-	-
- Banks	3.731	-	2.146	49	2.001	55	739	-	-	-
- Customers	3.056	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	8	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**10.016**	**3.441**	**449**	**5.821**	**853**	**338**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	10.016	3.441	449	5.821	853	338	-	-	-
- Long positions	-	6.619	753	449	5.821	781	169	-	-	-
- Short positions	-	3.397	2.688	-	-	72	169	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - currency of denomination: Australian Dollar

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**422**	**4**	**-**	**125**	**219**	**-**	**-**	**1**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	1	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	422	4	-	125	219	-	-	-	-	-
- Banks	422	4	-	125	219	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**3.138**	**-**	**175**	**-**	**254**	**13**	**247**	**-**	**-**	**-**
B.1 Deposits and current accounts	3.138	-	175	-	254	13	247	-	-	-
- Banks	2.685	-	175	-	254	13	247	-	-	-
- Customers	453	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**9.756**	**182**	**187**	**219**	**219**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	9.756	182	187	219	219	-	-	-	-
- Long positions	-	6.372	91	-	-	219	-	-	-	-
- Short positions	-	3.384	91	187	219	-	-	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

1. Time distribution of financial assets and liabilities by residual contractual term - other currencies

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**7.011**	**949**	**181**	**-**	**5.506**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	7.011	949	181	-	5.506	-	-	-	-	-
- Banks	7.011	949	181	-	5.506	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**8.761**	**45**	**351**	**129**	**319**	**2**	**74**	**-**	**-**	**-**
B.1 Deposits and current accounts	8.551	45	351	129	319	2	74	-	-	-
- Banks	3.618	45	351	129	319	2	74	-	-	-
- Customers	4.933	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	210	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**13.836**	**-**	**1.525**	**5.637**	**-**	**2.074**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	13.836	-	1.525	5.637	-	2.074	-	-	-
- Long positions	-	6.199	-	768	80	-	1.810	-	-	-
- Short positions	-	7.637	-	757	5.557	-	264	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Section 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.

Banca Sella Holding performs a function of management and coordination for the control of exposure to the risks assumed by the Banca Sella Group companies in carrying on their ordinary and extraordinary business, delegating the operational aspects to the Risk Management and Audit Service. This service has the responsibility to measure, monitor and manage the Group's exposure to the risks indicated under the First and Second Pillars of Basel 2, continuously improving the instruments and methods for assessing quantitative and qualitative risk exposure aspects.

The operational risk measurement, management and control systems adopted by the Banca Sella Group can be summed up in the operational risk management framework, which is made up of:

- operating loss quantitative data collection;
- mitigation and control organizational structures;
- operational risk exposure assessment.

The data collection activity allows collecting the necessary information to assess the operational risk exposure of the Group as a whole and individual Companies. In addition, the data collection activity allows to promptly inform the Risk Management and Audit Service about operational risks taking place inside the Group and the respective operating loss, in order to take remedial action. The operational risk detection instruments include:

- IT applications, managed by the Banca Sella Holding Risk Management and Audit Service, for the collection of operating losses (Anomaly detection procedure to support the "Control Cycle" process and "OpRisk" software for recording the provision for contingent charges");
- Risk Self Assessment (RSA);
- operating risk loss data from external sources (DIPO - Italian Operational Loss Database, joined by the Banca Sella Group)[3].

The Control Cycle is an internal process that has been effectively adopted by the entire Group for several years for the processing of anomalies and removing the effects and the causes that generated them. This process, through the use of a specific software application, presides over the work of surveying, monitoring and managing all the anomalous events that occur in all the Group companies, so as to facilitate the consequent follow-up activities.

The Risk Self Assessment (RSA) is a qualitative and quantitative analysis for operational risk exposure, whose added value consists of estimating the Group's expected and unexpected losses

[3] DIPO information also allow comparing internal operating loss data and system operating loss data (DIPO - Italian Operational Loss Database).

(quantification of possible risk events both in terms of economic impact and frequency of occurrence) attributed to the various corporate processes mapped and validated at the Group's Company.

In 2009 the Risk Self Assessment was carried out for the second time, improving the data collection method used the previous year. This work, which is coordinated by the Parent Company's Risk Management and Audit Service, actively involved all the departments/services of the Holding and the Group Companies, which provided an estimate of the average frequency of occurrence of the average economic impact of potential events associated with the processes for which it is responsible, assessing in particular low-frequency high-impact events.

The main organizational structures adopted by the Banca Sella Group to mitigate and control operational risks, besides the Control Cycle mentioned above, include the mapping and validation of new corporate processes and/or the updating of existing ones, performed and improved during 2009.

Each process is "assigned" with a rating of the operational risk inherent in a process (which assesses the risk factors on the process without taking into account the mitigating effect of existing audits) and a rating of the residual operational risk of the process (obtained by assessing the mitigating effect of audits of the inherent risks). The risk ratings are measured on a discrete scale with values from 1 (minimum risk) to 5 (maximum risk). Particular attention is paid to correspondence between the operational map and the reality of the underlying process.

The introduction of new processes or the modification of existing processes with a residual operational risk rating equal to or higher than 4, is previously examined and assessed by the Operational Risk Committee.

The complete mapping and the continuous updating of the Group's processes allow identifying their very quality and their risk exposure, in order to:

- formalize the responsibilities of the organizational structures and skilled personnel in the context of the business processes analyzed;
- detect the risks associated with the processes, with consequent assessment of the effectiveness of the organizational model and of the audit system overseeing them;
- check the effectiveness of individual processes.

Further operational risk mitigation support is provided by the "Operational Control" division of the Consortium Company aimed at mitigating risks through second level operational controls on the "administrative service" area of the Company itself and centralized first level controls and outsourced second level controls for the Group Companies. The work performed by this service, formalized in outsourcing contracts and provided with service levels, consist of systematic and sample checks aimed at mitigating operational risks. In particular, we mention the control carried out through so-called "warning signals", that is to say automatic processing on a number of areas (such as: company data and authorizations; personal credit and loans; flows; credit cards; operativity of financial advisors) with the purpose to identify and prevent any internal and/or external anomalies.

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organization, in accordance with the legislation which states that timely information must be provided on the subject of operational risks. The Control Cycle provides the information basis which, at the occurrence of the anomaly and according to a precise escalation, generates and sends communication flows to the parties concerned.

In addition, in order to ensure proactive management of operational risk, the Risk Management and Audit Service produces regular summary and detailed statements which show for each Group company the degree of risk assumed in relation to:

- prejudicial events and operating losses reported in the Control Cycle database, highlighting the most serious anomalies; about 20% of the events reported in 2009 are represented by fraud and theft committed by external offenders;
- the outcome of line audits;

- the trend in service levels;
- the “internal operational risk rating” [4] (R.I.R.O) on the basis of an analysis of some KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators);
- the trend in the provision for risks and charges.

Similar records are included in a report drawn up every month for the Board of Directors of the Parent Company.

QUANTITATIVE INFORMATION

For the purposes of calculation of the capital requirement to cover exposure to operational risk, the Banca Sella Group uses the Basic Indicator Approach (BIA). In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net interest and other banking income available a regulatory ratio of 15%.

The capital requirement calculated on the net interest and other banking income for the 2007-2009 period is 16,8 million euro.

[4] *The “internal operational risk rating ” is an instrument which enables an expression of a Group Company’s exposure to operational risk via a summary indicator ordered in ascending classes from 1 to 5 (where 1 is the minimum value and 5 the maximum value). It is calculated using a proprietary weighting system, prepared within the Banca Sella Group, on the basis of specific KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).*

PART F
INFORMATION ON CAPITAL

As required by Banca d'italia Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it.

Section 1
Capital

A. QUALITATIVE INFORMATION

In the light of its strategic development lines and objectives, the Bank has adopted the measures necessary to guarantee adequate capital requirements.

An initial audit is performed during preparation of the Group's three year strategic plan, comparing the growth trends of activities that affect the magnitude of risks with the expected evolution of the capital structure. Respect for capital adequacy is obtained via:

- pay out policies;
- issues of subordinated bonds.

As of 31 December 2008, the excess Regulatory Capital with respect to the compulsory levels is of an amount in line with the risk profile adopted by the Bank, permitting development in keeping with the expected growth targets.

B. QUANTITATIVE INFORMATION

B.1 Consolidated equity: breakdown by type of company

	Total 31/12/2009	Total 31/12/2008
Capital	100.500	100.500
Share premiums	49.414	49.414
Reserves	293.919	294.090
- profit reserves	293.919	294.090
a) legal	28.759	28.759
b) statuory	60.848	60.154
c) treasury shares	-	-
d) others	204.312	205.177
- others	-	-
Equity instruments	-	-
(Treasury shares)	-	-
Valuation reserves:	5.219	4.508
- Financial assets available for sale	5.219	4.508
- Tangible assets	-	-
- Intangible assets	-	-
- Foreign investments hedges	-	-
- Cash flow hedges	-	-
- Exchange rate differences	-	-
- Non current assets held for sale	-	-
- Actuarial profits (losses) on defined benefit pension plans	-	-
- Quote of valuation reserves for minority equity interests accounted with equity method	-	-
- Special revaluation laws	-	-
Profit (loss) for the year (+/-) of the group and of third parties	23.073	1.734
Shareholders' equity	**472.125**	**450.246**

B.2 Valuation reserves of financial assets available for sale: breakdown

Asset/Amount	Total 31/12/2009		Total 31/12/2008	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equity securities	5.219	-	4.508	-
3. UCITS units	-	-	-	-
4. Loans and advances	-	-	-	-
Total	**5.219**	**-**	**4.508**	**-**

B.3 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**-**	**4.508**	**-**	**-**
2. Increases	**-**	**6.174**	**-**	**-**
2.1 Increases in fair value	-	5.002	-	-
2.2 Reversal to income statement of negative reserves	-	1.172	-	-
- following impairment	-	1.166	-	-
- following realization	-	6	-	-
2.3 Other changes	-	-	-	-
3. Decreases	**-**	**5.464**	**-**	**-**
3.1 Reductions in fair value	-	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	-	5.464	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**-**	**5.218**	**-**	**-**

Section 2
Capital and adequacy ratios

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

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

1. Tier 1 capital

This comprises:

- Share capital
- Share premiums
- Capital reserves
- Profit for the period

net of dividends to be distributed, intangible fixed assets and negative valuation reserves on securities available for sale.

2. Tier 2 and Tier 3 capital

This comprises:

- Positive valuation reserves of tangible assets
- Hybrid capital instruments
- Subordinated liabilities

Issuer	Interest rate	Interest type	Issue date	Maturity date	Early redemption from	Currency	Original amount *(euro thousand)*	Contrbiution to regulatory capital *(euro thousand)*
Banca Sella Holding	5,500%	variable	16-sep-02	16-mar-13	No	EURO	50.000	49.992
Banca Sella Holding	5,400%	variable	1-sep-03	1-sep-14	No	EURO	24.612	24.542
Banca Sella Holding	5,400%	variable	15-jul-04	15-jul-15	No	EURO	18.560	18.510
Total hybrid instruments (Upper Tier II)								**93.044**
Banca Sella Holding	4,700%	variable	14-nov-05	14-nov-11	14-nov-07	EURO	20.000	7.977
Banca Sella Holding	3,879%	variable	15-dec-04	15-dec-14	15-dic-10	EURO	50.000	50.000
Banca Sella Holding	4,401%	variable	28-nov-06	28-nov-16	28-nov-12	EURO	50.000	50.000
Banca Sella Holding	3,564%	variable	21-jun-07	21-jun-17	21-giu-13	EURO	10.000	9.500
Banca Sella Holding	4,090%	variable	06-jun-08	06-jun-14	6-giu-10	EURO	13.900	12.750
Banca Sella Holding	3,734%	variable	27-dec-07	27-dec-17	27-dic-13	EURO	30.000	29.500
Total eligible subordinated (Lower Tier II)								**159.727**
Banca Sella Holding	5,550%	variable	4-apr-08	4-apr-11	No	EURO	20.000	19.133
Total 3rd level subordinated (Upper Tier III)								**19.133**
Total								**271.903**

Hybrid instruments (Upper Tier 2)

The Upper Tier 2 subordinated loans comply with Bank of Italy requisites to be counted among the components of "Regulatory Capital". In particular:

- they are not subject to advance redemption clauses;
- redemption on maturity is conditional on previously obtaining consent from the Bank of Italy;
- where there are accounting losses which lead to a reduction of paid-in capital and reserves below the minimum level of capital required for authorisation for the banking business, the amounts originating from the above-mentioned liabilities and accrued interest can be used to cover the losses, in order to permit the issuing entity to continue its business;
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off.

Lower Tier 2 subordinated liabilities

The subordinated liabilities as above comply with the requisites set out by the Bank of Italy to be counted among the components of "Regulatory Capital". In particular:

- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off;
- there are no advance redemption clauses save at the initiative of the Bank subject to consent from the Bank of Italy.

Lower Tier 3 subordinated liabilities

These bond loans comply with the requisites set out by the Bank of Italy for deductibility of capital requirements to cover market risks. In particular:

- payment of interest and principal is suspended to the extent that the capital requirement of the issuing entity falls below the capital requirement laid down in the "Bank of Italy Supervisory Instructions";
- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off;
- the original term is not less than two years.

B. QUANTITATIVE INFORMATION

	Total 31/12/2009	Total 31/12/2008
A. Tier 1 capital before application of prudential filters	**460.296**	**411.534**
B. Tier 1 capital prudential filters	**(30)**	**(130)**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(30)	(130)
C. Tier 1 capital including ineligible items (A+B)	**460.266**	**411.404**
D. Tier 1 capital ineligible items	2.580	2.353
E. Total Tier 1 capital (C-D)	**457.686**	**409.051**
F. Tier 2 capital before the application of prudential filters	**257.989**	**258.536**
G. Tier 2 capital prudential filters	**(2.609)**	**(2.254)**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(2.609)	(2.254)
H. Tier 2 capital including ineligible items (F+G)	**255.380**	**256.282**
I. Tier 2 capital ineligible items	2.580	2.353
L. Total Tier 2 capital (H+I)	**252.800**	**253.929**
M. Total Tier 1 and Tier 2 ineligible items	46.851	46.851
N. Regulatory capital (E+L-M)	**663.635**	**616.129**
O. Tier 3 capital	7.858	5.957
P. Regulatory capital including Tier 3 (N+O)	**671.493**	**622.086**

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

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

In financial year 2008 the "New capital adequacy rules for Banks" (Bank of Italy Circular No. 263 of 27 December 2006), which incorporate the regulations on the subject of international convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the Bank must represent at least 6% of total weighted assets (total capital ratio) – as a company which belongs to a Banking Group which observes the 8% requirement – deriving from the typical risks of the banking and financial business (credit, counterparty, market and operational risks), weighted on the basis of regulatory segmentation of the counterparty debtors and taking account of credit risk mitigation techniques.

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the company exhibits a ratio between Tier 1 capital and risk weighted assets of 42,04% and a ratio between total regulatory capital and risk weighted assets of 61,69%, well above the minimum requirement of 6%.

B. QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardize approach	3.968.418	5.921.911	1.057.637	1.096.594
2. Internal rating based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securizations	9.034	-	8.761	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			63.458	65.796
B.2 Market risks			11.006	6.257
1. Standardized approach			11.006	6.257
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			12.622	12.575
1. Standardized approach			12.622	12.575
2. Internal models			-	-
3. Advanced approach			-	-
B.4 Other capital requirements			-	-
B.5 Other computing items			-	-
B.6 Total capital requirements			87.086	84.628
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk weighted assets			1.088.575	1.057.847
C. 2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			42,04%	38,67%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)			61,69%	58,81%

The weighted amounts and ratios at 31st December 2009 were calculated on the basis of the new Basel 2 standard.

The totals for single risks were reduced by 25%. This reduction has been granted by the Banca d'Italia to banks belonging to banking groups which comply with consolidated capital requirements.

The 1st amendment of 18th November 2009 to the Banca d'Italiacircular 262/2005 specifies the criteria for the calculation of capital ratios, according to which the amount of risk-weighted assets is determined as the product between total capital requirements and 12,5 (inverse to the minimum required ratio of 8%).

To enable consistent comparison 31st December 2009 figures, 2008 ratios (previously calculated at 6%) were also recalculated.

PART G
AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

Banca Sella Holding has not carried out this type of operation.

PART H
RELATED PARTY TRANSACTIONS

In accordance with IAS 24, the types of related parties significant for the Banca Sella Group, with reference to the specific organisational structure and governance, comprise:

a) subsidiaries over which the parent company directly or indirectly exercises control;
b) associated companies over which the parent company directly or indirectly exercises significant influence;
c) directors and managers with strategic responsibilities;
d) close family members of directors and managers with strategic responsibilities;
e) companies controlled by or associated with one of the subjects described in points c) and d).

1. INFORMATION ON DIRECTORS' AND MANAGERS' REMUNERATION

In the light of the current organisational structure of the Group, the following are included in the definition of "managers with strategic responsibility": Directors and members of the General Management of Banca Sella Holding in relation to the exercise of the functions of management, coordination and control.

Fees paid as of 31 december 2009 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 (including managers who also serve as directors)	
(amounts in euro thousands)	**31 december 2009**
a) short-term employee benefits	3.782,8
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	96,0
e) share-based payments	-
Total	**3.878,8**

The following table shows payments received in 2009 by Directors and Statutory Auditors of the Company:

Fees received in financial year 2009	
(amounts in euro thousands)	
Directors	2.139,4
Statutory Auditors	241,9

2. INFORMATION ON RELATED PARTY TRANSACTIONS

Transactions with related parties were carried out, as a rule, on the basis of terms equivalent to those applied for operations performed with independent third parties.

Outsourcing contracts

In the first part of the financial year, the Parent Company, Banca Sella Holding S.p.A., in its function of management, co-ordination and control has performed in favour of its investee companies a series of activities in outsourcing which included, among others, those of custodian bank, finance, accounting, legal and tax affairs, payment systems, information systems, risk management, human resources, marketing, litigation, administration and purchases.

In order to take the important opportunities arising from the analysis of the Group's organizational structure and the new regulatory context, on 1st April 2009 the Group created, through the contribution of business operations, a consortium company limited by shares, denominated Sella

Servizi Bancari S.C.p.A., aimed at providing outsourced services among companies within and outside the Banca Sella Group.

Due to this transaction, the Company now makes use of the services supplied by the consortium company, while it keeps supplying, among others, Company Secretarial services, Inspectorate, IT Security, Notes issues.

These activities, which are governed by specific contracts, are carried out following assessments of mutual benefit, in line with market terms, with the aim of creating value within the Group.

In exchange for these services the Group companies have paid Banca Sella Holding S.p.A. total fees of 20,2 million euro; on the same date, the Parent company paid 14,3 million euro to the consortium company for the services received.

The table below sets out assets, liabilities, guarantees and commitments existing as of 31 December 2009 differentiated by the different types of related parties:

Related-party transactions *(amounts in euro thousands)*	
	Directors and Managers
Loans & Receivables	1.048,5
Payables	2.797,3
Guarantees given	75,0
Guarantees received by the Group	81,8

The following table shows the relations between Banca Sella Holding and Group companies from the financial and economic points of view:

Main intra-group balance sheet items		
Items	**31/12/2009**	
	Amount *(euro thousands)*	**Weight** *%*
Total financial assets	94.225	8,0%
Total loans & receivables	1.349.177	47,2%
Total other assets	7.457	18,9%
Total financial liabilities	14.319	10,3%
Total payables	2.753.089	92,7%
Total other liabilities	22.485	27,3%

Main intra-group income statement items		
Items	31/12/2009	
	Amount (euro thousands)	Weight %
Total interest income	45.128	52,6%
Total interest expense	-41.494	61,5%
Total fee income	10.570	11,7%
Total fee expense	-13.673	24,3%
Administrative expenses	-19.394	21,8%
Other operating expenses	-478	22,2%
Other operating income	20.183	78,5%

PART I
PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

Banca Sella Holding has not carried out this type of operation.

PART L
SEGMENT REPORTING

As permitted by Circular No. 262 of 22 December 2005 issued by the Bank of Italy, the segment reporting has been prepared for the consolidated financial accounts.

INDEPENDENT AUDITORS' REPORT

Deloitte.

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AUDITORS' REPORT
PURSUANT TO ARTICLE 2409 - ter OF THE CIVIL CODE
(NOW ART. 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010)

To the Shareholders of
BANCA SELLA HOLDING S.p.A.

1. We have audited the financial statements of Banca Sella Holding S.p.A., which comprise the balance sheet as of December 31, 2009, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the financial statement. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of nationals regulations issued pursuant to art.9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Directors of Banca Sella Holding S.p.A.. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The audit on the financial statements as of December 31 2009 has been performed in accordance with the legal requirements in force during that period.

   For the opinion on the prior year's financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1 and Circular n.262 dated December 22, 2005 (1st update dated November 18, 2009), reference should be made to our auditors' report issued on April 10, 2009.

3. In our opinion, the financial statements give a true and fair view of the financial position of Banca Sella Holding S.p.A. of December 31, 2009, and of the results of its operations and its 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 the Italian Legislative Decree n.38/2005.

4. The Directors of Banca Sella Holding S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on the corporate governance, with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 2, letter b) included in the specific section on corporate governance are consistent with the financial statements of Banca Sella Holding S.p.A. as of December 31, 2009.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 14, 2010

This report has been translated into the English language solely for the convenience of international readers.

Resolutions of the Ordinary Shareholders' Meeting of 29 April 2010

The Ordinary Shareholders' Meeting unanimously

approves

- the Board of Directors' report on operations for financial year 2009
- the Financial Statements at 31 December 2009, consisting of: Balance Sheet, Income Statement and Notes to the Financial Statements and relevant attachments;
- the profit distribution proposal contained in the Directors' Report, amounting to 0.0124 Euros per share.

appoints

- Maurizio Sella, Lodovico Sella, Franco Sella, Pietro Sella, Mario Cattaneo, Anna Maria Ceppi, Massimo Condinanzi, Mario Renzo Deaglio, Ernesto Rizzetti, Caterina Sella, Federico Sella, Giacomo Sella, Sebastiano Sella, Marco Weigmann and Giovanni Zanetti as Directors, for the 2010/2012 three-year period, until the approval of the financial statements at 31/12/2012

approves

- the Board of Directors' Report on corporate governance.

takes notice of

- the Board of Directors' Report on the implementation of compensation policies;
- the review of the internal audit work on the methods for ensuring the conformity of compensation procedures with the regulatory context;

resolves

- some amendments and additions to the document on compensation policies for Directors, employees or collaborators who are not directly employed by the company.