BANCA SELLA

BIELLA
since 1886

REPORT AND FINANCIAL STATEMENTS
2011

Joint stock company
Head office in Biella – capital and reserves 478.530.840
Participant of the Interbank Fund for the Protection of Deposits and the National Guarantee Fund
Enrolled on the Registers of Banks and of Banking Groups
Tax Code and VAT n. 02224410023
Subject to the direction and coordination of Banca Sella Holding S.p.A.

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Internet site www.sella.it

BANCA SELLA GROUP

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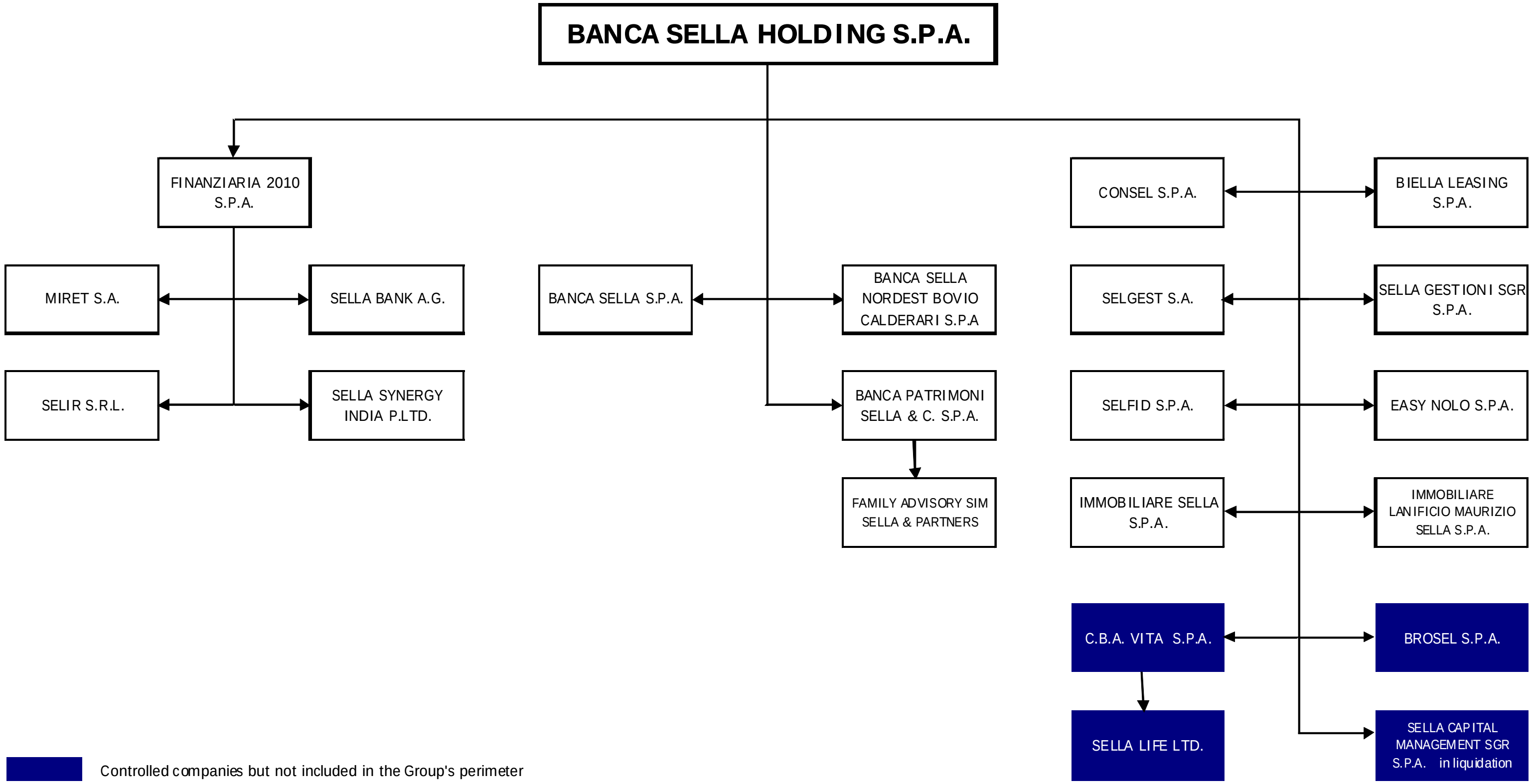
Map of the Banca Sella Group

at 31 December 2011



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

Net equity method consolidated companies

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

BANCA SELLA - MAIN CORPORATE BOARDS

BOARD OF DIRECTORS

in office up the approval of the 2013 financial statements

Chairman	Maurizio Sella
Deputy Chairman	Franco Sella
Chief Executive Officer	Pietro Sella
Director	Andrea Vicari
“	Elisabetta Galati
“	Luigi Gargiulo
“	Sergio Margarita
“	Giovanni Rosso
“	Antonio Papagno
“	Carlo Santini
“	Federico Sella
“	Sebastiano Sella
“	Giulio Seracca Guerrieri Arditi di Castelvetere
“	Silvana Terragnolo
“	Attilio Viola

BOARD OF STATUTORY AUDITORS

in office up the approval of the 2013 financial statements

Auditor - Chairman	Paolo Piccatti
“	Vincenzo Rizzo
“	Riccardo Foglia Taverna
Alternate Auditor	Daniele Frè
“ “	Michela Rayneri

GENERAL DIRECTION

General Manager	Pietro Sella
Co - General Manager	Viviana Barbera
Co - General Manager	Donato Valz Gen
Deputy General Manager	Claudio Musiari

Ordinary Meeting

Notice of Call

The Shareholders are called to the Ordinary Meeting, to be held in Biella, Piazza Gaudenzio Sella 1, and possibly via tele/videoconference in Lecce, viale Marconi 25, at 2:45 pm on 27 April 2012 in first call, and, if necessary, on 02 May 2012, at the same place and time, in second call, to discuss and resolve on the following

Agenda

1) Decisions pursuant to Article 2364, 1st paragraph, point 1), of the Italian Civil Code;
2) Decisions pursuant to Articles 2380 b and 2364, 1st paragraph, points 2) and 3) of the Italian Civil Code;
3) Acknowledgement of the Board of Directors' Report on the implementation of remuneration policies;
4) Acknowledgement of the review of the internal audit work on the methods for ensuring the conformity of remuneration procedures with the regulatory context;
5) Modifications and additions to the document on the Banca Sella Group's remuneration policies.

Biella, 11 April 2012

B A N C A   S E L L A
The Chairman

Introduction

In regards to these financial statements, remember that during the year the first stage of the "One Bank" project was begun, which led to the merger by incorporation of Banca Sella Sud Arditi Galati (effective for accounting purposes as of 1 January 2011), the consortium company Sella Servizi Bancari, and of the transfer, from Banca Sella Holding, of the business unit of Electronic and Traditional Payment Systems, Customer Desk and Customer Area, effective for accounting purposes as of 29 May 2011.

The objective of the new Banca Sella structure is to simultaneously improve efficiency by reorganising the internal structure and reducing costs, while improving the quality of the service offered to customers through an innovative relationship model. The efficiency that follows makes it possible to plan investments and growth for the future development of the Group.

On 14 October 2011 the new Banca Sella organisation chart approved by the Board of Directors took effect. The new organisation chart is the evolution of the previous one, to which improvements were made, in line with what was made clear after it had been in use for a few months.

The new structure also works to achieve the dual objectives of:

a) additionally reducing levels of hierarchy, partially to rationalise the decision-making process;

b) working towards greater efficiency, responsibility and clarity, through the grouping and reorganisation of certain Areas, Services, Offices, and Zones.

Three new Departments have been created: Commercial Department, Risks and Controls Department, and Banking Services Department. Their main activities will be described in the Report on Operations, while the services of the staff reporting directly to General Management remain unchanged.

At 31 December 2011, the accounting and management results contained in the financial statements and the report on operations include those of Banca Sella Sud Arditi Galati, of Sella Servizi Bancari, and of the business unit including Electronic and Traditional Payment Systems, Customer Desk and Customer Area. In the tables below, the main data for the companies/business units involved in the merger are indicated separately.

CONFERMENT STATEMENTS

Capital asset situation	Banca Sella at 31 December 2010	Banca Sella Sud Arditi Galati S.p.A. at 31 December 2010	Total	BSH business unit at 29 May 2011	Sella Servizi Bancari at 29 May 2011	Proportion (%) of BSSAG of total
Total assets	7.978.868,9	1.727.128,1	9.705.997,0	88.526,0	61.930,0	17,8%
Cash loans	5.435.121,9	1.267.100,5	6.702.222,4	75.759,7	124,0	18,9%
Financial assets	611.762,6	123.562,7	735.325,3	-	1,0	16,8%
Direct deposits (exclusive of repurchase agreements)	6.899.923,4	1.537.688,5	8.437.611,9	-	-	18,2%
Indirect deposits	9.980.971,1	734.748,4	10.715.719,5	-	-	6,9%
Total deposits	17.255.965,7	2.296.002,8	19.551.968,5	-	-	11,7%
Economic situation	**Banca Sella at 31 December 2010**	**Banca Sella Sud Arditi Galati S.p.A. at 31 December 2010**	**Total**	**BSH business unit at 29 May 2011**	**Sella Servizi Bancari at 29 May 2011**	**Proportion (%) of BSSAG of total**
Net interest income	146.217,5	34.232,2	180.449,6	-	-	19,0%
Net income from services	100.576,4	19.558,6	120.134,9	-	-	16,3%
Net banking income	246.793,8	53.790,7	300.584,6	-	-	17,9%
Operating costs	175.191,2	42.366,9	217.558,0	-	-	19,5%
Net value adjustments for impairment losses	(51.066,0)	(7.927,6)	(58.993,6)			13,4%
Operating profit	71.602,7	11.423,9	83.026,5	-	-	13,8%
Profit for the year (net)	9.244,3	1.200,6	10.444,9	-	-	11,5%
Staff and branches	**Banca Sella at 31 December 2010**	**Banca Sella Sud Arditi Galati S.p.A. at 31 December 2010**	**Total**	**BSH business unit at 29 May 2011**	**Sella Servizi Bancari at 29 May 2011**	**Proportion (%) of BSSAG of total**
Branches	212	67	279	-	-	24,0%
Employees	1.495	385	1.880	48	790	20,5%

Report on operations

» SUMMARY DATA

SUMMARY DATA *(euro millions)*				
Item	**31/12/2011**	**31/12/2010**	**Change**	
			absolute	**%**
BALANCE SHEET				
Total assets	9.780.948,5	7.978.868,9	1.802.079,6	22,6%
Cash loans(1)	6.807.404,5	5.435.121,9	1.372.282,6	25,2%
Guarantees given	301.159,5	280.659,5	20.500,0	7,3%
Financial assets	682.129,2	611.762,6	70.366,6	11,5%
Tangible and intangible fixed assets	71.528,6	8.270,8	63.257,8	764,8%
Direct deposit(2) (excluding repurchase agreements)	8.350.040,3	6.899.923,4	1.450.116,9	21,0%
Repurchase agreement	416.331,2	375.071,2	41.260,0	11,0%
Indirect deposit (3)	10.845.271,6	9.980.971,1	864.300,5	8,7%
Total deposit	19.611.643,1	17.255.965,7	2.355.677,4	13,7%
Regulatory capital	714.082,2	574.154,8	139.927,4	24,4%
INCOME STATEMENT(4)				
Net interest income	194.148,4	146.217,5	47.931,0	32,8%
Net income from services	143.829,9	100.576,4	43.253,5	43,0%
Net banking income	337.978,3	246.793,8	91.184,5	36,9%
Operating costs (5)	224.745,8	175.105,3	49.640,5	28,3%
Operating profit	113.232,5	71.688,6	41.543,9	58,0%
Net value adjustments for impairment losses	(87.634,2)	(51.066,0)	(36.568,2)	71,6%
Income tax	(15.040,6)	(10.582,4)	(4.458,2)	42,1%
Profit for the year (net)	8.986,1	9.306,6	(320,5)	-3,4%

(1) *The aggregate represents the sum of the following items of the Balance Sheet Assets: 70 "Due from customers" and 90 "Change in value of financial assets subject to macrohedging".*

(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.*

(5) *The aggregate represents the sum of the following items of the Balance Sheet Assets: 150. Administrative expenses, 170. Net value adjustments on tangible assets, 180. Net value adjustments on intangible assets, 190. Other operating expenses /income.*

STAFF AND BRANCHES				
Items	**31/12/2011**	**31/12/2010**	**Changes**	
			absolute	**%**
Employees	2.829	1.495	1.334	89,2%
Branches	280	212	68	32,1%

The figures were influenced by the merger by incorporation as explained in the Introduction above.

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

» ECONOMIC-FINANCIAL INDICATORS

ALTERNATIVE PERFORMANCE INDICATORS		
Item	**31/12/2011**	**31/12/2010**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [(1)]	1,9%	2,5%
R.O.A. (return on assets) [(2)]	0,1%	0,1%
Net interest income[(3)] / Net banking and insurance income[(3)]	57,4%	59,2%
Net income from services [(3)] / Net banking and insurance income [(3)]	42,6%	40,8%
Cost to income [(4)]	64,3%	68,9%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income [(3)] / Average number of employees	162,1	162,8
Gross operating profit [(3)] / Average number of employees	54,3	47,3
Cash loans / Number of employees at year end	2.544,8	3.635,5
Direct deposit / Number of employees at year end	3.121,5	4.615,3
Total deposit / Number of employees at year end	7.331,5	11.542,5
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	81,5%	78,8%
Cash loans / Total assets	69,6%	68,1%
Direct deposit / Total assets	85,4%	86,5%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	5,4%	3,4%
Net value adjustments to loans / Cash loans	1,3%	0,9%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	11,47%	11,79%
Total Capital Ratio	18,18%	18,08%

(1) Ratio between "Profit for the year" and the sum of items 160 "Reserves", 170 "Share premiums", 180 "Share capital" of 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 on staff costs and losses connected to operational risk, and net banking income.

The figures were influenced by the merger by incorporation as explained in the Introduction above.

» MACROECONOMIC SITUATION

World context

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

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

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

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

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

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

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

  In addition, investments in production continued to have satisfactory growth rates, above all in the machinery and software sectors. The fall in public spending, as seen in all four quarters of 2011, is in line with the lack of support for the tax policy supporting economic growth. The need to contain the US public deficit served as the foundation for the definition of a 10-year plan to counteract the deficit. A preliminary agreement was reached between the Democrats and Republicans at the time of the debate regarding raising the maximum public debt amount in August. At that time, it was established that automatic cuts in public spending would take effect starting in 2013, aimed at reducing the deficit by 1.200 billion dollars over a 10-year period. This is without prejudice to Congress's ability to come to an agreement regarding the expense items to be cut in order to respect the deficit reduction objectives.

  The decision of Standard & Poor's to review the reduction in its rating of the United States, from AAA to AA+ with Negative Outlook was justified by the lack of significant progress in stabilising the dynamics of the public debt over the medium-long term. In regards to monetary policy, the Federal Reserve (Fed) left the official tax rate interval unchanged at 0-0,25% and committed itself to maintaining the tax rate at extremely low levels at least through to the end of 2014. In addition, the Federal Reserve completed its second program of acquiring public debt securities and enacted a policy of extending the average maturity of government bonds held.
- The Euro zone saw a positive trend in gross domestic product at 1,8% in 2011, in line with the growth rate seen in 2010. Trends in private consumption and investments were contained and the almost non-existent contribution in public spending was compensated for stable net exports. Nonetheless, aggregate growth figures for the area is a summary of quite heterogeneous figures. While the German economy continued to perform well, especially during the first half of the year, the countries with critical issues in terms of public accounts where characterised by weak economic growth.

In the face of the sovereign debt crisis, the persistent tensions on the financial market induced Portugal in April to request an aid program from supranational financial institutions in the amount of 78 billion euro over three years. In Greece, the severity of the economic recession compromised its ability to reach its tax consolidation objectives and made it necessary to establish a second aid plan for the country. The meeting of the Heads of State and Government on 26 October led to an agreement to reduce the nominal value of Greek government bonds held by private investors by 50% and recognition of the need for a new aid plan supported by the official sector in the amount of 130 billion euro. Management of the sovereign debt crisis in the area was characterised by the adoption of important decision to change European governance. After having reached an agreement to reinforce the Stability Pact, monitoring of economic imbalance and instituted a permanent mechanism to manage the sovereign debt crisis (European Stability Mechanism) at the European Council on 24 and 25 March, the Heads of State and Governments of the European Union, with the exception of the United Kingdom, committed themselves to respect shared rules for financial statement regulations at the time of the meeting of leaders on 8 and 9 December. At the same meeting, it was also decided to move forward the establishment of the European Stability Mechanism (ESM) to July 2012 and to not include clauses for the involvement of the private sector in the ESM agreement.
Recognising the importance of said decisions, which establish the foundations for greater tax and economic integration, they are the result of a tortuous process, which encountered a number of roadblocks along the way, including the difficulty of reconciling German opinions with those of other member states. In addition, the emphasis placed on national and community authority regarding tax austerity measures as the main tool to resolve the macroeconomic imbalances seen in the area increased worries regarding the consequences for economic growth. During the summer months, the political uncertainties arising from the management of the crisis helped to increase tensions regarding Spanish government bonds and, above all, Italian government bonds, making it necessary to adopt new restrictive tax policies in both countries. Specifically in reference to Italy, the public finance interventions adopted in several moments during July work to achieve the objective of a balanced budget in 2013. A restrictive tax policy represents a critical issue for the future outlook, in an economic growth situation that continues to be weak. In fact, Italian GDP grew by 0,6% year on year in 2011, in the face of 1,4% growth in the previous year. Analysis of the individual sectors indicates slowing of both public and private consumption as well as investments in production, as well as negative contributions from stocks and construction, only partially compensated for by stable exports. With regards to monetary policy, the European Central Bank (BCE) intervened numerous times to contain the tensions on the financial markets and the consequent impact on the real economy. The official rate was reduced by 25 base points at the November and December meetings, in so doing annulling the increases that had been approved in April and July. The public debt securities acquisition operations were restored, with interventions focussed on the Italian and Spanish market. The policy to inject liquidity into the system continued through the introduction of two three-year fixed-rate refinancing operations, carried out with a full demand acceptance mechanism, the enlargement of the array of assets accepted as guarantees by the European Central Bank, and the reduction of the compulsory reserve coefficients for banks.

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

THE FINANCIAL MARKETS

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

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

THE BANKING SYSTEM

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

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

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

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

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

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

» BALANCE SHEET DATA

RECLASSIFIED BALANCE SHEET *(euro thousand)*			
ASSETS	**31/12/2011**	**31/12/2010**	**Variazione % su 2010**
Financial assets [1]	682.129,2	611.762,6	11,5%
Due from banks	1.858.614,3	1.682.099,8	10,5%
Cash loans[2]	6.807.404,5	5.435.121,9	25,2%
Equity investments	-	-	-
Tangible and intangible fixed assets [3]	71.528,6	8.270,8	764,8%
Tax assets	85.608,3	76.671,4	11,7%
Non current assets and asset groups held for sale	-	-	-
Other assets [4]	275.663,6	164.942,5	67,1%
TOTAL ASSETS	**9.780.948,5**	**7.978.868,9**	**22,6%**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	97.300,6	119.024,5	-18,3%
Direct deposit [5]	8.766.371,5	7.274.994,6	20,5%
Financial liabilities hel for trading	31.724,8	22.834,1	38,9%
Tax liabilities	34.829,4	17.578,7	98,1%
Other liabilities [6]	328.008,8	144.026,8	127,7%
Provisions for specific purposes [7]	39.870,9	22.108,9	80,3%
Shareholders' equity [8]	482.842,6	378.301,3	27,6%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9.780.948,5**	**7.978.868,9**	**22,6%**

(1) Given by the sum of the following balance sheet asset items: 20 "Financial assets held for trading", 40 "Financial assets available for sale" and 50 "Financial asset held to maturity".

(2) Given by the sum of the following balance sheet asset items: 70 "Due from customers" and 90 "Change in value of financial assets subject to macrohedging"

(3) Given by the sum of the following balance sheet asset items: 110 "Tangible assets" e 120 "Intangible assets".

(4) Given by the sum of the following balance sheet asset items: 10 "Cash and cash equivalents", 80 "Hedging derivatives", e 150 "Other assets".

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

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

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

(8) Given by the sum of the following balance sheet liabilities items: 140 "Valuation reserves"; 160 "Reserves", 170 "Share premiums", 180 "Share capital" and 200 "Profit for the year".

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

The comments below refer to the Reclassified Balance Sheet presented above. The comparison between the figures at December 2010 and December 2011 is influenced by the following events:

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

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

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

Banking business with customers saw a +25,2% increase in loans (6.807,4 million euro), with respect to 5.435,1 million euro recorded at the end of the previous year, (the figure must be adjusted for the infragroup for Biella Leasing and Consel in the amount of 0,8 million euro). Taking into consideration, together with Banca Sella's figures at 31 December 2010, the incorporated Banca Sella Sud Arditi Galati, the increase in loans for 2011 is 1,6%. Total deposits increased by 13,7% with respect to December 2010. Considering the figures of the incorporated

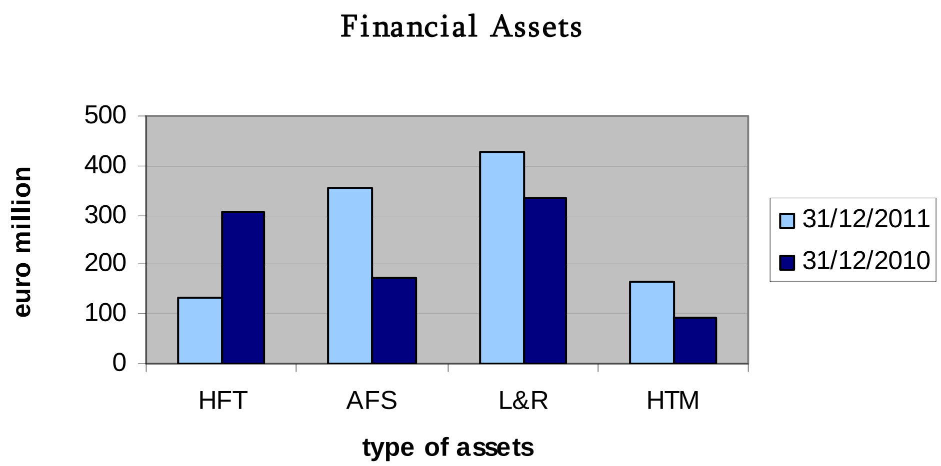
Banca Sella Sud Arditi Galati together with those of Banca Sella at 31 December 2010, the increase seen in 2011 totalled +0,5%.

Analysis of equity data shows how, during the year, the liquidity portfolio management policy that had been begun in past years continued, leading to an increase in financial assets (+11,5%) due to the contribution of the financial assets held by Banca Sella Sud Arditi Galati totalling 123,6 million euro (in fact if compared with the aggregate total for the two banks involved in the merger at 31 December 2010 financial assets declined slightly), together with an increase in amounts due from banks (+10,5%).

Finally, at 31 December 2011 Shareholders' Equity totalled 482,8 million euro, a 27,6% increase, again in relation to the merger.

Financial assets (debt securities)

SECURITIES PORTFOLIO *(euro millions)*	**31/12/2011**	**31/12/2010**
Held for trading	134,7	305,5
Available for sale	353,2	174,5
Receivables from banks (Loans and Receivables)	427,2	334,7
Receivables from customers (Loans and Receivables)	0,2	0,0
Held to maturity	165,1	90,9
TOTAL	**1.080,4**	**905,6**



At 31 December 2011 the bank held a securities portfolio of 1.080,4 million euro which, in accordance with the International Accounting Standards, was divided into the following categories:

FINANCIAL ASSETS HELD FOR TRADING

This segment is composed of Italian government bonds, bonds issued by banks of the Banca Sella Group and bonds issued by other bank bonds of high creditworthiness or supranational. At 31 December 2011 the following types of securities were held:

- Italian government bonds 2%;
- Banca Sella Group bonds 55%;
- Senior bank bonds 39%;
- Supranational bonds (BEI) 4%.

During the year, following incorporation of Banca Sella Sud Arditi Galati, securities totalling approximately 30 million euro (nominal value) were transferred to this category, as well as 19 million in Italian government bonds and 11 million in senior bank bonds. Even considering this amount, the size of this category is notably diminished, in particular in the component invested in Italian government bonds in favour of financial assets available for sale.

With regard to asset allocation, the variable component represented about 84%, while the remaining 16% was invested in fixed rate securities with short-term maturity. Exposure to interest rate risk was very contained for the entire period in question.

FINANCIAL ASSETS AVAILABLE FOR SALE

This sector consists of Italian government bonds, of bank bonds of high creditworthiness, and supranational bonds. At 31 December 2011 the following types of securities were held:

- BOT 8%;
- CTZ 14%;
- CCT 46%;
- BTP 20%;
- Senior bank bonds 9%;
- Supranational bonds (BEI) 3%.

During the year, following the incorporation of Banca Sella Sud Arditi Galati, Italian government bonds were transferred to this sector in the amount of 84 million euro (nominal value).

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

With regard to asset allocation, the variable component represented about 53%, while the remaining 47% was invested in fixed rate securities with short or medium-term maturity. Exposure to interest rate risks was very contained for the entirety of the period in question. The security with the longest maturity date in the portfolio matures on 15 April 2016.

RECEIVABLES FROM BANKS (loans & receivables)

This section consists exclusively of bonds issued by Banca Sella Holding.
During the year, following the incorporation of Banca Sella Sud Arditi Galati, Banca Sella Holding bonds were transferred to this sector in the amount of 6 million euro (nominal value).

RECEIVABLES FROM CUSTOMERS (loans & receivables)

This category consists exclusively of a 6% Confidi subordinate bond with maturity at 27 December 2018.

FINANCIAL ASSETS 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.

The securities included in this category amounted to 165,1 million euro, and were BTP; more specifically:

- BTP 15/11/2016 35,7 million;
- BTP 01/08/2016 10,3 million;
- BTP 01/08/2018 20,9 million;
- BTP 01/03/2019 20,8 million;
- BTP 01/09/2019 19,0 million;
- BTP 01/03/2020 38,7 million;
- BTP 01/03/2021 4,7 million;
- BTP 01/09/2021 15,0 million.

During the year, following the incorporation of Banca Sella Sud Arditi Galati, Italian government bonds were transferred to this sector in the amount of 19 million euro (nominal value).

The Bank's cash and cash equivalents

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

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

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

Fortunately, the year 2011 ended with signs that the liquidity issues are improving for the credit institutions in our country. The mass participation of Italian banks in the first three-year financing operation established by the European Central Bank (regulated by currency 22 December 2011), together with the increase in collateral originating from the guarantee on bonds offered by the State in fact calmed the markets and contributed to returning the overnight unsecured interbank rate exchanged in Italy to levels very close to the lower level of the European Central Bank range and in line with the average rates exchanged in Europe, well represented by the EONIA(1) parameter (in November and the first part of December the overnight Italian rates had recorded values significantly higher than the EONIA rate, providing evidence of the tensions in terms of own liquidity for the banks in our country).

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

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

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

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

(1) Euro OverNight Index Average. The EONIA rate is the interbank interest rate for 1 day in the Euro Zone.

Information on exposure to "high risk" financial products

SPE (*special purpose* entities)

At 31 December 2011 and in the entire year, Banca Sella had no exposure to special purpose entities (SPE), structure investment vehicles (SIV) or other conduit structures considered risky due to their connection with the crisis originating from sub-prime mortgages, which then transformed into the generated crisis in the global financial system.

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

Sub-prime and Alt-A exposures

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

ABS (CMBS, RMBS)

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

Cash loans

At the end of 2011, cash loans to ordinary customers totalled 6.807,4 million euro, with a +1,6% change with respect to the previous year if the contribution of Banca Sella Sud Arditi Galati is considered in the amount of 1.267,1 million euro, while in regards to unsecured loans, the total amount was 301,2 million euro, +7,3% with respect to 2010.

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

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

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

Loans to companies continued in cooperation with the leasing company of the Banca Sella Group and, in regards to loans to private individuals, operations in cooperation with Consel continued, the Group's consumer credit company, in relation to salary-backed loans.

Loans were negotiated to prolong the duration and the participation of customers in the Abi-Mef and Abi-Associazione Consumatori respites continued, suspending payment of mortgage payments.

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

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

Activities regarding controls over disbursed credit were very important.

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

CREDIT PORTFOLIO QUALITY

NON-PERFORMING LOANS

At the end of the year, net non-performing loans amounted to 124 million euro (including securitizations) and the ration between the net non-performing loans/cash loans came out at 1,8%. During the period in question, the amount of new non-performing loans totalled 120 million euro, an increase over the previous year. Collections on non-performing positions amounted to about 22,3 million euro.

During 2011 4.498 positions were sold without recourse for total gross exposure of 51 million euro.

At 31 December 2011 the number of non-performing positions was 10.784, of which 84,4% of these were below the threshold of 50.000 euro. Finally, 36,6% were under the threshold of 5.000 euro.

REVOKED WATCHLIST LOANS

Revoked watchlist positions totalled 35,1 million euro at the end of the year (cash exposures including securitizations). During the period in question, the amount of new entries totalled 149 million euro, an increase over the previous year.

For this type of position, the Disputes Service continues to check for any elements that may indicate the existence of insolvency (understood as the incapacity to fulfil the obligations taking into account an overall assessment of the counterpart's economic and financial situation and not merely non-payment with immediate classification as non-performing), labelling them as non-performing at the same time.

The number of revoked watchlist positions was 2.560, of which 89,92% were below the threshold of 50.000 euro. Finally, 44,69% were under the threshold of 5.000 euro.

RESTRUCTURED LOANS

During the course of 2011, 28 new positions assigned to restructuring were admitted. At the end of the year, restructured loans amounted to 19,5 million euro, with the accounting balance having increased from the 7,6 million euro of the previous year. The new entries refer to 3 new positions subject to restructuring in a pool with other credit institutions, for an accounting balance of 4 million euro and another 25 positions for which the Bank took action to renegotiate the original contractual conditions.

The item continues to include the Comital Saiag S.p.A. position, for which the company reorganisation plan was modified in 2009, generating a partial conversion of the total amount owing to our Bank equal to 9 million euro, divided as follows:

- 4,7 million euro in restructured loans;
- 4,3 million euro in S.F.P. (participating financial instruments).

The writedown on these instruments totalled 1,9 million euro.

Shareholders' equity and regulatory capital

Shareholders' equity

Shareholders' equity			
Items	31/12/2011	31/12/2010	Var %
Capital	269.145	200.000	35%
Share premiums	267.840	100.000	168%
Reserves	(52.333)	68.839	-176%
Equity instruments	-	-	-
(Treasury shares)	-	-	-
Valuation reserves Financial assets available for sale	(12.648)	(2.114)	498%
Actuarial profits (losses) on defined benefit pension plans	1.853	2.269	-18%
Profit (loss) for the year (+/-)	8.986	9.307	-3%
Shareholders' equity	**482.843**	**378.301**	**28%**

At 31 December 2011 Banca Sella's equity book value, including profits for the period, totalled 482,8 million, an increase of 104,5 million (+28%) with respect to 31 December 2010. The increase in negative valuation reserves (-10,5 million) was due to the negative performance of the markets.

Regulatory capital

Regulatory capital			
Items	31/12/2011	31/12/2010	Var %
Tier 1 capital	450.555	374.423	20%
Tier 2 capital	263.527	199.732	32%
Total Tier 1 and Tier 2 ineligible items	-	-	0%
Regulatory capital	**714.082**	**574.155**	24%
Credit and counterparty risk	275.271	222.973	23%
Market risks	1.243	2.611	-52%
Operational risk	37.783	28.399	33%
Total capital requirements	314.296	253.983	24%
Risk weighted assets	3.928.701	3.174.785	24%
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	11,47%	11,79%	-3%
Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	18,18%	18,08%	1%

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”. The weighted amounts and ratios at 31 December 2011 were calculated on the basis of the Basel 2 standard.

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

The amount of total risk weighted assets was determined as the product of prudential requirements and 12,5 (the inverse of the minimum mandatory ratio of 8%).

» INCOME STATEMENT DATA

RECLASSIFIED INCOME STATEMENT *(euro thousand)*			
Item	**31/12/2011**	**31/12/2010**	**% Change over 2010**
10 Interest and similar income	311.259,9	213.231,0	46,0%
20 Interest and similar expenses	(117.113,9)	(67.141,0)	74,4%
70 Dividends and similar income	2,4	127,5	-98,1%
NET INTEREST INCOME AND DIVIDENDS	**194.148,4**	**146.217,5**	**32,8%**
40 Fee income	192.713,8	125.380,8	53,7%
50 Fee expenses	(54.304,2)	(23.687,9)	129,2%
80 Net gains/(losses) on trading activities	4.256,5	(1.373,7)	-
90 Net gains/(losses) on hedging activities	1.163,8	257,1	352,6%
Net income from service	**143.829,9**	**100.576,4**	**43,0%**
NET INTEREST AND OTHER BANKING INCOME	**337.978,3**	**246.793,8**	**36,9%**
150 Administrative expenses:			
a) Personnel expenses	(122.944,3)	(82.511,1)	49,0%
IRAP on personnel and seconded personnel expenses [1]	(4.751,4)	(2.771,8)	71,4%
b) Other administrative expenses	(115.686,0)	(101.667,8)	13,8%
Recovery of stamp duty and other taxes [2]	21.120,9	15.344,3	37,6%
170 Value adjustments on tangible assets	(4.915,4)	(2.734,2)	79,8%
180 Value adjustments on intangible assets	(7.078,6)	(117,3)	-
190 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	9.509,0	(647,4)	-
Operating costs	**(224.745,8)**	**(175.105,3)**	**28,3%**
OPERATING PROFIT/(LOSS)	**113.232,5**	**71.688,5**	**58,0%**
160 Net provisions for risks and charges	(1.466,6)	(530,3)	176,6%
130 Net value adjustments for impairment on:			
- loans and receivables	(87.634,2)	(51.066,0)	71,6%
- financial assets available for sale	(46,2)	(282,2)	-83,6%
- other financial transactions	419,4	26,5	-
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	(396,4)	(636,6)	-37,7%
- financial assets available for sale	(536,1)	425,0	-
- financial liabilities	449,7	263,8	70,5%
210 Gains/(losses) on equity investments	-	-	-
230 Impairment of goodwill	-	-	-
240 Gain/(loss) on disposal of investments	4,6	0,2	-
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**24.026,7**	**19.889,0**	**20,8%**
260 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	(15.040,5)	(10.582,4)	42,1%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**8.986,1**	**9.306,6**	-3,4%
280 Profit/(losses) on asset disposal groups held for sale after tax	-	-	-
PROFIT/(LOSS) FOR THE YEAR	**8.986,1**	**9.306,6**	**-3,4%**

[1] *Separeted from the item "Income taxes for the period on continuing operations".*
[2] *Separated from the item "Other operating expense/income"*

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

Income Statement Reclassification Criteria

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

Reclassifications involved:

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

PROFITABILITY

The comments below refer to the Income Statement items reclassified as shown in the table in the preceding page. The comparison between the figures at 31 December 2011 and at 31 December 2010 are influenced by the following events:

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

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

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

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

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

Net interest income

At 31 December 2011 net interest income amounted to 194,1 million euro, a 32,8% increase compared with the previous year. Interest income for Banca Sella Sud Arditi Galati at 31 December 2010 totalled 34,2 million euro. The impact on net banking income fell from 59,2% in December 2010, to 57,4% in December 2011.

Net income from services

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

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

Net income from services: main components (in millions of euro)	31/12/2011	31/12/2010	Var %
Payment services	75,1	31,3	140,2%
Trading for third parties and order collection	16,3	17,3	-5,6%
Asset management	19,4	18,6	4,0%
insurance products placing	7,2	5,6	28,5%
Trading and hedging activities	5,4	-1,1	585,4%
Other	20,4	28,9	-29,4%
Total	**143,8**	**100,6**	**43,0%**

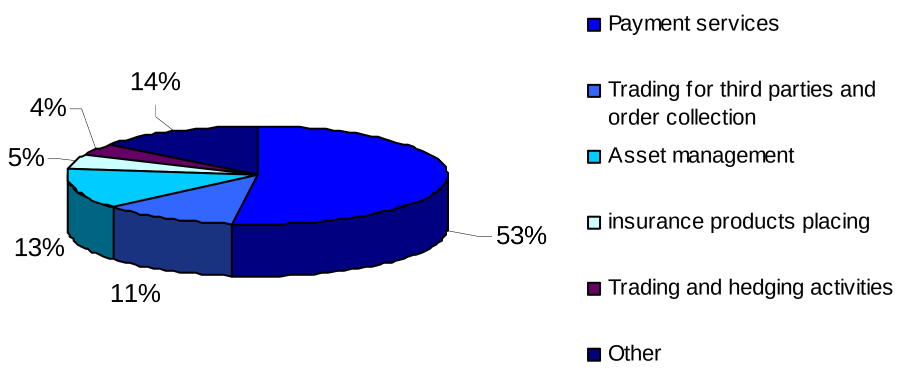
The positive change in payment services (+140,2%) is due to the transfer of the Payment Systems business unit by the Parent Company, as described above.

Income from placing of insurance products shows an increase of 28,46% as compared with the comparison half year, thanks to the positive results achieved in the placing of products linked to mortgages and other types of loans, such as fire policies and policies connected with personal loans.

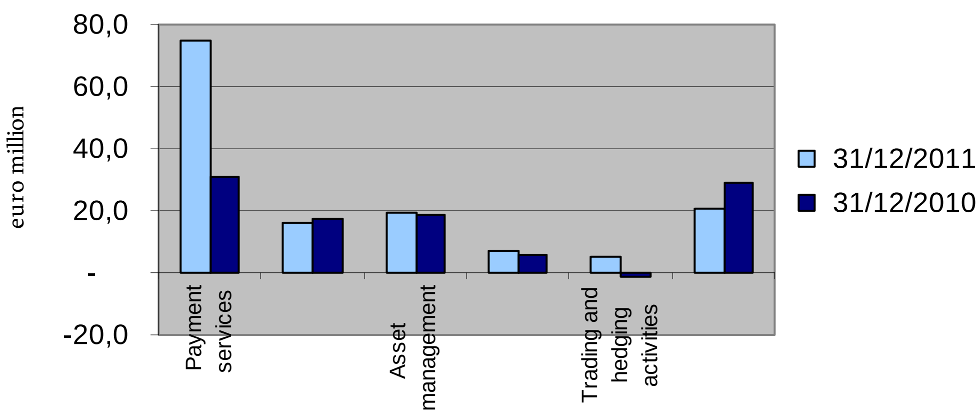
Trading for third parties and order collection were heavily influenced by the tensions on the financial markets which characterised the end of 2011.

The remaining "other" category includes commission charged on holding and managing current accounts and commission on loans granted to customers.

net income from services - weight of service



Net income for services



Net banking income

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

Operating costs

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

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

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

Breakdown of operating costs	31/12/2011	31/12/2010	Var %
Administrative expenses:			
a) Personnel expenses	(122.944,3)	(82.511,1)	49,0%
IRAP on net personnel and seconded personnel expenses	(4.751,4)	(2.771,8)	71,4%
b) Other administrative expenses	(115.686,0)	(101.667,8)	13,8%
Recovery of stamp duty and other taxes	21.120,9	15.344,3	37,6%
Value adjustments on fixed assets	(4.915,4)	(2.734,2)	79,8%
Value adjustments on intangible fixed assets	(7.078,6)	(117,3)	5934,4%
Other operating expenses/income (after deducting "Recovery of stamp duty and other taxes")	9.509,0	(647,4)	-1568,9%
Operating costs	**(224.745,8)**	**(175.105,3)**	**28,3%**

Operating profit

Owing to the above trends the operating result amounted to 113,2 million euro, an increase of 58% compared with the figure at 31 December 2010. If the aggregate 2010 figures for Banca Sella and the incorporated entities are considered, the increase is +36,2%.

Operating profit	31/12/2011	31/12/2010	Var %
- net banking income	337.978,3	246.793,8	36,95%
- operating costs	(224.745,8)	(175.105,3)	28,35%
Operating profit	113.232,5	71.688,5	57,95%

Allocations and adjustments

Net allocations to provisions for risks and charges

During the year provisions of 1,5 million euro were set aside for risks and charges, an increase over 2010.

Value adjustments for credit impairment

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

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

Value adjustments for credit impairment			
	31/12/2011	31/12/2010	Var %
- loans and receivables	(87.634,2)	(51.066,0)	71,61%
- available-for-sale financial assets	(46,2)	(282,2)	-83,63%
- other financial transactions	419,4	26,5	1482,69%

Income taxes

Exclusive of IRAP relative to expenses for personnel which was reclassified, increasing said component, the percentage impact of income taxes on continuing operations before taxes was 62,6%. The high tax rate percentage is due to the increase in the 0,75% increase in the IRAP percentage for the banking sector, as envisaged in Legislative Decree 98/2011 and above all due to the impact of the non-deductibility of IRAP for value adjustments on loans, the amount of which increased notably over the previous year.

The non-deductibility for IRAP of the value adjustments on credit led to increased taxes for about 3,9 million euro corresponding to 16,3 percentage points on the tax rate. The so-called "Robin Hood tax” introduced by 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 1 million euro, corresponding to about 4,2 percentage points in the tax rate.

Without the effect of the above-mentioned components, the tax rate would have been around 42%.

Banca Sella, as a subsidiary, adheres to the tax consolidation system with the parent company Banca Sella Holding as its controlling and consolidating company.

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

Overall profitability

	ITEMS	31/12/2011	31/12/2010
10.	**Net income (loss)**	**8.986.107**	**9.306.601**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	(9.673.575)	(2.461.936)
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	(415.793)	131.094
100.	Share of valuation reserves connected with investments meaured with net equity method	-	-
110.	**Total other comprehensive income (net of tax)**	**(10.089.368)**	**(2.330.842)**
120.	**Total comprehensive income (item 10+110)**	**(1.103.261)**	**6.975.759**

The amount entered under financial assets available for sale refers to the impact of the valuation reserves relative to that portfolio. The negative trend of the item depends mainly on the component relative to public debt securities.

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

» COMMERCIAL MANAGEMENT

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

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

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

This evolution is based on the following guidelines:

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

At 31 December 2011, the situation of Bank branches is shown in the following table:

Breakdown by region and branch region				
	31/12/2011		31/12/2010	
REGION	**Number of Branches**	**Weight % region on total**	**Number of Branches**	**Weight % region on total**
Piemonte	130	46,4%	130	61,3%
Sardegna	3	1,1%	3	1,4%
Toscana	11	3,9%	11	5,2%
Valle d'Aosta	6	2,1%	5	2,4%
Emilia Romagna	16	5,7%	16	7,5%
Lazio	16	5,7%	16	7,5%
Liguria	8	2,9%	8	3,8%
Lombardia	17	6,1%	17	8,0%
Abruzzo	1	0,4%	1	0,5%
Marche	5	1,8%	5	2,4%
Molise (*)	1	0,4%	0	0,0%
Campania (*)	16	5,7%	0	0,0%
Puglia (*)	29	10,4%	0	0,0%
Sicilia (*)	21	7,5%	0	0,0%
TOTAL	**280**	**100,0%**	**212**	**100,00%**
ITALY				
Nord	177	63,2%	176	83,0%
Centro	33	11,8%	33	15,6%
Sud e Isole	70	25,0%	3	1,4%
TOTAL	**280**	**100,0%**	**212**	**100,00%**

(*) Acquired following the merger by incorporation of Banca Sella Sud Arditi Galati.

On 23 February 2011, activities began in the new branch of Banca Sella of Ayas (AO), a place where the Bank had been present up until last year with a treasury branch.

Private banking

2011 ended with net deposits totalling 234 million euro, with a growth rate 6% greater than the system average. Total deposits exceeded 4 billion euro.

Aggregate direct deposits increased (+ 12,6 million euro), and the increase relative to administered securities was very large (+ 280 million euro). During the course of the year, outflows of technical forms of managed savings were recorded at approximately 60 million euro (-4% of stock), with some difficulties seen in the context of individual portfolio management and financial insurance, characterised by the difficult macroeconomic situation and the growing instability in the financial markets.

Net deposits of mutual funds were positive at 17 million euro.

The trends of target customer acquisition were also good, a positive net change of over 300 new customers.

Economic results recorded banking income exceeding 18 million euro, a 6,3% increase with respect to the previous year.

The interest margin trend was very good. Revenues from services declined by 3,3%, mainly due to the difficult market situation which was especially notable during the second half and heavily conditioned turnover of administered deposits. Revenues from managed assets were in line with the previous year, in fact net they exceeded overperformance.

In summary, the growth trends for volume and economic aggregates that began in 2009 were confirmed.

From an organisational perspective, the establishment of One Bank led to the creation of three new Private Banking teams in southern Italy. In addition, a complex reorganisation project was begun in regards to specialised structures, so as to give them a presence throughout the country, along with chains of command in line with the distribution network. The overall design envisages improvement of cost to income in the more "mature" markets and symmetrical investments in situations with greater potential.

Specialised training activities dedicated to Private Banking employees continued, in accordance with the three-year strategic plan established in 2010.

In continuation of last year's experience, a new Event dedicated to customer was organised, this time in Turin. It was again received positively, in terms of development of new relationships and incoming deposits.

Asset management

At 31 December 2011, Banca Sella's asset management volumes were 1.189,8 million euro, of which 909,3 million (76,4%) were placed by the Private Banking service and 280,5 million (23,6%) were placed by the branch network. The aggregate volumes show a decrease of about 4,5% compared to 31 December 2010.

The figures above take into consideration the volumes coming from Banca Sella Sud Arditi Galati(approximately 96 million euro) following the merger by incorporation of Banca Sella Sud Arditi Galati in Banca Sella in the context of the "One Bank" project.

The weakness of bond prices, following the sovereign debt crisis for countries in the Euro Zone and the negative trend in world stock markets linked to economic slowing at a global level, in part following the debt crisis already mentioned, led to outgoing flows from managed products involved with monetary and bond lines, "Multilinea" management and, in a more limited sense, balanced lines. At the same time, volumes allocated to mutual funds dedicated to retail were substantially stable/grew slightly.

In 2011, the array of asset management options offered to retail customers was subjected to review. This action was part of a process aimed at rationalising said lines and simultaneously increasing the opportunities offered to customers in terms of access to bond markets and global stock markets in a rapidly and continuously changing context.

The management of the Banca Sella portfolios is entrusted to Banca Patrimoni Sella & Co.

On-Line Trading

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

On Line Trading activities developed mainly in three directions:

- innovation in the product array offered and increasing the number of markets tradeable on-line;
- completion of the migration of customers towards the new on-line trading platform;

- execution of commercial initiatives aimed at acquiring new Trade customers, carried out in part through the organisation of training events to support customer operations.
  Relative to product innovation, 2011 saw the release of various new items:
  - completion of the "Sella Trading Bridge" application (by which customers can integrate specialised external software with the trading systems made available by the bank);
  - the release of a new version of the application “SellaXTrading Mobile”, which takes advantage of the growing potential of next generation smart phones with touch capability and includes cutting edge graphical analysis functions;
  - the introduction of trading in short and leverage intra-day methods on foreign and bond markets;
  - the extension of tradeable products, introducing on-line commodities futures trading, foreign ETF and the Amsterdam, Brussels and Lisbon stock markets;
  - the introduction, as the first Italian intermediary, of trading on the Equiduct market, Berlin stock market segment, which allows best execution trading of the main financial securities from various European markets.

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

In reference to strictly commercial activities linked to the organisational of events and educational meetings, aimed at the commercial development of new relationships and provision of quality training, again in 2011 encounters with market professionals were organised, for a total of 79 training days which saw the participation of 1343 individuals. As in previous years, the on-line trading area was an important player at the main sector fairs held in Rimini and Milan.

Commercial

Companies

The structure of Commercial Companies continued, again in 2011, to carry out important activities supporting the Companies, provided consulting and solutions appropriate to the needs of the businesses.

The Commercial Companies network has as its main objectives, in addition to improving the quality of the customer portfolios that it is responsible for, increasing cross-selling and the integrated offerings of services provided by the Bank and the various companies in the Banca Sella Group, with the goal of constantly aimed to satisfy the requirements of the company.

During the course of the period, the commercial focus was on the offerings of foreign collection and payment services and covering risks linked to internationalisation.

In order to respond to these needs with the utmost attention given to the customer, commercial training activities were developed aimed at Commercial Companies in regards to the products and services associated with foreign activities, taking advantage of the high degree of skill seen in the Customer Desk service (which is responsible for, among other things, exchange rate risk products) and of Brosel, a Banca Sella Group company specialising in insurance brokering for the evaluation and proposal of solutions regarding risks related to commercial insolvency.

These commercial activities were carried out in synergy with co-workers who, in other areas, carry out Foreign Products activities, executing the project to decentralise certain specialised activities, with the objective of spreading information about foreign products and services and providing consulting and levels of service that are even more personalised and helpful for companies.

To favour access to credit for small-medium businesses, agreements were developed with Confidi, SACE and the Central Guarantee Fund, and the use of the funds made available by EIB and the national Deposits and Loans Institute continued.

Agricultural and Alternative Energy

In regards to the Agricultural and Alternative Energy sectors, in 2011 the strategy to develop and supervise customers in the food supply chain centred on a detailed array of financial products and services aimed at meeting the multiple and special needs of companies in this sector. Special attention was paid to the funding side with actions aimed at intercepting company liquidity, in particular in connection to flows of the single payment deriving from contributions of the Community Agricultural Policy.

Commercial development actions are above all focussed on selected targets identified from the dairy product, wine/vineyard and rice sectors.

In the light of the organisational restructuring that began in the second half of the year, commercial supervision was further empowered through the addition of a new employee. Currently there are 4 sales persons dedicated to this sector (Southern region: 1; Piedmont North and Valle d'Aosta region; 1; Turin, Piedmont South and Liguria region; 2).

A significant amount of support has been given to investments in systems powered by renewable sources, with a special focus on photovoltaic and biogas from the food supply chain. Synergies with Biella Leasing has made it possible to structure effective targeted financing solutions.

In addition, training activities continued relative to the process of identifying data and reclassification of financial statements for agricultural companies (mainly reserved to the members of the Credit Centres) and the SGFA Direct guarantee was made operative.

Bancassicurazione

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

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

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

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

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

In the "damages" sector, 2011 saw the continued listing of products of InChiaro Assicurazioni, the company held by C.B.A. Vita (part of the Banca Sella Group) with HDI Assicurazioni.

In addition to continuing the good results seen in placing products connected to mortgages and other types of financing, as seen in the previous year, such as fire insurance policies and policies connected to personal loans, the development performance of the product Auto InChiaro was particularly notable.

Finally, note that as of May 2011 the new product "CPI Mutui Flessibile" was commercialised, destined for Group customers who have signed a mortgage without any insurance coverage without requesting any constraints in favour of the bank.

Mutual Funds and SICAVs

2011 began by continuing the weak trend seen at the end of 2010, while in the 4th quarter disinvestments accelerated. The monetary and bond sectors were particularly affected, influenced by the generalised weakness in bond prices in countries on the outskirts of the euro zone and in the final part of the year by the weakness of domestic government bonds which reached maximum spread levels with respect to the Bund (550 b.p.) and as a consequence, the lowest quotes of the last several years.

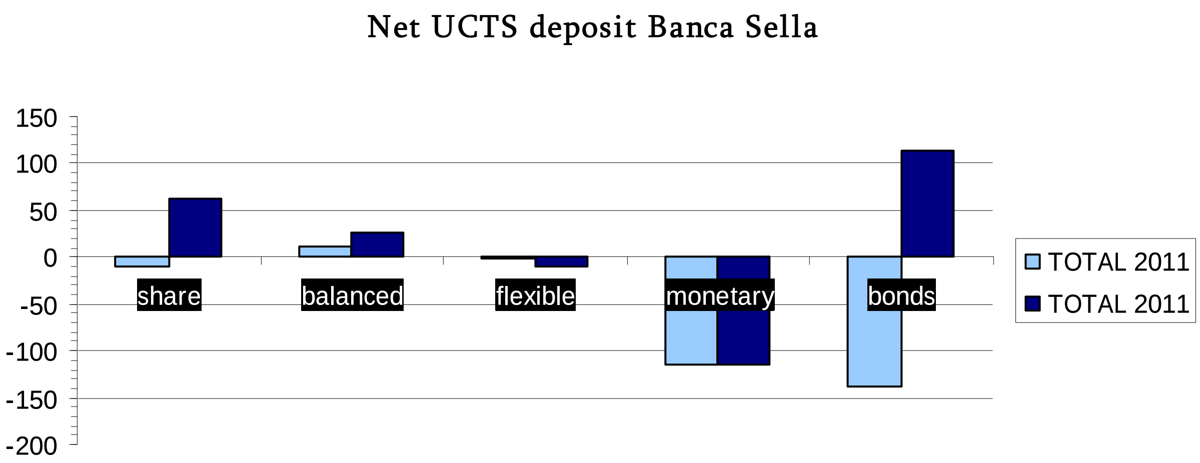
Net deposits for 2011 saw a decrease of -254 million euro, of which -237 million for UCITs from the Group's SGR and -17 million for third party products. Approximately 240 million of the decrease came from the monetary and bond sectors.

The weakness in the Euro monetary and bond sectors was reflected in particular in the Group's UCITs as in terms of percentages, they had greater presence in customer portfolios.

Deposits for third-party funds stayed more stable, in part due to the effect of the greater diversification of the selected sectors and lesser assets with respect to the stock invested in Group funds.

Net UCTS deposit Banca Sella	2011			2010		
	Group UCTS	Third Party U	TOTAL 2011	Group UCTS	Third Party U	TOTAL 2011
share	-13,2	2,3	-10,9	11,9	50,9	62,8
balanced	8,79	2,5	11,29	-4,4	31,2	26,8
flexible	-1,7	-0,5	-2,2	-5,9	-4,6	-10,5
monetary	-98,2	-16,3	-114,5	-94,9	-19,8	-114,7
bonds	-133,2	-4,7	-137,9	-47,6	161,8	114,2
Total	**-237,5**	**-16,7**	**-254,2**	**-140,9**	**219,5**	**78,6**

amounts in euro millions



On-line Savings

After a positive start to the year, the crisis of faith in the Euro Zone negative influenced operations and deposits for all investment and savings products. Transactions and volumes transacted decreased, with negative net deposits. In particular, on-line transactions for investment funds decreased both in terms of volumes (-25,8%) and in transactions (-22,3%).

On the other hand, the increase in the available selection of Accumulation Plans (PAC) maintained customer interest in the service. Deposits coming from PACs subscribed on-line during the year increased by 27,5%.

In regards to managed savings instruments, operations were focused on low-risk products with very short horizons (such as repurchase agreements).

Administered savings

The aggregate of third-party securities in deposit, excluding asset managements, mutual funds and SICAVs, reached 8.757 million euro at 31 December 2011, showing an improvement of 7% on the figure of 8.178 million euro at the end of 2010.

With regard to the main underlying trends, there was an increase in the bond component maturing within one year (+411,5 million euro less than in 2010), a growth in the bond component with maturity between 1 and 5 years (+431 million euro more than in 2010), a growth in the bond component with maturity after 5 years (+62,5 million euro more than in 2010) and decrease in the share component (-326 million euro more than in 2010).

Marketing and commercial organisation

Marketing

The Marketing Service manages and carries out marketing projects to develop customer loyalty and acquire customers using various channels, from more traditional to highly innovative (on-line, branches, contact centres, events).

In addition, the Service plans, carries out and monitors Direct Marketing activities, through centralised telephone campaigns, printed letters, e-mail, and text messages.

The Marketing office cooperates closely with the commercial network and the Product Managers, working together to define and evaluate guidelines to be followed in the development of each project (commercial objectives, customer characteristics, commercial offer). In 2011, the most important acquisition campaigns were WebSella and Depositiamo,while the Sella Fidelity initiative continued. In addition, during the course of the year, attention was focussed on the promotion of independent operations, with the objective of incentivising customers to use new on-line, mobile, and next generation ATM services, as well as the SellaDigit digital signature.

Finally, other activities included marketing analysis, which investigates aspects relative to customer, competition, trend, mystery shopping and customer satisfaction analysis. To that end, we note that in 2011 the NPS (net promoter score) index of the Bank, and more generally for the Banca Sella Group, increased over the previous year by 2,41%.

Commercial organisation

With regards to the efficiency and productivity of the distribution networks, during the course of 2011 Banca Sella mainly pursued the aim of reducing the administrative load on the branches, by optimising processes and innovating.

The recovery of productivity obtained this year in Banca Sella’s distribution network totalled 6% of hours freed per annum, in part thanks to the increase in transactions carried out entirely autonomously by customers through telematic channels.

During the course of the year, the geographical organisation of the branch network was reviewed, as part of the New Commercial Model initiative. Among the main projects, we note the creation of districts and the establishment of credit centres. The latter made it possible to centralise and improve efficiency for the process related to credit line inquiries, while also increasing employee specialisation.

In line with the objective to increase independent operations and activate the logics envisaged in the New Commercial Model, restructuring of the via Gonzaga branch in Milan was completed. In fact, in addition to the creation of spaces for customer and a self-service area available 24 hours a day, the first remote branch was developed, which allows customer to carry out any type of banking operation with a remote teller.

Internet and mobile banking

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

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

Web and CRM

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

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

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

Contact Center

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

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

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

» RISKS AND CONTROL MANAGEMENT

CREDIT ORGANISATION

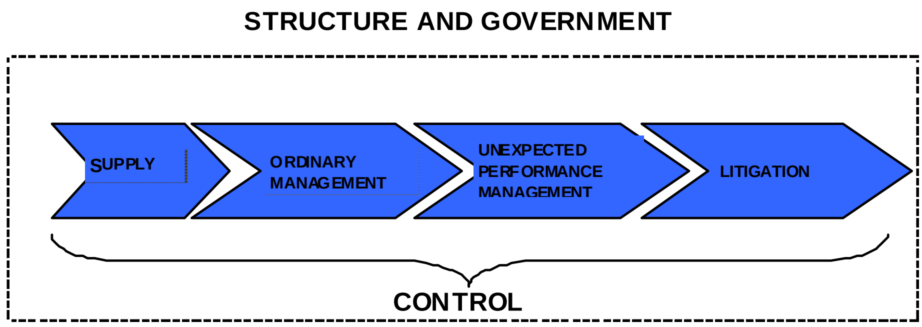
The main areas of activity in which the organisation department were involved in 2011 were:

-new commercial model and launch of the credit centres, described at length in the Commercial Management section;

-"One Bank", as described in the introduction;

-"Credit quality initiative and credit process mapping": focussed on improving credit management and credit quality.

During the initial analysis stage 120 actions were identified, each of which located within a given reference framework, which summarises the entire credit management process:



To allow for effective execution of the identified actions, four different working groups were established, with the leader of each assigned the task of establishing the activities pertaining to them.

The activities under the Initiative were monitored on a weekly basis by General Management through the meetings of the Initiative Steering Committee as well as in terms of the four working groups through special operational meetings.

CONTROLS AND FOLLOW UP

In 2011, Banca Sella's Controls and Follow Up Service continued and expanded its second-level control activities for the companies of the Group, including the use of outsourced controls aimed at containing operating risk, money-laundering risks deriving from anomalous transactions carried out by customers and credit risk, as well as continuing activities to optimise service by reducing overall costs.

In addition, during 2011 a customer acceptance office was instituted that provides secretarial services for the customer acceptance committee and the select committee.

During 2011 reorganisation of resources and activities based on functional criteria was begun, which led to the creation of special Teams/Departments for specific control areas. This made it possible to better define operational boundaries and allowed employees to become more specialised, with the end goal of improving critical review of processes.

In the context of rationalising controls, additional automation of branch line controls was established through the generation of new IT "alarm" procedures, which highlight potential critical issues to the relevant operating departments, who then can act to investigate and/or resolve the issue.

In addition, during the course of the year credit risk controls were expanded by introducing new second-level controls regarding overdraft usage and decision-making rights. A new credit management system was also introduced through the use of the CRM procedure. Finally, controls regarding money-laundering were reinforced.

In order to improve the sharing of information resulting from control activities, a new IT application was introduced that gather data over time and simplifies summarising of the evidence obtained through controls.

The risk monitoring and mitigation indicated above were also carried out through the execution of second-level controls, among which so-called "alarm-bells" are of note (automatic processes intended to identify and/or prevent internal and/or external anomalies).

RISK MANAGEMENT AND INTERNAL AUDIT SYSTEM

Attention to risk management and mitigation continued in 2011 thanks to constant monitoring on the part of the internal audit departments established at the Parent Company and with the collaboration of the Control and Follow Up service.

OPERATING RISK

With the aim of constantly improving the culture and management of operational risks and to ensure adequate information flows, Banca Sella, like the other companies of the Group, for several years has used the organisational process known as the “Control Cycle” for the government of anomalous events.

In 2011, the Banca Sella Group planned and implemented certain actions aimed at further strengthening this process. In particular, follow up activities were reinforced. Follow up activities consist in verifying that the solutions adopted to remove the events are able to prevent the same situation from recurring in the future.

Operational risk monitoring and mitigation are also carried out by mapping company processes, by certifying and reporting service levels and line controls, controls by means of the so-called "alarm bells" (automatic processing in order to detect and/or prevent any internal and/or external anomalies).

Protection against operational risk is discussed in detail in Part E of the Notes to these Financial Statements.

CREDIT RISK

The lending policies and processes for the disbursement and monitoring of loans are defined in order to combine positive responses to customers' needs and business needs with the need to ensure the maintenance of high quality for the lending business in a difficult economic situation.

Credit risk monitoring and control is outsourced to the Risk Management and A service (the Credit Risk unit) of the Parent Company and to the Credit Control service of Banca Sella.

The Parent Company's Risk Management and Audit Service 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 Credit Control service of Banca Sella is focused on more traditional monitoring activities, mainly aimed at credit quality analysis.

In reference to the activities performed by the Parent Company's Risk Management and Audit Service, the evolutionary maintenance of the IT processes and procedures which support credit risk evaluation continued throughout 2011, including:

- the rating system for determining the credit quality of corporate and large corporate segments: during the course of 2011, a new rating model was released, developed in cooperation with Cerved Group, that made it possible to better classify the clientèle and increase predictive capacity in respect to the previous model. At the same time the new ratings model was introduced, the method used to calculate collective valuations of performing loans was also updated;
- the scoring system used to determine creditworthiness associated with private customers and companies defined internally as Small Business and Small-Medium Businesses; during the course of 2011 a new performance scoring model was developed for small and small-medium businesses that will be released to production in the case that the validation tests currently in course have positive results;
- IT procedure for identifying legal and economic bonds existing among customers;
- monitoring of risk-adjusted return;
- the procedures to check the admissibility requirements of credit-risk mitigation techniques.

The recent financial crisis and its consequent repercussions on the real economy have involved, among other consequences, an even more marked attention to credit quality and prudence in granting credit. From the organisational viewpoint, this attention is pursued by the adoption of adequate credit assessment processes – including the Group’s Rating Committee, formed in 2010 - based on the immediate, complete and accurate acquisition of the information necessary for customer assessment.

Banca Sella also has a service for the management of anomalous loans, whose purpose is to assist the Bank management to guarantee the quality of the credit granted, taking direct action in the risk management and control activities, defining rules, instruments and processes.

This takes place through a double structure:

- a central team, which monitors the exposure of the clientèle and intercepts the positions with clear signals of potential or effective credit impairment;
- a team in the field which deals with the management of the positions intercepted, and gives support and advice to the entire sales structure of the area of reference where each appointed team member works.

All this favours the resolution of problem loans according to predefined procedures, conditions and times, to then start up the most suitable actions to protect the Bank’s credit.

Protection against the credit risk is discussed in detail in Part E of the Notes to these Financial Statements.

INTEREST RATE, MARKET AND LIQUIDITY RISK

The interest rate risk, understood as the risk of a change in the interest rate reflecting negatively on the Bank’s financial and economic situation, is internally monitored both in terms of the banking book and the trading book.

The market risk, meaning potential losses connected to adverse changes in the price of shares, interest rates, and exchange rates, as well as volatility of the same, is measured using the standard Bank of Italy methodology.

Market risk management and control is governed by Group Regulations and a specific Policy, documents that define the rules by which each individual company in the Group may expose themselves to various types of risk.

The Group's Risk Management service carries out controls regarding whether the limits envisaged in the above-mentioned internal documents are respected as well as, for management purposes, identifying the Var for the Bank's own portfolios (10 day and 3 month horizons and 99% confidence margin) and analysis of sensitive factors such as portfolio duration and effects of sudden interest rate shocks.

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

The process for the management and control of the interest rate risk on the banking book is formalised by a policy, with the purpose of disciplining the rules and the management, measurement and control methods linked to the interest rate risk, in order to guarantee effective management of the conditions for the economic and financial balance of the Banca Sella Group.

The policies were acknowledged by the Bank's Board of Directors.

The subject is discussed in detail in Part E of the Notes to these Financial Statements.

LEGAL RISK

The internal regulations of the Banca Sella Group, adopted by the Bank's Board of Directors, establish the obligation of using contractual forms with contents which correspond, as far as possible, to standardisation features previously assessed by the appointed structures at Group level. The Legal Services office of Banca Sella is the point of reference for the preparation and examination of draft contracts, for the drafting of legal opinions, and for the examination of legal problems and relative consultancy, for the companies of the Banca Sella Group.

COMPLIANCE RISK

Compliance risk is the risk of exposure to judicial or administrative sanctions, relevant financial losses or reputational damage due to violations of compulsory compliance regulations (laws or regulations), or auto-regulation (e.g. statutes, codes of conduct, auto-discipline codes).

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

The compliance process is necessary in order to:

- supervise the risks of non-conformance deriving from the introduction of new relevant regulations or amendments to existing ones;

- transform the new regulatory context into opportunities and benefits for the clientèle and the company;
- carry out effective and efficient organisational and cultural adaptation.

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

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

To supervise non-conformance risks, Banca Sella has established the BSE Compliance department, permanent and independent, reporting to General Management.

INFORMATION SECURITY AND PROTECTION OF PRIVACY

Banca Sella, in accordance with Rule 26 of the Technical Rules (Attachment B) of the Personal Data Protection Code (Legislative Decree 30 June 2003, no.196), has prepared and keeps up to date the "Programmatic Document on the Security of Information."

This document, which will be updated in March 2012, serves 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 Legislative Decree 196/2003 on the protection of personal data and its later amendments and additions.

MONEY LAUNDERING

Banca Sella carries out its activities in accordance with the regulatory provisions related to anti-money laundering and anti-terrorism, in conformance with ethical standards in order to prevent events that could damage the reputation and stability of the Bank and the Group as a whole.

The measures to prevent money laundering and the financing of terrorism are based on the active collaboration of the financial situation, in the implementation of:

- the provisions of the Legislator at national level;
- Bank of Italy circulars and provisions;
- the recommendations of the GAFI (Financial Action Group against money laundering);
- the provisions of Community law;
- decrees and clarifications of the Ministry of the Economy and of Finance;
- communications of the Financial Reporting Unit;
- the indications of the Financial Security Committee of the Treasury Department – the Ministry of the Economy and Finance.

In the present context, in which financial brokers are required to have professional training and to create adequate procedures to detect increasingly complex phenomena, in Banca Sella training sessions have continued both in e-learning mode and in actual classroom sessions, for personnel training and to test the level of the acquisition of the contents.

The course available in e-learning mode was designed by ABI and allows the student to learn the necessary requisites of law and to understand our role in the financial system.

Classroom courses have different programmes and aims depending on the students, and allow for gaining knowledge and understanding of the internal organisational measures adopted by the banks of the Banca Sella Group in order to observe all the legal requisites to which they are subject.

During the course of 2011, activities to establish a new anti-money laundering site were begun which will include all of the main regulations and publications on the topic, a FAQ section, and specific in-depth chapters in order to guarantee continuous training in line with the changing adaptations of the market.

In addition, activities related to the IT implementation of respect for the regulations continued, in particular we note the main changes:

- limitations on the use of cash and chequebook bearers;
- methods to communicate notifications regarding suspect operations;
- new forms to represent anomalous behaviour - operations traceable to usury.

In March 2010, Banca Sella adopted the anti-money laundering and anti-terrorism policy issued by the Parent Company, which formalises the guidelines and operational instructions on the subjects. The Policy is reviewed on an annual basis in order to acknowledge any regulatory provisions regarding internal organisation, procedures and controls.

Because of the updating of the provisions of law, the entire internal regulations on money laundering have been constantly reviewed.

In accordance with the provisions issued by the Bank of Italy on 10 March 2011, as of 1 September 2011 the Anti-Money Laundering department was established at the Bank, with the responsibility of continuously verifying that company procedures are in line with the objective of preventing and counteracting violations of the regulations regarding money-laundering and financing of terrorism.

Hence an Anti-Money Laundering manager was appointed who, having the appropriate requirements of independence, authority and professionalism, works alongside all of the Bank's operations, through verification of the functionality of the procedures, structures and systems and provides consulting regarding management decisions.

» SERVICES MANAGEMENT

PAYMENT SYSTEMS

In regards to the P.O.S. service, which was transferred from the Parent Company Banca Sella Holding to Banca Sella on 30 May 2011, credit card acquiring activities increased in volume with respect to the previous year by +0,8%. Volumes in 2011 grew more slowly than in previous years due to the decrease in consumption which was seen in Italy starting in September 2011.

Activities related to debit and credit card business, which also slowed during the last quarter of the year due to the economic crisis, saw growth in terms of spending volumes, equal to +3,2% over the previous year.

During the year, we kept replacing stripe technology cards 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 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.

Finally, during the month of November 2011 a new payment system known as “UpMobile” was launched on the national market, which is an innovative system which can be installed on smartphones and that allows customers to make payments using their cellphone, rather than a credit card or prepaid card. Thanks to this innovative product, Banca Sella became the first Italian bank to offer its customers a "Mobile Payments" tool.

INFORMATION TECHNOLOGY AND RESEARCH AND DEVELOPMENT ACTIVITIES

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

The most significant activities carried out during the year include:

- the positive completion of the project known as One Bank which led to the merger in Banca Sella of the assets of Banca Sella Sud Arditi Galati, Sella Servizi Bancari and some business units from Banca Sella Holding;
- in the context of Green IT, activities to complete the Private Cloud and the gradual migration of Windows and Linux environments to it continued, leading to a notable savings in electrical absorption, simplification and optimisation of Disaster Recovery and Business Continuity procedures, as well as a significant reduction in provisioning times for new infrastructure;
- the operating release of the Digital Signature solutions used to simplify and automate customer relation activities using telematic channels. The solution was gradually extended to almost all products;
- the application changes necessary to manage the various organisational models introduced to the functions of the commercial network, in the context of the "New Commercial Model" initiative, which led to the introduction of the new Territories and Aggregations areas;
- the display of new functions on ATMs combined with the increased number of advanced ATMs installed, with a significant increase in the overall number of transactions carried out using this channel;
- the realisation of the Mobile Payment solution in cooperation with an external technology partner;
- completion of the activity to migrate customers to the new advanced Trading versions which now offer functions relative to stocks and derivatives in a single integrated tool;
- constant activities to introduce innovative solutions and extended use of the same in the context of the infrastructure together with actions leading to an increase in internal productivity in the context of development, making it possible to achieve an overall decrease in operational costs of 11%;
- experimentation, in the context of an initial pilot project, with use of a next generation tablet, to manage activities on the go, with the use of the main IT system functions, a project which will move forward with specific project activities in 2012;
- The review of a procedure used to manage customer conditions through the introduction and automation of management of expiration conditions;
- Expansion of Web2.0 tools in the context of the intranet and internet sites, to optimise internal and external communication and the use of advanced tools;
- Improvement of the release management system with management of "hot" releases for departmental

components in order to minimise the impacts of said releases;

- Continuation of activities to optimise printing processes, in particular in reference to extending the use of electronic versions by customers, available on the SellaBox application, and review of communication aggregation mechanisms in order to limit paper printing and the consequent environmental impacts;
- Maintenance of the Multibank IT System, ensuring that it remains up to date with external regulatory requirements;
- continuation of activities to establish the functionality of the Company IT System through services (SOA), so as to allow expansion of the functions offered on the Mobile Banking and Home Banking multichannel platforms, and as a service platform for the project to establish a new Commercial Workstation, which will begin in the new year;
- the revision of the IT processes linked to the issue of the Services relative to ITIL with the introduction of an infrastructural solution for governing them for the Service Operation component;
- the continuance of the optimisation of the procedures, in pursuit of both improvement and greater efficiency of the processes and for the optimisation of the use of the resources;
- the review of the audit processes and methods in the sphere of software development aimed at generating greater efficiency;
- adaptation of the Data Center by the technological renewal of the infrastructures of central computers. This is to keep the infrastructures technologically adequate and make them suitable to support the growth of volumes, allowing, among other things, also for the reduction in energy consumption in favour of Green IT;
- the progressive adoption of open source software in production areas;
- research and development activity aimed at the selection of the technological solution with which to operate next year, revision of the information system interfaces used by colleagues, in view of multi-devices.

CHENNAI BRANCH

Following the merger by incorporation of Sella Servizi Bancari in Banca Sella, in the context of the "One Bank" project, effective for legal purposes as of 30 May 2011, the Chennai branch became part of Banca Sella, called Chennai Branch, and carried out software development and design activities for both the companies of the Group and for Sella Synergy India Private Limited, which is also a company in the Group.

In the period between 30 May 2011 and 31 December 2011, the Branch contributed positively to the Bank's income statement in the amount of 2,5 million euro, thanks to services of software design and development, and in the amount of 0,03 million euro through interest paid on deposits at banks. During the same period, the branch had expenses for personnel totalling 1,4 million euro and 0,4 million euro related to other administrative expenses and amortisation, hence obtaining a positive operating margin of 0,3 million euro net of taxes.

» HUMAN RESOURCES

MANAGEMENT AND DEVELOPMENT

At 31 December 2011, Bank personnel totalled 2.829 employees, 83 of whom were absent on maternity or other leave. The net increase compared to the number in force at 31 December 2010 amounted to 1.334 persons.

The main changes in the workforce for the year 2011 were influenced in particular by the extraordinary operations indicated below (which involved a total of 1.377 employees):

- merger by incorporation of Servizi Bancari S.C.p.A. (involving 944 employees, of which 154 working at the Indian branch) and of Banca Sella Sud Arditi Galati S.p.A. (involving 385 employees);
- transfer of the Banca Sella Holding business unit consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area (involving 48 employees);

In addition, during the course of 2011:

- the rationalisation of the structures defined in the New Commercial Model were activated in the network;
- no branches were either closed or opened;
- activities aimed at rationalising and reorganising structures and processes continued, while still maintaining quality and quantity level of operations constant;
- internal personnel was mainly used to cover the positions of outgoing employees due to natural turnover.

Hiring during the course of the year totalled 51, of which 34 for an indeterminate term (32 due to transfer from other companies of the Group), 8 temporary contracts and 9 internships.

94 persons left the bank, of which:

- 40 due to resignation;
- 34 due to the end of short term contracts;
- 8 for retirement;
- 11 for other reasons.
- 1 for transfers to other companies of the Group;

At the end of the year the average age of employees was 39 years and 5 months and the average length of service (considering the date of recruitment in the Group) was 12 years and 4 months.

With respect to the previous year, the average age increased by 1 year and 9 months due to the acquisition of Banca Sella Sud Arditi Galati, Società with an average age at 31 December 2010 of 42 years and 11 months.

The cost for personnel at the Bank at the end of the year amounted to approximately 122,4 million euro, a 49% decrease with respect to 2010. Most personnel have part of their remuneration linked to the achievement of the preset targets of income and volumes (of loans, deposits and customers) and to respect for quality and service levels; such levels include, for example, credit quality and customer satisfaction.

Human resources	31/12/2011	31/12/2010
Precise occupation at the end of the period	2.675	1.446
part time	315	79
average age	39 years and 5 months	37 years and 8 months
average term of service	12 years and 4 months	10 years and 8 months
average cost per employee (in Euro)	45.960	54.983
training (in hours)	93.236	96.020
in the classroom	75.300	62.516
online and live meeting	38.092	33.504

TRAINING

In 2011, the new offices of the Corporate University were inaugurated, located at the former Lanificio Maurizio Sella in Biella. The building offers new, modern and technologically advanced classrooms, designed to increase the efficacy of training projects while also providing the possibility of remote participation and training.

During the course of 2011, 93.236 manhours were provided, a decrease of 1,3% with respect to the previous year. Classroom training, at 75.300 person-hours, remained in line with that seen in 2010, while online training provided through the Group's e-learning platform decreased (-46%). In 2011, there was also an increase in the number of hours provided in virtual classrooms, at around 20.000 hours, totalling 24% of total hours issued. Employees involved in training courses during the year totalled 2.689, of which 2.538 in force at 31 December 2011.

The average number of training hours per employee was approximately 33 hours. The training areas most covered were:

- insurance;
- credit;
- sales;
- legislative changes, with particular reference to transparency and security;
- information technology.

The following were of particular importance:

- training courses related to credit management, which through 2 days of classroom courses went in-depth into issues regarding the assumption of Basel-compliant guarantees to mitigate capital absorption
- change management raining activities to help in establishing the New Commercial Model, with special attention paid to geographical reorganisation and the development of the commercial approach
- managerial training, which for the Commercial Network saw the involvement of the entire hierarchy, in relation to both those managerial characteristics held to be fundamental for the Employee Growth Management and Care model

» OTHER INFORMATION

TRANSPARENCY OF TRANSACTIONS AND BANKING SERVICES

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

Regulatory innovations were disclosed through:

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

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

In the last 2 months of 2011, inspections about trasparency were carried out at 5 Bank branches by the Bank of Italy: Pont San Martin, Ferrara, San Remo, Genova and San Benedetto del Tronto.

At the time this report was being prepared, the Inspection Report had not yet arrived indicating the results of the inspections that were performed.

» OUTLOOK

THE SCENARIO

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

In the United States the slow recovery of the employment market and the critical issues which still characterise the residential real estate market justify the forecast of limited growth below potential. The reduced possibilities for expansive tax policies represent an additional hindrance to the recovery of internal demand in the US.

The growth of gross domestic product in the Euro Zone will be penalised by the restrictive tax policies adopted in various countries. The developments in the sovereign debt crisis will continue to be a determining factor in the evolution of the economic situation for the area. Growth trends in the individual countries will continue to be unbalanced, with countries that are more vulnerable in terms of public accounts continuing to be weaker.

The framework for the emerging areas will likely be less dynamic than in 2011. The wide spaces in which the tax and monetary policy authorities can operate in the main countries should, nonetheless, make it possible to limit slowing of internal demand.

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

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

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

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

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

BANK STRATEGY, VOLUMES AND PROFITABILITY

The directors state that they have examined the assumptions of business continuity with care and attention. In the report on operations the results for the year are described. The performance, activities, capital management processes and financial position of the Bank testify to the policy of extreme prudence maintained throughout the year. Liquidity, which was kept at a more than adequate level, and the risk management processes and objectives are reported both in the report on operations and in Part E of the notes to the financial statements. Given the external situation, the Group continues to work towards structural cost savings and to simplify the operating and governance structure.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

On 18 January 2012, in the context of ordinary supervisory activities, Bank of Italy began an inspection of Banca Sella with the subject of: “risk governance, management and control methods at Banca Sella”.

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

TREASURY AND PARENT COMPANY’S SHARES

During the period, the Bank did not hold, nor does it currently hold, any treasury shares, nor any shares of the parent company Banca Sella Holding.

EQUITY INVESTMENTS AND RELATIONS WITH GROUP COMPANIES

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

Relations of Banca Sella with other Group companies: balance sheet data

Counterparty	Other assets	Other liabilities	Financial assets held for trading	Due from banks	Due from customers	Due to banks	Due to customers	Hedging derivatives liabilities	Hedging derivatives assets	Financial liabilities held for trading
Biella Leasing S.p.A.	168	5	-	-	316.287	-	2.194	-	-	-
Banca Patrimoni Sella & C.	1.773	8.486	-	11.041	-	18	-	-	-	-
Brosel S.p.A.	44	-	-	-	-	-	5.809	-	-	-
Banca Sella Nordest Bovio Calderari S.p.A.	1.739	375	-	4	-	61.947	-	-	-	-
CBA Vita S.p.A.	1.085	-	-	-	1	-	33.319	-	-	-
Consel S.p.A.	181	16	-	-	470.046	-	1.436	-	-	-
Easy Nolo S.p.A.	323	1.117	-	-	1.754	-	-	-	-	-
Family Advisory SIM S.p.A. - Sella & Partners	5	77	-	-	2	-	140	-	-	-
Finanziaria 2010 S.p.A.	4		-	-	-	-	6.080	-	-	-
Immobiliare Sella S.p.A.	9	75	-	-	-	-	2.139	-	-	-
Immobiliare Lanificio Maurizio Sella S.p.A.	6	2	-	-	456	-	2.610	-	-	-
Mars 2600 S.r.L.	25	-	-	-	30.224	-	68.540	-	-	-
Sella Capital Management Sgr S.p.A in liquidazione	4	-	-	-	-	-	140	-	-	-
Sella Bank AG	6	-	-	7	-	-	-	-	-	-
Selfid S.p.A.	20	1	-	-	1	-	597	-	-	-
Sella Synergy India P.Ltd	-	-	-	-	-	-	1	-	-	-
Selir S.r.l.	24	224	-	-	1.133	-	-	-	-	-
Banca Sella Holding S.p.A.	4.531	3.572	17.212	1.354.473	-	27.603	-	97.385	16.144	9.581
Sella Gestioni SGR S.p.A.	1.524	1	-	-	3	-	306	-	-	-
Sella Life ltd	43	-	-	-	-	-	1.449	-	-	-
Overall Total	11.514	13.951	17.212	1.365.525	819.907	89.568	124.760	97.385	16.144	9.581

Relations of Banca Sella with other Group companies: income statement data

Counterparty	Other operating expenses	Other operating income	Fee income	Fee expense	Interest receivable and similar income	Interest payable and similar expense	Net gains/ (losses) on hedging activities	Net gains/ (losses) on trading activity	Negative Differential Settlement On Hedging	Positive Differential Settlement On Hedging	Other administrative expenses	Personnel expenses(*)
Biella Leasing S.p.A.	-	276	150	-	5.938	9	-	-	-	-	6	-4
Banca Patrimoni Sella & C.	2	1.637	-	9.891	50	148	-	-	-	-	60	65
Brosel S.p.A.	-	37	276	-	-	2	-	-	-	-	-	3
Banca Sella Nordest Bovio Calderari S.p.A.	4	2.162	47	344	1.328	417	-	-	-	-	18	-181
CBA Vita S.p.A.	-	108	2.995	-	-	289	-	-	-	-	1	-30
Consel S.p.A.	-	200	987	-	9.461	4	-	-	-	-	3	97
Easy Nolo S.p.A.	-	379	13	113	38	-	-	-	-	-	4.623	-204
Family Advisory SIM S.p.A. - Sella & Partners	-	10	-	307	-	4	-	-	-	-	-	-
Finanziaria 2010 S.p.A.	-	8	3	-	-	18	-	-	-	-	-	-
Immobiliare Sella S.p.A.	-	22	-	-	-	-	-	-	-	-	1.211	-
Immobiliare Lanificio Maurizio Sella S.p.A.	-	14	-		28	1	-	-	-	-	1.319	-
Mars 2600 S.r.L.	-	-	102		305	1.414	-	-	-	-	-	-
Sella Capital Management Sgr S.p.A in liquidazione	-	10	-	-	-	3	-	-	-	-	-	-
Securse l S.r.l.	-	3	-	-	-	-	-	-	-	-	-	-
Sella Bank AG	-	13	520	-	-	-	-	-	-	-	-	-
Selfid S.p.A.	-	21	-	7		2	-	-	-	-	1	-47
Selgest SA	-	-	-	-	-	-	-	-	-	-	6	-
Sella Synergy India P.Ltd	-	-	-	-	-	-	-	-	-	-	-	-
Selir S.r.l.	-	57	-		7	-	-	-	-	-	1.856	-
Banca Sella Holding S.p.A.	2	3.917	3.977	8.463	23.128	10.838	-13.956	-4.658	25.034	7.441	3.203	-418
Sella Gestioni SGR S.p.A.	-	182	6.086	-	-	4	-	-	-	-	-	-20
Sella Life ltd	-	9	-	-	-	27	-	-	-	-	-	-
Sella Servizi Bancari S.C.p.A.	-	110	-	-	-	6	-	-	-	-	20.293	19
Overall Total	**8**	**9.175**	**15.156**	**19.125**	**40.283**	**13.186**	**-13.956**	**-4.658**	**25.034**	**7.441**	**32.596**	**-720**

(*) Negative amounts refer to expense recover

» PROPOSED ALLOCATION OF PROFIT

Dear Shareholders,
the Balance Sheet and Income Statement at 31 December 2011, 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 8.986.107,37 euro which we propose to allocate as follows:

Profit for the year	8.986.107,37 euro
- to the "Legal Reserve" pursuant to the Articles of Association	1.078.332,88 euro
- to the "Statutory Reserve" pursuant to the Articles of Association	3.594.442,95 euro
remaining	4.313.331,54 euro
for Shareholders:	
- dividend of 0,007880 euro for each of the	
no. 538.289.760 shares	4.241.723,31 euro
to the "Fund for charity and sundry donations”	70.000,00 euro
and the remainder to the "Extraordinary reserve”	1.608,23 euro

Biella, 26 March 2012

In the name and on behalf of the Board
The Chairman of the Board of Directors
(Maurizio Sella)

Report of the board of statutory auditors

BANCA SELLA S.P.A.
Head Office at Piazza Gaudenzio Sella, 1 - Biella
Share capital € 269.144.880 fully paid up
Register of Companies of Biella: 02224410023
Register of Banks: 5626; ABI Code: 03268
Subject to direction and coordination from
from BANCA SELLA HOLDING S.P.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING OF 27 APRIL 2012

Dear Shareholders,

having been nominated for the three year period 2011 - 2013 by the Shareholders' Meeting on 02 May 2011, we here summarised the contents and results of the activities we carried out from that date during the financial year, during which, among other things, the *One Bank* project began, which led to the merger by incorporation of BANCA SELLA SUD ARDITI GALATI and SELLA SERVIZI BANCARI and to the transfer, by BANCA SELLA HOLDING, of the business unit relative to electronic and traditional payment systems, customer desk and customer area, confirming that we have:

- determined that the previous Board did not identify problems, anomalies or exceptions to be raised at this meeting;
- supervised in respect of the provisions issued by the BANK OF ITALY, including in regards to provisions aimed at preventing money laundering and financing of terrorism and in regards to the process of notifying of suspect transactions pursuant to Legislative Decree 231/2007, and the observance of those of CONSOB;
- acquired the results of the calculation of regulatory capital and the capital ratios prescribed by the BANK OF ITALY;
- supervised the process of preventing and managing risks as identified by the regulations;
- attended the work of the Shareholders' Meeting and the Board, during which the directors informed us about their operations - when infra-group and with related parties, also highlighting the presuppositions and reciprocal economic advantage - and regarding management activities, in respect to which to we have assumed elements regarding conformance to the laws, the Articles of Association, Shareholders' Meeting resolutions, the non-existence of conflicts of interest in addition to, naturally, having initiated our periodic meetings;
- determined the adequacy of the organisational structure and internal control system in regards to the size and activities carried out;
- established, in the context of the financial reporting process, respect for the principles of diligent and proper administrative conduct, the capacity to correctly represent operational facts and the efficacy of the internal control system, including through meetings with the heads of company functions and by acquiring information about the activities of the supervisory body for the organisation, management and control model pursuant to Legislative Decree 231/2001;
- begun systematic contacts with the managers of the internal control and compliance departments, in order to evaluate the operating results, the corrective intervention

guidelines established consequently when necessary and the progress of activation of the same;
- formulated hypotheses for the prevention and elimination of shortcomings;
- ensured the preparation of periodic reports on operations;
- followed the self-evaluation process carried out by the Board regarding the adequacy of its composition and the functioning of the same in the context of the company's needs, and the presence of varied skills and professional traits;
- carried out the considerations necessary to consider the independence requirements for each auditor to be confirmed.

In addition, pursuant to article 19 of Legislative Decree 39/2010, we carried out periodic meetings with DELOITTE & TOUCHE, both to follow execution of the auditing activities plan and the fulfilment of the same, as well as to exchange information about the respective operations and to receive information about the results of the same, and to ensure their independence - on which subject we harbour no doubts - which included acquiring the draft of the confirmation certification pursuant to article 17 of Legislative Decree 39/2010, including the following phrases:
"(…) As the auditing company assigned to carry out the task of auditing the financial statements at 31 December 2011 for BANCA SELLA S.p.A., we confirm that, on the basis of the information obtained and the verifications carried out, taking into account the regulatory and professional principles that govern auditing activities, for the period from 1 January 2011 through to the present date, no situations have been identified that have compromised our independence or that have created incompatibilities pursuant to articles 10 and 17 of Legislative Decree 39/2010 and the relative implementation provisions. (…)".

In the same draft, as was requested, they add:
"(…) Services other than auditing provided to BANCA SELLA S.p.A. by the auditing company in question and other entities in its Network from 1 January 2011 through to the present date, exclusive of those already indicated in our analogous communication of 13 April 2011, determined on the basis of the information available to us, are indicated as follows:

- Completion of auditing procedures agreed upon for reports issued by the Bank in the context of securitization operations, carried out by said Bank, for fees totalling 19.000 euro.
- Completion of auditing procedures agreed upon for loan contracts subject to securitization (so-called "Pool Audit"), for fees totalling 26.000 euro. (…)".

We have not received any charges, either directly or through the company, pursuant to article 2408 of the civil code and recognised.

We have not identified any infragroup transactions, or those with related parties or third-parties which have atypical or unusual profiles in terms of their content, nature, size or temporal period.

In October 2011, pursuant to article 52 of the so-called *Consolidated Banking Act*, we provided notification of irregularities discovered at a branch and, in January 2012, we communicated, pursuant to article 52 of Legislative Decree 231/2007, anomalies regarding the insertion of data into the shared IT archiving system.

We also reviewed the structure and the presentation, as envisaged for banking companies, of the financial statements at 31 December 2011, which - having taken effect the results of the extraordinary operations and those resulting from the consequent operations - resulted in profits of 8.986.107 euro, as well as the management report and the explanatory notes.

DELOITTE & TOUCHE informed us today of the favourable results of their activities and their positive professional opinion regarding the same.

As a result of the elements acquired directly regarding the structure and presentation and the results which were received from DELOITTE & TOUCHE, we hold that the financial statements and the proposal for allocation of the profits for the year, in respect of the constraints which govern the same, are open for approval.

Finally, we note that the Order of the Day for the next Shareholders' Meeting involves, in addition to the 2011 company accounts and destination of the relative profits, the following:

- appointment of the Directors;
- determination of the compensation of some Directors;
- acknowledgement of receipt of the Board's report on implementation of the remuneration policies;
- acknowledgement of the review of the internal audit work on the methods for ensuring the conformity of remuneration procedures with the regulatory context;
- approval of the new document on the BANCA SELLA GROUP's remuneration policies.

Biella, 10 April 2012

The Board of Statutory Auditors

Paolo Piccatti | Stefano Adamo | Riccardo Foglia Taverna

FINANCIAL STATEMENTS AT 31 DECEMBER 2011

BALANCE SHEET

Assets	31/12/2011	31/12/2010	Differences %
10. Cash and available liquidity	117.933.128	64.972.865	81,51%
20. Financial assets held for trading	161.392.734	327.056.010	-50,65%
40. Financial assets available for sale	355.673.934	193.768.014	83,56%
50. Financial assets held to maturity	165.062.570	90.938.616	81,51%
60. Due from banks	1.858.614.294	1.682.099.795	10,49%
70. Due from customers	6.702.684.409	5.389.381.856	24,37%
80. Hedging derivatives	16.144.103	3.311.778	387,48%
90. Change in value of financial assets subject to macro-hedging (+/-)	104.720.086	45.739.994	128,95%
110. Tangible assets	29.367.369	7.655.256	283,62%
120. Intangible assets	42.161.267	615.498	6749,94%
of wich:			
- goodwill	14.196.993	542.280	2518,02%
130. Tax assets	85.608.273	76.671.414	11,66%
a) current	23.211.661	43.726.714	-46,92%
b) deferred	62.396.612	32.944.700	89,40%
150. Other assets	141.586.360	96.657.834	46,48%
Total assets	**9.780.948.527**	**7.978.868.930**	**22,59%**

Liabilities and shareholders' equity	31/12/2011	31/12/2010	Differences %
10. Due to banks	97.300.556	119.024.544	-18,25%
20. Due to customers	7.309.162.264	6.073.407.972	20,35%
30. Outstanding securities	1.457.209.279	1.201.586.623	21,27%
40. Financial liabilities held for trading	31.724.843	22.834.112	38,94%
60. Hedging derivatives	108.185.426	50.082.557	116,01%
80. Tax liabilities	34.829.357	17.578.662	98,13%
a) current	31.921.341	17.520.217	82,20%
b) deferred	2.908.016	58.445	4875,65%
100. Other liabilities	219.823.374	93.944.260	133,99%
110. Employee severance indemnities	27.082.763	13.392.056	102,23%
120. Provisions for risks and charges:	12.788.102	8.716.873	46,71%
a) retirement and similar obligations	-	-	-
b) other provisions	12.788.102	8.716.873	46,71%
130. Valuation reserves	(10.795.049)	155.310	-7050,65%
160. Reserves	(52.332.891)	68.839.360	-176,02%
170. Share premiums	267.839.516	100.000.000	167,84%
180. Share capital	269.144.880	200.000.000	34,57%
200. Profit for the year	8.986.107	9.306.601	-3,44%
Total liabilities	**9.780.948.527**	**7.978.868.930**	**22,59%**

Amounts related to 31 December 2010 refer only to Banca Sella.

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

INCOME STATEMENT

	Item	31/12/2011	31/12/2010	Differences %
10.	Interest receivable and similar income	311.259.890	213.230.998	45,97%
20.	Interest payable and similar expense	(117.113.871)	(67.140.990)	74,43%
30.	**Net interest income**	**194.146.019**	**146.090.008**	**32,89%**
40.	Fee income	192.713.777	125.380.842	53,70%
50.	Fee expenses	(54.304.170)	(23.687.933)	129,25%
60.	**Net fees**	**138.409.607**	**101.692.909**	**36,11%**
70.	Dividends and similar income	2.400	127.458	-98,12%
80.	Net gains/(losses) on trading activities	4.256.493	(1.373.693)	-409,86%
90.	Net gains/(losses) on hedging activities	1.163.783	257.136	352,59%
100.	Gains/(losses) on sale or repurchase of:	(482.877)	52.198	-
	a) loans & receivables	(396.443)	(636.560)	-37,72%
	b) financial assets available for sale	(536.103)	425.000	-226,14%
	c) financial assets held to maturity	-	-	-
	d) financial liabilities	449.669	263.758	70,49%
120.	**Net interest and other banking income**	**337.495.425**	**246.846.016**	**36,72%**
130.	Net value adjustments for impairment on:	(87.261.003)	(51.321.706)	70,03%
	a) loans & receivables	(87.634.213)	(51.066.019)	71,61%
	b) financial assets available for sale	(46.207)	(282.187)	-83,63%
	c) financial assets held to maturity	-	-	-
	d) other financial transactions	419.417	26.500	-
140.	**Net gains/(losses) on financial operations**	**250.234.422**	**195.524.310**	**27,98%**
150.	Administrative expenses	(238.630.317)	(184.178.941)	29,56%
	a) personnel expenses	(122.944.275)	(82.511.117)	49,00%
	b) other administrative expenses	(115.686.042)	(101.667.824)	13,79%
160.	Net provisions for risks and charges	(1.466.593)	(530.269)	176,58%
170.	Net value adjustments on tangible assets	(4.915.435)	(2.734.211)	79,78%
180.	Net value adjustments on intangible assets	(7.078.581)	(117.303)	-
190.	Other operating expenses/income	30.629.900	14.696.982	108,41%
200.	**Operating costs**	**(221.461.026)**	**(172.863.742)**	**28,11%**
240.	Gains/(losses) on sale of investments	4.621	192	-
250.	**Profit/(losses) from continuing operations before taxes**	**28.778.017**	**22.660.760**	**26,99%**
260.	Income taxes for the period on continuing operations	(19.791.910)	(13.354.159)	48,21%
270.	**Profit/(losses) from continuing operations after taxes**	**8.986.107**	**9.306.601**	**-3,44%**
290.	**Profit/(Loss) for the year**	**8.986.107**	**9.306.601**	**-3,44%**

STATEMENT COMPREHENSIVE INCOME

	ITEMS	31/12/2011	31/12/2010
10.	**Net income (loss)**	**8.986.107**	**9.306.601**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	(9.673.575)	(2.461.936)
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	(415.793)	131.094
100.	Share of valuation reserves connected with investments meaured with net equity method	-	-
110.	**Total other comprehensive income (net of tax)**	**(10.089.368)**	**(2.330.842)**
120.	**Total comprehensive income (item 10+110)**	**(1.103.261)**	**6.975.759**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2010

Statement of changes in shareholders' equity at 31 December 2010 *(euro)*														
				Allocation of profit of previous year		Changes in the period								
							Operations on shareholders' equity							
	Balance at 31/12/2009	Changes to opening balance	Balance at 01/01/2010	Reserves	Dividends and other uses	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extrahordinary dividends	Change in equity instruments	Derivatives of own shares	Stock options	Total comprehensive income for the period at 31/12/2010	Shareholders' equity 31/12/2010
Share capital:														
a) ordinary shares	200.000.000	-	200.000.000	-	-	-	-	-	-	-	-	-	-	**200.000.000**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	100.000.000	-	100.000.000	-	-	-	-	-	-	-	-	-	-	**100.000.000**
Reserves:	-													
a) profit reserves	57.736.319	-1.417.981	56.318.338	4.616.452	-	-	-	-	-	-	-	-	-	**60.934.790**
b) others	7.904.570	-	7.904.570	-	-	-	-	-	-	-	-	-	-	**7.904.570**
Valuation reserves	-													
a) available for sale	348.363	-	348.363	-	-	-	-	-	-	-	-	-	-2.461.936	**-2.113.573**
b) cash flow hedging	-	-	0	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	-	2.137.789	2.137.789	-	-	-	-	-	-	-	-	-	131.094	**2.268.883**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (loss) for the year	8.686.452	-	8.686.452	-4.616.452	-4.070.000	-	-	-	-	-	-	-	9.306.601	**9.306.601**
Shareholders' equity	374.675.705	719.808	375.395.512	-	-4.070.000	-	-	-	-	-	-	-	6.975.759	**378.301.271**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 31 DECEMBER 2011

Statement of changes in shareholders' equity at 31 December 2011 *(euro)*

	Balance at 31/12/2010	Changes to opening balance	Balance at 01/01/2011	Allocation of profit of previous year		Changes in the period								Shareholders' equity 31/12/2011
							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 31/12/2011	
Share capital:														
a) ordinary shares	200.000.000	-	200.000.000	-	-	69.144.880	-	-	-	-	-	-	-	**269.144.880**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	100.000.000	-	100.000.000	-	-	167.839.516	-	-	-	-	-	-	-	**267.839.516**
Reserves:	-													
a) profit reserves	62.352.771	-1.417.981	60.934.790	4.871.601	-	7.972.261	-	-	-	-	-	-	-	**73.778.652**
b) others	7.904.570	-	7.904.570	-	-	-134.016.113	-	-	-	-	-	-	-	**-126.111.543**
Valuation reserves	-													
a) available for sale	-2.113.573	-	-2.113.573	-	-	-860.991	-	-	-	-	-	-	-9.673.575	**-12.648.139**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	-	2.268.883	2.268.883	-	-	-	-	-	-	-	-	-	-415.793	**1.853.090**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	10.481.971	-	-10.481.971	-	-	-	-	-	**-**
Profit (loss) for the year	9.244.328	62.274	9.306.601	-4.871.601	-4.435.000	-	-	-	-	-	-	-	8.986.107	**8.986.107**
Shareholders' equity	377.388.096	913.176	378.301.271	-	-4.435.000	120.561.524	-	-10.481.971	-	-	-	-	-1.103.261	**482.842.563**

CASH FLOW STATEMENT– Direct Method

A. OPERATING ACTIVITIES *(euro)*	**31/12/2011**	**31/12/2010**
1. Operations	**102.295.147**	**71.116.940**
Interest income collected (+)	308.279.636	218.894.972
Interest expense paid (-)	(117.113.871)	(67.140.990)
Dividends and similar income	2.400	127.458
Net fees (+/-)	138.409.607	101.692.909
Personnel expenses	(122.434.573)	(82.720.452)
Other costs (-)	(115.686.042)	(101.079.780)
Other revenues (+)	30.629.900	14.696.982
Taxes and duties (-)	(19.791.910)	(13.354.159)
2. Cash provided (used) by financial assets	**(1.673.708.036)**	**358.082.782**
Financial assets held for trading	169.919.768	98.044.607
Financial assets available for sale	(195.675.845)	(134.625.246)
Due from customers	(1.422.409.862)	(667.676.179)
Due from banks	(176.514.499)	1.047.390.124
Other assets	(49.027.598)	14.949.476
3. Cash provided (used) by financial liabilities	**1.663.864.792**	**(387.969.319)**
Due to banks	(21.723.988)	53.330.125
Due to customers	1.235.754.292	(200.977.944)
Outstanding securities	268.079.015	(176.570.766)
Financial liabilities held for trading	8.890.730	12.429.413
Other liabilities	172.864.743	(76.180.147)
Net cash provided (used) by operating activities	**92.451.903**	**41.230.403**

B. INVESTING ACTIVITIES	**31/12/2011**	**31/12/2010**
1. Cash provided by:	**3.263.278**	**78.768**
Sales of equity investments	-	-
Sales/redemptions of financial assets held to maturity	-	-
Sales of tangible assets	295.587	74.296
Sales of intangible assets	2.967.691	4.472
Sales of subsidiaries and company divisions	-	-
2. Cash used by:	**(275.304.314)**	**(39.626.366)**
Purchase of equity investments	-	-
Purchase of financial assets held to maturity	(73.769.332)	(38.298.250)
Purchase of tangible assets	(26.918.514)	(1.312.248)
Purchase of intangible assets	(51.592.042)	(15.868)
Purchase of subsidiaries and company divisions	(123.024.426)	-
Net cash provided (used) by investing activities	**(272.041.036)**	**(39.547.598)**

C. FUNDING ACTIVITIES	**31/12/2011**	**31/12/2010**
Issue/purchase of own shares	236.984.396	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(4.435.000)	(4.000.000)
Net cash provided (used) by funding activities	**232.549.396**	**(4.000.000)**

NET CASH PROVIDED (USED) IN THE PERIOD	**52.960.263**	**(2.317.195)**

RECONCILIATION	**31/12/2011**	**31/12/2010**
Cash and cash equivalents at start of year	**64.972.865**	**67.290.060**
Total net cash provided (used) in the period	52.960.263	(2.317.195)
Cash and cash equivalents at end of year	**117.933.128**	**64.972.865**

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 2011, as laid down in Community Regulation 1606 of 19 July 2002. As regards the tables and the explanatory notes, the financial statements were prepared applying all the rules set out by the Banca d'Italia, exercising its powers pursuant to Art. 9 of Lgs. Dec. 38/2005, with Provision of 18 November 2009 whereby the first update to circular no. 262/05 was issued.

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

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

Section 2 - General drafting principles

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

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

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

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

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

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

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

- Regulation no. 574/2010 - Amendments to IFRS 1 and IFRS 7;
- Regulation no. 1293/2009 - Amendments to IAS 32;
- Regulation no. 632/2010 - IAS 24; Transactions with related parties;
- Regulation no. 633/2010 – IFRIC 14: limit relative to assets in the service of a defined-benefit plan;
- Regulation no. 632/2010 - Amendments to IAS 24 and IFRS 8;
- Regulation no. 662/2010 – IFRIC 19: termination of liabilities with capital instruments;
- Regulation no. 149/2011 - Improvements to IAS/IFRS.

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

Disclosure on changes to accounting principles (IAS 8)

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

i) carrying on the Income Statement (as indicated in § 61) or

ii) carrying in Shareholders' Equity (Comprehensive Income) as indicated in § 93).

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

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

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

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

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

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

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

Balance Sheets	31/12/2010	Impact of Ias 8		31/12/2010 recalculated
		on balance as of 01/01/2010	on year 2010	
Liabilities				
080. Tax liabilities	17.232.284	273.031	73.347	17.578.662
a) current	*17.173.839*	*273.031*	*73.347*	*17.520.217*
b) deferred	*58.445*			*58.445*
110.Employee severance indemnities	14.651.609	-992.839	-266.715	13.392.056
130. Valuation reserves	-2.113.573	2.137.789	131.094	155.310
160. Reserves	70.257.341	-1.417.981	-	68.839.360
200. Utile d'esercizio	9.244.328	-	62.274	9.306.601

Items	31/12/2010	Impact of Ias 8 on year 2010	2010 recalculated
150. Administrative expenses	184.264.836		184.178.941
a) personnel expenses	*83.185.056*	*-85.896*	*83.099.161*
b) other administrative expenses	*101.079.780*		*101.079.780*
200. Operating costs	172.949.637	-85.896	172.863.742
250. Profit/(losses) from continuing operations before taxes	22.574.864	85.896	22.660.760
260. Income taxes for the period on continuing operations	13.330.537	23.622	13.354.159
270. Profit/(losses) from continuing operations after taxes	9.244.328	62.274	9.306.601
290. Profit/(Loss) for the year	9.244.328	62.274	9.306.601

Items of comprehensive income	31/12/2010	Impact of Ias 8 on year 2010	2010 recalculated
10. Net profit/(Loss) for the year	9.244.328	62.274	9.306.601
Other income net of tax			
90. Actuarial Gains (Losses) on defined benefit plans	-	131.094	131.094
110. Total other comprehensive income (net of tax)	-2.461.936	131.094	-2.330.842
120. Total comprehensive income (Item 10+110)	6.782.391	193.368	6.975.759

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

Section 3 - Events subsequent to the balance sheet date

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

Section 4 – Other issues

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

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

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

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

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

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

Items	31/12/2010 after Ias 8	Impact of recalculation	2010 recalculated
180. Administrative expenses	184.178.940,70	-	184.178.940,70
a) personnel expenses	*83.099.160,80*	- 588.043,60	*82.511.117,20*
b) other administrative expenses	*101.079.779,90*	588.043,60	*101.667.823,50*

» 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.

More specifically, for debt instruments, evidence of a lasting loss of value consists of the quality and quantity information indicative of financial difficulties such as to prejudice to the collection of capital or interest, as indicated by the provisions of IAS 39, paragraph 59 supplemented by the guidance in IAS 39, paragraph 61, with particular reference to the reductions value significant or prolonged.

Article. 61 of IAS 39 requires that securities Available For Sale (AFS) are periodically subjected to impairment test to identify any objective evidence of impairment or significant durable.

For equities the existence of impairment losses is evaluated, as well any difficulty in servicing the debt by the issuer, other indicators such as the decline off air value below cost and adverse changes in the environment in which the firm operates.

The significance of reductions in value (so-called "Severity") must be evaluated both in terms absolute in the sense of a negative performance of the title is in relative terms than the performance of markets / areas of Membership of the companies examined. Specifically it is considered a significant reduction in the fair value of more than 50%.The persistence in time of the impairment (so-called "Durability") is evaluated with reference to the length of the arc temporal during which such reductions were consistently and uniquely maintained continuously for a period exceeding 15 months.

The negative feature of some qualitative and quantitative criteria (so-called "Relativity") causes a significant loss of value of the minority.

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 accounts receivable, repurchase agreements and securities purchased in subscription or private placement, with determined or determinable payments, not quoted on active markets.

Recognition criteria

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

Assessment criteria

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

At every annual or interim balance sheet date all loans and receivables are examined to identify those that, following events that occurred after their recognition, show objective evidence of a possible impairment loss.

Loans classified as non-performing, watchlist or restructured in accordance with the current Bank of Italy rules, in line with IAS regulations, are the subject of an analytical evaluation process that is continually updated to verify any new elements that may determine possible changes in recoverability.

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

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

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

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

The valuation times are:

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

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

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

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

The collective valuation of performing loans takes place by subdividing the clientèle into homogeneous segments in terms of credit risk. The relative loss percentages are estimated by taking into account the probability of insolvency (PD – Probability of Default) and the loss rate in the case of insolvency (LGD - Loss Given Default). Determination of the probability of insolvency and the recovery rate in the case of insolvency takes place, for each Group bank, using the same methodology on the basis of their individual customer portfolio. Specifically in reference to the PD variable, it is determined on the basis of the internal rating model for the business segment and on the basis of historic data of transition to default for the other customer segments.

As regards LGD, the Banca Sella Group adopted a regulatory LGD of 45% as laid down in the IRB Foundation method for the calculation of the capital absorption to cover credit risk (Bank of Italy Circular 263/2006).The method described above enables an estimate of the so-called "latent loss" for each category of receivables. Value adjustments determined collectively are recognized in the Income Statement. At every annual or interim balance sheet date any additional writedowns or writebacks are recalculated in a differential manner with reference to the entire portfolio of performing loans.

Derecognition criteria

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

5 – Hedging transactions

Classification criteria: types of hedging

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

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

IAS 39 describes the following types of 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.

6 – Tangible assets

Classification criteria

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

Improvements and incremental costs in relation to identifiable and non-separable tangible assets are instead included under item 160 "Other assets".

Recognition criteria

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

Assessment criteria

Tangible assets items 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.

7 – 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.

8 – 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.

9 – 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.

10 – Payables and outstanding securities

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

11 – Financial liabilities held for trading

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

12 – 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.

- 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.

13 – Other information

Securitizations

In financial year 2001 Banca Sella sold a portfolio of performing loans and the flows deriving from a portfolio of leasing contracts to the vehicle company Secursel S.r.l. For the securitization transactions described above the company took advantage of the optional exemption provided for in IFRS 1, which permits it not to re-recognize financial assets/liabilities sold or derecognized before 1st January 2004.

From 2005 Banca Sella completed three sales of a portfolios of performing loans to the special purpose vehicle Mars 2600 S.r.l.

The loans involved in this securitizations transactions were re-recognized in the Consolidated Financial Statements because it was not possible to derecognize them in accordance with the provisions of IAS 39 and with the interpretation provided by SIC 12.

Employee benefits

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

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

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

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

Recognition of revenues and costs

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

- interest received is recognized pro rata temporis on the basis of the contractual or effective interest rate in the case of application of the amortized cost;
- any contractually envisaged default interest is accounted for in the income statement only at the moment in which it is actually collected;
- dividends are recognized in the income statement during the period in which their distribution is approved;
- fees received for services are recognized, on the basis of the existence of contractual agreements, in the period in which these services are rendered;
- gains and losses deriving from the trading of financial instruments are recognized in the income statement at the moment of conclusion of the sale, on the basis of the difference between the price paid or collected and the carrying amount of the instruments themselves;

- revenues deriving from the sale of non-financial assets are recognized at the moment of conclusion of the sale, unless most of the risks and benefits associated with the assets are maintained.

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

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;
- to articulate the insurance products and to formulate the basis for calculation of supplementary assumptions demographic (related to the perspective of the insured population mortality) and financial (resulting the possible evolution of financial markets).

Fair value measurement method

IAS 39 defines Fair Value as the "amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction" while IFRS 7 introduces the definition of “Fair Value hierarchy”. This standard envisages that each valuation made is classified on the basis of a three-level hierarchy in connection with the significance of the inputs used for such valuation. The purpose is to fix the price at which the asset 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”;
- 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;

» A 3 – INFORMATION ON FAIR VALUE

A.3.1. Transfers between portfolios

A.3.1.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income								
Type of financial instrument (1)	Previous portfolio (2)	New portfolio (3)	Book value at 31/12/2011 (4)	Fair Value at 31/12/2011 (5)	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities			**38.506**	**38.506**	**994**	**-**	**994**	**-**
	HFT	AFS	38.506	38.506	994	-	994	-
Total			**38.506**	**38.506**	**994**	**-**	**994**	**-**

Key:

HFT = Financial assets held for trading

AFS = Financial assets available for sale

HTM = Financial assets held to maturity

Due vs banks = due from banks

Due vs customers = due from customers

The Bank, following the widespread financial crisis in recent years, it has elected (approved October 13, 2008 by the International Accounting Standards Board (IASB) and adopted amendments to IAS 39 and IFRS 7 and has allowed the reclassification of certain financial instruments from the category "held for trading" in rare circumstances) to reclassify part of its portfolio securities in writing in the category "held for trading" in that "avalailable for sale".

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 994 thousand, whilst during the year other income components (9) have been recognized for euro 994 thousand.

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets			
Description	isin	rate	expected cash flow
CCT 01/07/13 TV	IT0004101447	5,31%	18.949
CCT 01/03/14 TV	IT0004224041	6,54%	24.504

A.3.2 Hierarchy of fair value

A.3.2.1 Accounting portfolios: fair value by level

Financial assets/liabilities at fair value	31/12/2011			31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	53.411	107.982	-	135.967	191.089	-
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	350.723	2.475	2.476	174.461	-	19.307
4. Hedging derivatives	-	16.144	-	-	3.312	-
Total	**404.134**	**126.601**	**2.476**	**310.428**	**194.401**	**19.307**
1. Financial liabilities held for trading	-	31.725	-	1	22.833	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	108.185	-	-	50.083	-
Total	**-**	**139.910**	**-**	**1**	**72.916**	**-**

A.3.2.2 Annual changes to financial assets carried at fair value (level 3)

Type of transaction/Amount	Financial assets			
	held for trading	carried at fair value	assets available for sale	hedging
1. Opening balance	**-**	**-**	**19.307**	**-**
2. Increases	**-**	**-**	**48**	**-**
2.1. Purchases	-	-	48	-
2.2. Profits allocated to:				
2.2.1. Income Statement	-	-	-	-
- of which capital gains	-	-	-	-
2.2.2. Shareholders' Equity	X	X	-	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	-	-
3. Decreases	**-**	**-**	**16.879**	**-**
3.1 Sales	-	-	16.833	-
3.2. Repayments	-	-	-	-
3.3. Losses allocated to:				
3.3.1. Income Statement	-	-	46	-
- of which capital losses	-	-	-	-
3.3.2. Shareholders' Equity	X	X	-	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	-	-	-	-
4. Closing balance	**-**	**-**	**2.476**	**-**

PART B INFORMATION ON THE BALANCE SHEET

» ASSETS

Section 1 - Cash and available liquidity - Item 10

1.1 Cash and available liquidity: breakdown	Total 31/12/2011	Total 31/12/2010
a) Cash on hand	117.933	64.973
b) Demand deposits at central banks	-	-
Total	**117.933**	**64.973**

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type						
Item/Amount	31/12/2011			31/12/2010		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	53.397	81.347	-	135.963	169.569	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	53.397	81.347	-	135.963	169.569	-
2. Equity securities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**53.397**	**81.347**	**-**	**135.963**	**169.569**	**-**
B. Derivative instruments						
1. Financial derivatives:	14	26.635	-	4	21.520	-
1.1 for trading	14	26.576	-	4	21.458	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	59	-	-	62	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**14**	**26.635**	**-**	**4**	**21.520**	**-**
Total A+B	**53.411**	**107.982**	**-**	**135.967**	**191.089**	**-**

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

- Level 1 (L1): referred to the financial instrument quoted in an active market;
- Level 2 (L2): if the fair value is measured according to valuation techniques based on observable market data, differing from financial instrument quotations;

- Level 3 (L3): if the fair value is calculated according to valuation techniques that are not based on observable market data.

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

This segment is composed of Italian government bonds, bonds issued by banks of the Banca Sella Group and bonds issued by other bank bonds of high creditworthiness or supranational. At 31 December 2011 the following types of securities were held:

- Italian government bonds 2%;
- Banca Sella Group bonds 55%;
- Senior bank bonds 39%;
- Supranational bonds (BEI) 4%.

During the year, following incorporation of Banca Sella Sud Arditi Galati, securities totalling approximately 30 million euro (nominal value) were transferred to this category, as well as 19 million in Italian government bonds and 11 million in senior bank bonds. Even considering this amount, the size of this category is notably diminished, in particular in the component invested in Italian government bonds in favour of financial assets available for sale.

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

Item/Amount	31/12/2011	31/12/2010
A. Cash assets		
1. Debt securities	**134.744**	**305.532**
a) Governments and Central Banks	3.083	69.916
b) Other public bodies	-	-
c) Banks	127.156	226.153
d) Other issuers	4.505	9.463
2. Equity securities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**134.744**	**305.532**
B. Derivative instruments		
a) Banks		
- fair value	17.213	13.594
b) Customers		
- fair value	9.436	7.930
Total B	**26.649**	**21.524**
Total A+B	**161.393**	**327.056**

2.3 Cash financial assets held for trading: annual changes	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**305.532**	**-**	**-**	**-**	**305.532**
B. Increases	**440.370**	**-**	**-**	**-**	**440.370**
B.1 Purchases	439.236	-	-	-	439.236
- of which: business combinations	11.938	-	-	-	11.938
B.2 Increases in fair value	159	-	-	-	159
B.3 Other changes	975	-	-	-	975
C. Decreases	**611.158**	**-**	**-**	**-**	**611.158**
C.1 Sales	410.303	-	-	-	410.303
- of which: business combinations	-	-	-	-	-
C.2 Redemptions	196.961	-	-	-	196.961
C.3 Reductions in fair value	1.354	-	-	-	1.354
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	2.540	-	-	-	2.540
D. Closing balance	**134.744**	**-**	**-**	**-**	**134.744**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type

Item/Amount	Total 31/12/2011			Total 31/12/2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	350.723	2.475	-	174.461	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	350.723	2.475	-	174.461	-	-
2. Equity securities	-	-	52	-	-	16.837
2.1 Carried at fair value	-	-	-	-	-	-
2.2 Carried at cost	-	-	52	-	-	16.837
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	2.424	-	-	2.470
Total	**350.723**	**2.475**	**2.476**	**174.461**	**-**	**19.307**

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

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

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

This sector consists of Italian government bonds, of bank bonds of high creditworthiness, and supranational bonds. At 31 December 2011 the following types of securities were held:

- BOT 8%;
- CTZ 14%;
- CCT 46%;
- BTP 20%;
- Senior bank bonds 9%;
- Supranational bonds (BEI) 3%.

During the year, following the incorporation of Banca Sella Sud Arditi Galati, Italian government bonds were transferred to this sector in the amount of 84 million euro (nominal value).

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

With regard to asset allocation, the variable component represented about 53%, while the remaining 47% was invested in fixed rate securities with short or medium-term maturity. Exposure to interest rate risks was very contained for the entirety of the period in question. The security with the longest maturity date in the portfolio matures on 15 April 2016.

The sub-item "Equity Securities" includes minority interests. The most important interests are in E-Mid totalling approximately 30 thousand euro and in Patti Chiari totalling approximately 15 thousand euro.

With regard to the Comital Saiag S.p.A. position, the company reorganisation plan was modified in 2009 and this generated a partial conversion of the total amount owing to our Bank equal to 2,4 million euro in participating financial instruments.

4.2 Financial assets available for sale: breakdown by borrowers/issuers		
Item/Amount	**31/12/2011**	**31/12/2010**
1. Debt securities	**353.198**	**174.461**
a) Governments and central banks	310.685	174.461
b) Other public bodies	-	-
c) Banks	37.986	-
d) Other issuers	4.527	-
2. Equity securities	**52**	**16.837**
a) Banks	-	10.482
b) Other issuers:	52	6.355
- insurance companies	-	-
- financial companies	31	-
- non-financial companies	21	6
- others	-	6.349
3. UCITS units	**-**	**-**
4. Loans and advances	**2.424**	**2.470**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.424	2.470
Total	**355.674**	**193.768**

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

Details on the item "Equity securities"	
	31/12/2011
Equity securities	52
- of wich: issued by subjects classified as non performing	-
- of wich: issued by subjects classified as wachlist exposures	-

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**174.461**	**16.837**	**-**	**2.470**	**193.768**
B. Increases	**263.638**	**48**	**-**	**-**	**263.686**
B.1 Purchases	260.187	48	-	-	260.235
- of which: business combinations	51.380	48	-	-	51.428
B.2 Increases in fair value	220	-	-	-	220
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	3.231	-	-	-	3.231
C. Decreases	**84.901**	**16.833**	**-**	**46**	**101.780**
C.1 Sales	31.748	16.833	-	-	48.581
- of which: business combinations	-	16.831	-	-	16.831
C.2 Redemptions	37.293	-	-	-	37.293
C.3 Reductions in fair value	14.768	-	-	-	14.768
C.4 Impairment losses	-	-	-	46	46
- charged to the income statement	-	-	-	46	46
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	1.092	-	-	-	1.092
D. Closing balance	**353.198**	**52**	**-**	**2.424**	**355.674**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type								
	Total 31/12/2011				Total 31/12/2010			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	165.063	131.034	17.546	-	90.939	87.787	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	165.063	131.034	17.546	-	90.939	87.787	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

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

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

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

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.

The securities included in this category amounted to 165,1 million euro, and were BTP; more specifically:

- BTP 15/11/2016 35,7 million;
- BTP 01/08/2016 10,3 million;
- BTP 01/08/2018 20,9 million;
- BTP 01/03/2019 20,8 million;
- BTP 01/09/2019 19,0 million;
- BTP 01/03/2020 38,7 million;
- BTP 01/03/2021 4,7 million;
- BTP 01/09/2021 15,0 million.

During the year, following the incorporation of Banca Sella Sud Arditi Galati, Italian government bonds were transferred to this sector in the amount of 19 million euro (nominal value).

5.2 Financial assets held to maturity: borrowers/issuers

Type of transaction/Amount	Total 31/12/2011	Total 31/12/2010
1. Debt securities	**165.063**	**90.939**
a) Governments and central banks	165.063	90.939
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	**165.063**	**90.939**

5.4 Financial assets held to maturity: annual changes

	Debt securities	Loans and advances	Total
A. Opening balance	**90.939**	**-**	**90.939**
B. Increases	**74.525**	**-**	**74.525**
B.1 Purchases	73.769	-	73.769
- of which: business combinations	17.974	-	17.974
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	756	-	756
C. Decreases	**401**	**-**	**401**
C.1 Sales	-	-	-
- of which: business combinations	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	401	-	401
D. Closing balance	**165.063**	**-**	**165.063**

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by type		
Type of transaction/Amount	**31/12/2011**	**31/12/2010**
A) Due from central banks	**50.928**	**20.538**
1. Term deposits	-	-
2. Statutory reserve	50.928	20.538
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**1.807.686**	**1.661.562**
1. Current accounts and demand deposits	1.275.716	938.638
2. Term deposits	93.779	383.966
3. Other loans and advances	11.010	4.241
3.1 reverse repurchase agreements	-	4.241
3.2 financial leasing	-	-
3.3 others	11.010	-
4. Debt securities	427.181	334.717
4.1 structured	-	-
4.2 others	427.181	334.717
Total (book value)	**1.858.614**	**1.682.100**
Total (fair value)	**1.859.140**	**1.682.156**

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

This section consists exclusively of bonds issued by Banca Sella Holding.

During the year, following the incorporation of Banca Sella Sud Arditi Galati, Banca Sella Holding bonds were transferred to this sector in the amount of 6 million euro (nominal value).

Section 7 - Due from customers - Item 70

7.1 Due from customers: breakdown by type				
Type of transaction/Amount	**Total 31/12/2011**		**Total 31/12/2010**	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Current accounts	962.521	102.916	661.339	57.620
2. Repurchase agreements	-	-	-	-
3. Mortgage loans	3.217.702	161.762	2.508.496	65.104
4. Credit cards, personal loans, salary-backed loans	380.710	3.690	230.194	4.271
5. Financial leasing	-	-	-	-
6. Factoring	-	-	-	-
7. Other operations	1.772.823	100.360	1.802.771	59.588
8. Debt securities	200	-	-	-
8.1 Structured	-	-	-	-
8.2 Others	200	-	-	-
Total (Book value)	**6.333.956**	**368.728**	**5.202.800**	**186.583**
Total (fair value)	**6.503.898**	**368.728**	**5.280.553**	**186.583**

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

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

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

The item debt securities consists exclusively of a 6% Confidi subordinate bond with maturity at 27 December 2018.

7.2 Due from customers: breakdown by borrowers/issuers				
Type of transaction/Amount	Total 31/12/2011		Total 31/12/2010	
	Performing	Impaired	Performing	Impaired
1. Debt securities issued by:	**200**	**-**	**-**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	200	-	-	-
- non-financial companies	-	-	-	-
- financial companies	200	-	-	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans and advances to:	**6.333.755**	**368.729**	**5.202.798**	**186.582**
a) Governments	55	1	97	-
b) Other public bodies	15.694	213	13.457	-
c) Other subjects	6.318.006	368.515	5.189.244	186.582
- non-financial companies	3.015.946	256.752	2.480.209	130.872
- financial companies	891.389	571	857.077	303
- insurance companies	336	-	464	-
- others	2.410.336	111.191	1.851.494	55.407
Total	**6.333.956**	**368.728**	**5.202.798**	**186.582**

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by hedging type and by levels								
	FV 31/12/2011			VN 31/12/2011	FV 31/12/2010			VN 31/12/2010
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**16.144**	**-**	**402.140**	**-**	**3.312**	**-**	**168.800**
1) Fair value	-	16.144	-	402.140	-	3.312	-	168.800
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**16.144**	**-**	**402.140**	**-**	**3.312**	**-**	**168.800**

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	16.144	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**16.144**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 9 - Change in value of financial assets subject to macro-hedging Item 90

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

Change in value of hedged assets	31/12/2011	31/12/2010
1. Positive change	**104.720**	**45.740**
1.1 of specific portfolios:	104.720	45.740
a) loans and recievables	104.720	45.740
b) financial assets available for sale	-	-
1.2 overall	-	-
2. Negative change	**-**	**-**
2.1 of specific portfolios:	-	-
a) loans and recievables	-	-
b) financial assets available for sale	-	-
2.2 overall	-	-
Total	**104.720**	**45.740**

9.2 Assets subject to macro-hedging of interest rate risk

	31/12/2011	31/12/2010
Hedged assets		
1. Loans and receivables	768.787	527.742
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**768.787**	**527.742**

Section 11 - Tangible assets - Item 110

11.1 Tangible assets: breakdown of assets carried at cost

Item/Amount	Total 31/12/2011	Total 31/12/2010
A. Assets used for business purposes		
1.1 owned	**28.485**	**7.655**
a) land	3.087	331
b) buildings	11.058	1.328
c) furniture	1.241	1.093
d) electronic equipment	6.903	1.054
e) other	6.196	3.849
1.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total A	**28.485**	**7.655**
B. Assets held for investment		
2.1 owned	**882**	**-**
a) land	234	-
b) buildings	648	-
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**882**	**-**
Total (A+B)	**29.367**	**7.655**

11.3 Tangible assets used for business purposes: annual changes

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**331**	**1.387**	**8.774**	**19.621**	**18.698**	**48.811**
A.1 Total net impairments		(59)	(7.681)	(18.567)	(14.849)	(41.156)
A.2 Net opening balance	**331**	**1.328**	**1.093**	**1.054**	**3.849**	**7.655**
B. Increases	**2.756**	**10.133**	**638**	**8.281**	**4.263**	**26.071**
B.1 Purchases	2.756	10.133	637	8.269	4.261	26.056
- of which: business combinations	2.756	9.299	576	4.248	3.475	20.354
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	-	-	1	12	2	15
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**402**	**490**	**2.433**	**1.915**	**5.240**
C.1 Sales	-	-	-	293	-	293
- of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	402	485	2.112	1.883	4.882
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	-	-	1	13	3	17
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	4	15	29	48
D. Net closing balance	**3.087**	**11.059**	**1.241**	**6.902**	**6.197**	**28.486**
D.1 Total net impairments		(4.503)	(11.331)	(72.062)	(29.477)	(117.373)
D.2 Gross closing balance	**3.087**	**15.561**	**12.572**	**78.965**	**35.673**	**145.858**
E. Carried at cost	3.074	11.691	1.241	6.903	6.196	29.105

11.4 Tangible assets held for investment purpose: annual changes

	Total	
	Land	Buildings
A. Gross opening balance	**-**	**-**
A.1 Total net impairments		-
A.2 Net opening balance	**-**	**-**
B. Increases	**234**	**680**
B.1 Purchases	234	680
- of which: business combinations	84	680
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	-	-
C. Decreases	**-**	**32**
C.1 Sales	-	-
- of which: business combinations	-	-
C.2 Depreciation	-	32
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. Net closing balance	**234**	**648**
D.1 Total net impairments		435
D.2 Gross closing balance	**234**	**1.083**
E. Carried at fair value	-	-

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset				
Item/Amount	**Total 31/12/2011**		**Total 31/12/2010**	
	Limited term	**Unlimited term**	**Limited term**	**Unlimited term**
A.1 Goodwill	**X**	**14.197**	**X**	**542**
A.2 Other intangible assets:	**27.964**	**-**	**73**	**-**
A.2.1 Assets carried at cost	27.964	-	73	-
a) Intangible assets generated internally	3.656	-	-	-
b) Other assets	24.308	-	73	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**27.964**	**14.197**	**73**	**542**

INFORMATION ON IMPAIRMENT TESTS FOR GOODWILL AND INTANGIBLE ASSETS WITH UNLIMITED LIFE

International Accounting Standards 36 ("IAS 36") establishes the accounting and information principles for the financial statements relative to impairment of certain types of assets, including goodwill, illustrating the principles that a company must follow to ensure that their assets are registered in the financial statements (carrying value) at a value that does not exceed the recoverable value.
On the basis of that required under IAS 36, it is necessary to compare the carrying value of the goodwill with its recoverable value each time that there is an indication that the asset may have been subject to impairment and in any case at least once per year, at the time that the financial statements are prepared (Impairment Test).
The recoverable value of the goodwill is estimated in reference to the business units (Cash Generating Unit – CGU) in as much as the goodwill is not able to produce cashflow in an autonomous manner.
The CGU is the smallest identifiable group of assets able to generate financial inflows independent of incoming financial flows generated by other assets or groups of assets for which the Group has independent detection of the results through the management reporting systems.

Below are indicated, with the aid of an appropriate summary table, the following:

- the CGUs identified and hence subjected to impairment tests with the relative goodwill allocated;
- the calculation methods used and the results of the impairment tests for each CGU;
- the description of the methods used;
- the elements used to calculate the recoverable value for each CGU;
- the sensitivity analysis performed;
- the conclusions obtained.

Entity subjected to impairment test and relative goodwill allocated *(figures in thousands of euro)*			
		Goodwill allocated	
Company	**CGU**	**Current year before writedowns**	**Previous year**
Branch of BS Milano Via Gonzaga[(1)]	CGU 1	542	542
BS branches (formerly Cram)[(2)]	CGU 2	1.881	1.881
BS S. Michele and Fasano branches[(3)]	CGU 3	1.938	1.938
BS branches (formerly BCC Camastra and Naro)[(4)]	CGU 4	1.770	1.770
BS branches (formerly Banca Generoso Andria)[(5)]	CGU 5	8.066	8.066
TOTAL		**14.197**	**14.197**

(1)The entity subject to *impairment* test is the branch of Milan, Via Gonzaga, purchased by the Banco di Chiavari e della Riviera in 1999.
(2)The entity subject to *impairment* test is the group of branches purchased by the former-CRA Monreale in 1997.
(3)The entity subject to *impairment* test is the group of branches purchased by Credito Cooperativo di Ostuni in 2000.
(4)The entity subject to *impairment* test is the group of branches purchased by the former BCC Unione di Camastra e Naro in 2001
(5)The entity subject to *impairment* test is the group of branches purchased by the former-Banca Generoso Andria in 2001.

The accounting standards of reference state that the *impairment* test must be carried out comparing the book value of the CGU with its recoverable value. If this value is found to be less than the book value, a value adjustment must be recognised. The recoverable value of the CGU is the greater of its fair value net of selling costs and its value in use.

Below is a list of the CGU that were analysed and, on the side, the recoverable value calculation methods used and the results of the *impairment* test:

Impairment test: *CGU subject to further analysis*			
CGU	**Recoverable value**	**Method of calculation used**	**Result of impairment test**
CGU 1	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU 2	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU 3	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU 4	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU 5	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value

Methods used

The Value in use is defined as the present value of future cash flows expected to derive from an asset. The model used to determine the value in use is DDM (dividend discount model), to discount back distributable income flows after meeting the prescribed minimum capital requirement (excess capital).

The estimate of value in use incorporates the following elements:

- estimate of future financial flows that the company envisages will derive from the continuous use of the asset and its final sale: the most recent budget plans relative to the CGU as approved by the governing bodies of the company were used as references. Apart from the period covered by said plans, the projections of financial flows are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);

- discount rate (Ke): it was calculated according to the Capital Asset Pricing Model (CAPM). The formula used is: Ke = Rf + Beta * (RM- Rf) where:
    - Rf is the *risk free* rate determined using the average at 12 months, as determined at 31 December 2011, using the ten year BTP performance. The value used was 5,35%;
    - (Rm – Rf) is the market risk premium. It is given by the difference between the yield of a diversified portfolio made up of all risky investments available in the market and the yield of a risk-free security. The value used amounts to 5%
    - Beta is the specific risk of the investment. Beta expresses the correlation between the yield of one risky investment and the yield of the market portfolio.
- capital requirement for the estimate of distributable cash flows (when the excess capital method was used): it was defined using that envisaged in the Supervisory regulations.

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	2011	2012	2013	2014
Real GDP	1,5	0,2	0,7	1,0
Consumer price index	2,7	1,5	1,2	1,6
Official rates	1,0	0,5	0,5	0,5
Short-term interest rates (Euribor 3m)	1,4	1,0	0,8	0,7
Italy				
Real GDP	0,5	-0,4	0	0
Consumption	0,6	-1,0	0,9	0,9
Consumer price index	2,7	1,7	0,9	1,1

During the three-year period, the international context should show modest growth. In terms of consumer prices, the moderate growth should justify the continued lack of inflationist tension in developed countries.
As for Italy, growth prospects in the three-year period 2012-2014 appear weak and below the Eurozone average.
As regards the financial sector, the scenario assumes low official rates and a substantial stability to the average bank spread.

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

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

CGU: elements used to calculate recoverable value			
CGU	**Basic assumptions**	**Method of determination**	**Notes**
CGU 1 CGU 2 CGU 3 CGU 4 CGU 5	Economic and balance sheet variables	Three-year plan (2012-2014) approved by the Board of Directors of the company	• The forward-looking statements take into account a gradual recovery of the profitability of the banking retail business to which CGUs belong, basically deriving from: - the improvement in the interest margin and the revenues from services thanks to the expected increase in assets, in particular in terms of deposits - the substantial stability of the spread in the context of which an improvement in markups and a worsening of markdowns is envisaged - the trend in the impact of losses on loans gradually declining, especially in 2013 and 2014, as a consequence to the improvement expected in the outlook - the structural reductions in operating costs • The discount rate used was 9,35%, incorporating a Beta of 0,8.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

Sensitivity analysis

Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IFRS.
In particular, the impact on the value in use of an increase in discounting rates and a decrease in the growth rate for terminal value purposes was verified.
The table below shows the sensitivity of the value in use of the various CGU to the increase/decrease in the discount rate or growth rate "g" to +/- 25 bps.

Sensitivity analysis				
CGU	**Change in discount rate**		**Change in profit growth rate**	
	Change considered	**% sensitivity of the value in use**	**Change considered**	**% sensitivity of the value in use**
CGU 1	+ 25 b.p.	3,4%	- 25 b.p.	2,8%
CGU 2	+ 25 b.p.	3,2%	- 25 b.p.	2,6%
CGU 3	+ 25 b.p.	3,1%	- 25 b.p.	2,5%
CGU 4	+ 25 b.p.	3,3%	- 25 b.p.	2,7%
CGU 5	+ 25 b.p.	3,0%	- 25 b.p.	2,4%

In addition, analyses aimed at highlighting the value limits beyond which impairment testing of the CGU in question would require recognition of impairment. To this end the table below illustrates the "g" rate and the discount rate that would lead, assuming the same cash flows to be discounted, to values in use that are aligned to the book values.

Sensitivity analysis		
CGU	**Discount rate**	**“G” rate**
CGU 1	N.S. (> 25%)	N.S. (<-25%)
CGU 2	N.S. (> 25%)	N.S. (<-25%)
CGU 3	N.S. (> 25%)	N.S. (<-25%)
CGU 4	15,5%	-7,2%
CGU 5	18,4%	-13,4%

Conclusions

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

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	**542**	**-**	**-**	**1.971**	**-**	**2.513**
A.1 Total net reductions in value	-	-	-	(1.898)	-	(1.898)
A.2 Net opening balance	**542**	**-**	**-**	**73**	**-**	**615**
B. Increases	**13.655**	**4.052**	**-**	**33.889**	**-**	**51.596**
B.1 Purchases	13.655	4.052	-	33.882	-	51.589
- of which: business combinations	13.655	2.720	-	29.227	-	45.602
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	7	-	7
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**396**	**-**	**9.654**	**-**	**10.050**
C.1 Sales	-	-	-	-	-	-
- of which: business combinations	-	-	-	-	-	-
C.2 Writedowns	-	396	-	6.682	-	7.078
- amortization	X	396	-	6.682	-	7.078
- writedowns	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	9	-	9
C.6 Other changes	-	-	-	2.963	-	2.963
D. Net closing balance	**14.197**	**3.656**	**-**	**24.308**	**-**	**42.161**
D.1 Total net adjustments	-	(757)	-	(86.371)	-	(87.128)
E. Gross closing balance	**14.197**	**4.413**	**-**	**110.679**	**-**	**129.289**
F. Carried at cost	14.197	3.656	-	24.308	-	42.161

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

Current tax assets: breakdown	Total 31/12/2011	Total 31/12/2010
Prepaid taxes	19.257	18.071
Credits for withholdings	299	11.140
Assets from inclusion in tax consolidation	82	67
Tax credits	3.574	14.449
Total	**23.212**	**43.727**

Current tax assets includes a provisional deposit made in expectation of a judgement in an amount totalling approximately 188 thousand euro. This amount is connected to a tax dispute with Inland Revenue on the part of the former Banca Sella Sud Arditi Galati (now incorporated into Banca Sella), regarding a presumed IRES non-deductibility of value adjustments on loans executed in the 2005 financial statements. The total amount of this dispute is approximately 311 thousand euro in terms of IRES, plus interest and sanctions of approximately 360 thousand euro. On 10 February 2012 the judgement was declared by the CTP of Lecce in the Bank's favour. Taking into account that defeat in the dispute is held to be unlikely, as there are valid arguments for the defence and in the light of the favourable sentence in the lower courts, no provisions to cover this risk have been made.

Current tax liabilities: breakdown	Total 31/12/2011	Total 31/12/2010
Provisions for direct taxes	31.797	17.520
Total	**31.797**	**17.520**

13.1 - Deferred tax assets: breakdown

	Ires	Irap	Others	31/12/2011	31/12/2010
Losses on loans and receivables	47.404	6	-	47.410	28.394
Provisions for sundry risks and liabilities	3.736	7	-	3.743	2.441
Depreciation and valuation of buildings	1.481	40	-	1.521	418
Sundry administrative expenses	121	-	-	121	47
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	39	-	60	99	6
Collective valuations of sureties issued	457	-	-	457	560
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	-	-	-	-
Liberation goodwill	422	85	-	507	-
Other assets	242	96	-	338	71
Total deferred tax assets (charged to income statement)	**53.902**	**234**	**60**	**54.196**	**31.937**
Depreciation and valuation of buildings	1.525	308	-	1.833	-
Measurement of available-for-sale financial assets	5.195	1.048	-	6.243	1.008
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**6.720**	**1.356**	**-**	**8.076**	**1.008**

13.2 - Deferred tax liabilities: breakdown

	Ires	Irap	Others	31/12/2011	31/12/2010
Different calculation of depreciation of tangible assets	449	91	-	540	-
Different calculation of amortization of intangible assets	24	5	-	29	-
Capital gain on sale of company division	94	13	-	107	58
Goodwill	1.593	321	-	1.914	-
Other liabilities	3	-	-	3	-
Total deferred taxes (charged to income statement)	**2.163**	**430**	**-**	**2.593**	**58**
Valuation of tangible assets	262	53	-	315	-
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to shareholders' equity)	**262**	**53**	**-**	**315**	**-**

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

	31/12/2011	31/12/2010
1. Initial amount	**31.937**	**28.364**
2. Increases	**27.934**	**7.108**
2.1 Prepaid taxes recognised during the year	16.852	7.108
a) relating to previous years	130	217
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	16.722	6.891
2.2 New taxes or increases of tax rate	69	-
2.3 Other increases	11.013	-
- of which: business combinations	11.013	-
3. Decreases	**5.675**	**3.535**
3.1 Prepaid taxes cancelled during the year	5.672	3.535
a) reversals	34	3.484
b) writedowns for unrecoverable items	8	-
c) changes in accounting policies	-	-
d) others	5.630	51
3.2 Reductions in tax rates	-	-
3.3 Other changes	3	-
- of which: business combinations	-	-
4. Final amount	**54.196**	**31.937**

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

	31/12/2011	31/12/2010
1. Opening balance	**58**	**128**
2. Increases	**2.595**	**19**
2.1 Deferred taxes recognized during the year	80	19
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	80	19
2.2 New taxes or increases in tax rates	55	-
2.3 Other increases	2.460	-
- of which: business combinations	2.460	
3. Decreases	**60**	**89**
3.1 Deferred taxes cancelled during the year	60	89
a) reversals	60	89
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
- of which: business combinations	-	
4. Final amount	**2.593**	**58**

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

	Total 31/12/2011	Total 31/12/2010
1. Opening balance	**1.008**	**-**
2. Increases	**7.084**	**1.008**
2.1 Prepaid taxes recognized during the year	4.807	1.008
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4.807	1.008
2.2 New taxes or increases in tax rates	73	-
2.3 Other increases	2.204	-
3. Decreases	**16**	**-**
3.1 Prepaid taxes cancelled during the year	16	-
a) reversals	-	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	16	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**8.076**	**1.008**

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

	31/12/2011	31/12/2010
1. Opening balance	**-**	**361**
2. Increases	**315**	**-**
2.1 Deferred taxes recognized during the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
2.2 New taxes or increases in tax rates	7	-
2.3 Other increases	308	-
3. Decreases	**-**	**361**
3.1 Deferred taxes cancelled during the year	-	361
a) reversals	-	361
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**315**	**-**

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown	31/12/2011	31/12/2010
Forms in stock	620	244
Payment orders to sundry others being debited	21.659	35.700
Current account cheques drawn against third parties	44.805	24.168
Current account cheques drawn against the bank	12.115	7.975
Tax credits (not income taxes)	20.029	-
Fees, commissions and other income in the process of collection	25.015	16.870
Expenses for improvements to third-party property	3.284	3.417
Advances and accounts payable	2.516	2.580
Charges/invoices to be issued towards customers	3.778	1.054
Disputed items not deriving from lending transactions	728	235
Deferrals on administrative expenses and fees	1.374	474
Others	5.664	3.940
Total	**141.587**	**96.657**

In 2011, the sub-item "Tax receivables (no income taxes)" has been reclassified under the Item "Tax assets". The most important amount refers to stamp duties.

» LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type		
Type of transaction/Amount	**31/12/2011**	**31/12/2010**
1. Due to central banks	**-**	**-**
2. Due to banks	**97.301**	**119.025**
2.1 Current accounts and demand deposits	81.827	94.123
2.2 Term deposits	15.270	20.636
2.3. Loans and advances	23	4.266
2.3.1 financial leasing	-	-
2.3.2 others	23	4.266
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	181	-
Total	**97.301**	**119.025**
Fair value	**97.301**	**119.025**

IAS 39 defines Fair Value as the "amount for which an asset could be exchanged, or a liability settled, between knowledgeable independent parties in an arm's length transaction." Due to the characteristics of the debt, the fair value does not have noticeable differences from the book value and is, therefore, aligned with the same.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type		
Type of transaction/Amount	**31/12/2011**	**31/12/2010**
1. Current accounts and demand deposits	6.157.954	5.251.112
2. Term deposits	533.875	294.718
3. Loans and advances	442.331	383.071
3.1 repurchase agreement	416.331	375.071
3.2 others	26.000	8.000
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	175.002	144.507
Total	**7.309.162**	**6.073.408**
Fair value	**7.309.162**	**6.073.408**

IAS 39 defines Fair Value as the "amount for which an asset could be exchanged, or a liability settled, between knowledgeable independent parties in an arm's length transaction." Due to the characteristics of the debt, the fair value does not have noticeable differences from the book value and is, therefore, aligned with the same.

2.3 Detail of item 20 "Due to customers": structured debts		
	Totale 31/12/2011	Totale 31/12/2010
- structured debts	10.340	12.240
Total	**10.340**	**12.240**

This item consists of dual currency structured deposits which allow for obtaining a yield higher than the market rate on the tied liquidity, incorporating risks relative to the possible conversion of the capital on maturity.

Section 3 - Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type								
Type of security/Amount	Total 31/12/2011				Total 31/12/2010			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Quoted securities								
1. Bonds	1.457.000	-	1.441.235	-	1.201.517	-	1.196.510	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1.457.000	-	1.441.235	-	1.201.517	-	1.196.510	-
2. Other securities	209	-	-	209	70	-	-	70
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	209	-	-	209	70	-	-	70
Total	**1.457.209**	**-**	**1.441.235**	**209**	**1.201.587**	**-**	**1.196.510**	**70**

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

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

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

3.2 Details of Item 30 “Outstanding securities”: subordinated securities		
	Total 31/12/2011	Total 31/12/2010
- subordinated securities	267.929	200.932
Total	**267.929**	**200.932**

3.3 Outstanding securities subject to micro-hedging

	Total 31/12/2011	Total 31/12/2010
1. Securities subject to micro-hedging of fair value	**423.182**	**244.426**
a) interest rate risk	423.182	244.426
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	**423.182**	**244.426**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type										
Type of transaction/Group components	31/12/2011					31/12/2010				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
- credit linked notes	-	-	-	-	X	-	-	-	-	X
- reverse floater	-	-	-	-	X	-	-	-	-	X
- structured bonds: others	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
- credit linked notes	-	-	-	-	X	-	-	-	-	X
- reverse floater	-	-	-	-	X	-	-	-	-	X
- other structured securities: others	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	X	-	31.725	-	X	X	1	22.834	-	X
1.1 Held for trading	X	-	31.725	-	X	X	1	22.834	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**31.725**	**-**	**X**	**X**	**1**	**22.834**	**-**	**X**
Total A+B	**X**	**-**	**31.725**	**-**	**X**	**X**	**1**	**22.834**	**-**	**X**

Key

FV = fair value

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

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

At the end of the period the total amount of uncovered short positions is 0 euro thousands. This item consists exclusively in financial derivatives for trading, and reflects the trend in rates.

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedging and by hierarchical levels								
	Fair value 31/12/2011			NV 31/12/2011	Fair value 31/12/2010			NV 31/12/2010
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**108.185**	**-**	**701.826**	**-**	**50.083**	**-**	**569.265**
1) Fair value	-	108.185	-	701.826	-	50.083	-	569.265
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**108.185**	**-**	**701.826**	**-**	**50.083**	**-**	**569.265**

Key:
VN =nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

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

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

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

Transaction/Type of hedging	*Fair value*						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	108.165	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**108.165**	**-**	**-**	**-**
1. Financial liabilities	21	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown	31/12/2011	31/12/2010
Taxes payable for third parties	14.770	12.238
Adjustments for non-cash portfolio items	17.205	11.210
Cash available to customers	3.691	2.916
Bank transfers and other payments due	133.755	34.794
Accounts payable and fees payable to sundry third parties	27.175	14.341
Personnel expenses	7.870	7.119
Payables for guarantees and commitments	1.662	2.035
Fees payable to statutory auditors and directors	475	347
Contributions payable to sundry agencies	6.722	3.655
Deferrals	1.337	1.413
Payments to cover recalled bills	-	36
Advances and due to customers	101	-
Others	5.060	3.840
Total	**219.823**	**93.944**

Relative to the item "Bank transfers and other payments due", which constitutes the greatest change, the increase in the same refers to commercial revenues, check truncation and bank transfers awaiting regulation by the clearing house.

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes	31/12/2011	31/12/2010
A. Opening balance	**13.392**	**15.319**
B. Increases	**14.994**	**648**
B.1 Provision of the year	514	293
B.2 Other changes	14.480	355
C. Decreases	**1.303**	**2.575**
C.1 Liquidations paid	1.152	1.254
C.2 Other changes	151	1.321
D. Closing balance	**27.083**	**13.392**

The main variation comes from the incorporation of the amounts of severance pay for Banking Services and Banca Sella Sella South Arditi Galati after the operation "Bank One".
Within the other increases have been included effects related to the actuarial valuation reserve for gains (losses) on defined benefit plans amounting to 574 thousand euros.
On 22 December 2011, the Board of Directors of the Parent Company authorised a change in the principle and parameter used to determine the severance indemnity in the financial statements, the accounting effects of which are thoroughly described in Part A - Accounting Policies of these Notes, and which justify the difference in the amounts at 31 December 2010 with respect to that published.

As indicated in IAS Accounting Principle 19 (article 73), the hypotheses relative to the phenomena that determine the timing and the size of future costs which the company must sustain to pay benefits for its employees must represent the "best estimate" possible in terms of the future performance of the phenomena in question.
For the purposes connected to the present intervention, the technical foundations were revised by observing the Group's experience relative to the period between 01 July 2009 - 30 June 2011 and making reference to the demographic/financial variables described below.

Demographic assumptions
- mortality/disability: in addition to the historical series observed, the 2006 ISTAT tables were adopted, divided by age and gender;
- retirement, resignations/dismissals, expiry of contracts: these causes for exclusion were deduced from the observation of corporate data. For staff with non-permanent contracts, the time period was brought to the expiration of the contract (as no contractual terms guaranteed the continuation of the employment relationship) and no early dismissal was assumed before the expiration of the contract. In the actuarial valuations, the start dates for the pension arrangements envisaged in the "Second Manoeuvre" (Decree Law no. 138 of 13 August 2011, containing "Additional urgent measures for financial stabilisation and development") as well as the new items introduced by Law no. 122 of 30 July 2010, regarding pension welfare windows and connections to retirement age to the increase in human life expectancy;
- severance indemnity advances: in order to take into account the effects that these advances may have on the timing of the severance pay and the discounting of the company's debt, the probability for the disbursement of a part of accrued amounts was calculated. The annual advance frequency, deduced by observing corporate data was 3,1%, while the severance indemnity percentage requested as advance was assumed at 70%, which is the maximum percentage provided by governing regulations;
- supplementary social security: those who have always entirely paid their severance indemnity fund to supplementary social security relieve the Company from paying severance indemnities and, therefore, were not evaluated. As regards other employees, the evaluation was carried out considering the choices made by employees at 31 December 2011 (at 30 November 2011 for the company Brosel S.p.A.), communicated by the Companies.

Economic/financial assumptions
The method established by IAS 19 requires the adoption of underlying economic-financial techniques that affect both the prospective flow development (following salary increases and foreseeable inflationist scenarios) and, above all, the discounting of the estimated debt of the Company as of the measurement date. The discount rate is, in fact, the main assumption significantly affecting the results of the processing.
More specifically, the following hypotheses are adopted in actuarial measurement:
1) inflation: the inflation scenario indicated in the "Public Finance Decision 2011-2013" document was hypothesized, which envisages planned inflation of 1,5% for 2012 and the following years;
2) wage rises: this phenomenon was considered by taking into account two components: the first regarding merit and contractual issues, the second inflation.
 - with reference to the first component, a zero annual increase rate was adopted;
 - with reference to the second component, the inflation levels indicated in the previous point 1 were used;
3) discount rates: pursuant to IAS 19, the discount rate adopted was determined by making reference to the market performance of leading company bonds at the measurement date. In this connection, the AA Composite rate curve was used (source: Bloomberg) as at 30 November 2011 for the company Brosel S.p.A. and as at 31 December 2011 for all the other companies in the Group.

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown		
Item/Amount	**31/12/2011**	**31/12/2010**
1. Company pension funds	-	-
2. Other provisions for risks and charges	12.788	8.717
2.1 Legal disputes and customers complaint	9.757	7.055
2.2 Operational risks	688	336
2.3 Personnel charges	1.383	754
2.4 Supplementary customer allowance and goodwill compensation for termination of agency relationship	104	-
2.5 Others	856	572
Total	**12.788**	**8.717**

Note that there is a tax dispute with Inland Revenue on the part of the former Banca Sella Sud Arditi Galati (incorporated into Banca Sella during 2011), regarding a presumed IRES non-deductibility of value adjustments on loans executed in the 2005 financial statements. The total amount of this dispute is approximately 311 thousand euro in terms of IRES, plus interest and sanctions of approximately 360 thousand euro. On 10 February 2012 the judgement was declared by the CTP of Lecce in the Bank's favour. Taking into account that defeat in the dispute is held to be unlikely, as there are valid arguments for the defence and in the light of the favourable sentence in the lower courts, no provisions to cover this risk have been made.

As regards provisions for risks and charges for bankruptcy revocatory actions, during 2011 there was an increase in new provisions, mostly deriving from court requests formulated by bankruptcy Receivers. These refer to a small number of positions that nonetheless represent a sizeable sum, for which negotiations have been carried out in order to resolve the issue through a settlement. In addition, positive solutions were also arrived at on a number of the risk positions, and other risk positions were positively concluded, which led to the release of significant provisions found to be no longer necessary.

Relative to the item "supplementary customer allowance and goodwill compensation for termination of agency relationship," during the course of 2011, this was valued following the transfer of some advisers to the Bank from the Easy Nolo Group company.

12.2 Provisions for risks and charges: annual changes

Item/components	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others	Total
A. Opening balance	**-**	**7.055**	**754**	**336**	**-**	**572**	**8.717**
B. Increases	**-**	**6.702**	**1.147**	**2.458**	**104**	**856**	**11.267**
B.1 Provisions for the year	-	3.119	127	700	5	129	4.080
B.2 Changes due to passing of time	-	178	33	-	-	-	211
B.3 Changes due to fluctuations in discount rate	-	-	-	-	-	-	-
B.4 Other changes	-	3.405	987	1.758	99	727	6.976
- business combinations (+)	-	3.405	987	1.758	-	727	6.877
- other changes (+)	-	-	-	-	99	-	99
C. Decreases	**-**	**4.000**	**518**	**2.106**	**-**	**572**	**7.196**
C.1 Utilization in the period	-	1.518	394	2.106	-	250	4.268
C.2 Changes due to fluctuations in discount rate	-	48	5	-	-	-	53
C.3 Other changes	-	2.434	119	-	-	322	2.875
- other changes (-)	-	2.434	119	-	-	322	2.875
D. Closing balance	**-**	**9.757**	**1.383**	**688**	**104**	**856**	**12.788**

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

14.1 "Capital" and "Treasury shares": breakdown

	31/12/2011			31/12/2010		
	Shares issued	Shares subscribed and not yet paid up	Total	Shares issued	Shares subscribed and not yet paid up	Total
A. Capital	**269.145**	**-**	**269.145**	**200.000**	**-**	**200.000**
A.1 ordinary shares	269.145	-	269.145	200.000	-	200.000
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	**269.144.881**	**-**
- fully paid up	269.144.881	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**200.000.000**	**-**
B. Increases	69.144.881	-
B.1 New issues	69.144.881	-
- for payment	69.144.881	-
- business combinations	69.144.881	-
- 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	**269.144.881**	**-**
D.1 Treasury shares (+)	-	-
D.2 Total shares at end of period	269.144.881	-
- fully paid up	269.144.881	-
- not fully paid up	-	-

Note that at the end of the year, the share capital requirements due to the suspended tax regime, deriving from the incorporation of Banca Sella Sud Arditi Galati total 5.784 thousand euro, can be broken down as follows:

- revaluation reserve under law no. 266 of 2005, art. 1, paragraph 469: 5.090 thousand euro;

- revaluation reserve under law no. 413 of 1991: 694 thousand euro.

14.3 Capital: other information

	31/12/2011	31/12/2010
Face value per share (in units of one euro)	0,5	0,5
Shares reserved for option-based issue	-	-
Number of contracts in place for the sale of shares	-	-

The Bank does not hold, nor has it held, bought or sold during the period, any treasury shares or shares of the parent company Banca Sella Holding.

14.4 Profit reserves: other information		
	31/12/2011	31/12/2010
Legal Reserve	21.177	14.847
Statutory Reserve	53.365	48.439
Extraordinary Reserve	4.834	-
Free	4.834	-
Group company merger surplus reserve	(65.723)	-
Reserve of application IAS 8	(1.103)	-
Reserve for purchase of company divisions from Group companies	(63.515)	-
Gains/losses carried forward in application of IAS n. 8	(3.443)	(2.351)
Reserve for sale of company divisions to Group companies	2.492	7.905
Deficits of previous years	(1.051)	-
Total	**(52.967)**	**68.840**

Amounts relative to 31 December 2010 refer exclusively to Banca Sella. The item Statutory Reserve at 31 December 2010 is different from that indicated in the published financial statements, due to the application of IAS 8 regarding changes in the accounting principle used for the severance indemnity. For more detail please refer to the Notes to these financial statements, Part A - Accounting Policies.

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	**269.145**				
Equity reserves					
Share premium reserve	267.840	A - B - C	267.840		
Riserva versamenti in conto aumenti di capitale	635				
Profit reserves					
Legal reserve	21.177	B			
Statutory reserve	53.365	B			
Extraordinary reserve	4.834	A - B - C	4.834	-	-
Group company merger surplus reserve	(65.723)	A - B - C	(65.723)	-	-
Reserve of application IAS 8	(1.103)		(1.103)		
Gains/losses carried forward in application of IAS n. 8	(3.443)		(3.443)		
Valuation reserves					
Available-for-sale asset valuation reserve pursuant to Lgs. Dec. 38/05 Art. 7 paragraph 2	(12.648)		-		
Actuarial profit/losses in relation to defined benefit plans	1.853	---[1]			
Other reserves					
Reserve for purchase of company divisions from Group companies	(63.515)	---	(61.604)	-	-
Reserve for sale of company divisions to Group companies	2.492	A - B - C	2.492		
Total	**473.056**		**147.839**		
Proportion not available for distribution pursuant to Art 2426 no. 5 C.C.			-		
Remainder of proportion available for distribution			147.839		

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

[1] The reserve is restricted under the terms of Law 266/05 Art. 1 paragraph 469.

Other information

1. Guarantees issued and commitments

Transactions	Balance 31/12/2011	Balance 31/12/2010
1) Financial guarantees issued	**85.873**	**80.888**
a) banks	19.159	15.614
b) customers	66.714	65.274
2) Commercial guarantees issued	**215.285**	**199.772**
a) banks	160	282
b) customers	215.125	199.490
3) Irrevocable commitments to disburse funds	**398.879**	**402.801**
a) banks	40.089	10.592
i) certain to be drawn down	40.089	10.592
ii) not certain to be drawn down	-	-
b) customers	358.790	392.209
i) certain to be drawn down	125	76
ii) not certain to be drawn down	358.665	392.133
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**500**	**-**
6) Other commitments	**-**	**-**
Total	**700.537**	**683.461**

2. Assets pledged against own liabilities and commitments

Portfolios	Balance 31/12/2011	Balance 31/12/2010
1. Financial assets held for trading	29.562	64.919
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	21.205	2.062
4. Financial assets held to maturity	22.619	-
5. Due from banks	343.064	304.230
6. Due from customers	-	-
7. Property, plant and equipment	-	-

4. Management and intermediation on third parties behalf		
Type of service	Balance 31/12/2011	Balance 31/12/2010
1. Order execution on customers' behalf	**-**	**-**
a) Purchases	-	-
1. settled	-	-
2. not settled	-	-
b) Sales	-	-
1. settled	-	-
2. not settled	-	-
2. Portfolio management	***1.143.590***	***1.223.009***
a) Individual	1.143.590	1.223.009
b) Collective	-	-
3. Custody and administration of securities		
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	-	-
1. securities issued by the reporting bank	-	-
2. other securities	-	-
b) other third-party securities on deposit (excluding asset management): others	8.992.683	7.671.442
1. securities issued by the reporting bank	834.186	591.765
2. other securities	8.158.497	7.079.677
c) third-party securities deposited with third parties	10.640.203	9.591.515
d) own securities deposited with third parties	1.709.226	1.489.196
4. Other transactions *	***106.304.025***	***102.108.448***

* The item "Other transactions" includes the volume of work of receiving and sending orders, which is divided as follows:
- purchases: 53.674.069
- sales: 51.692.732

The following chart displays the breakdown of the bank's indirect deposit:

Detail of indirect deposit item		
	31/12/2011	31/12/2010
a) Indirect deposit referred to management and intermediation on third parties behalf activity (as shown in previous chart)	10.239.311	9.350.731
- Portfolio management	1.143.590	1.223.009
- Custody and administration of securities:		
- Third-party securities on deposit: connected with role of depositary bank (excluding asset management) - other securities	-	-
- Other third-party securities on deposit (excluding asset management): others - other securities	8.158.497	7.079.677
- Other transactions:		
- UCITS units subscribed by customers	937.224	1.048.045
b) Indirect deposit elated to income from insurance activities	605.961	630.240
Total indirect deposit	**10.845.272**	**9.980.971**

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 31/12/2011	Total 31/12/2010
1. Financial assets held for trading	4.428	-	1.131	5.559	6.368
2. Financial assets available for sale	7.959	-	-	7.959	1.234
3. Financial assets held to maturity	4.847	-	-	4.847	2.921
4. Due from banks	6.789	18.024	-	24.813	15.094
5. Due from customers	-	260.607	-	260.607	183.894
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives	X	X	7.472	7.472	3.686
8. Other assets	X	X	3	3	34
Total	**24.023**	**278.631**	**8.606**	**311.260**	**213.231**

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

Interest and similar income accrued on rimpaired assets	
	31/12/2011
- accrued on non performing loans	318
- accrued on watchlist loans	9.601
- accrued on past due exposures	957

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies		
	Total 31/12/2011	**Total 31/12/2010**
- on assets in foreign currencies	3.370	3.026

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2011	Total 31/12/2010
1. Due to central banks	-	X	-	-	-
2. Due to banks	1.545	X	-	1.545	1.201
3. Due to customers	52.545	X	-	52.545	26.405
4. Outstanding securities	X	36.385	-	36.385	19.553
5. Financial liabilities held for trading	-	-	1.131	1.131	386
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	34	34	5
8. Hedging derivatives	X	X	25.474	25.474	19.591
Total	**54.090**	**36.385**	**26.639**	**117.114**	**67.141**

1.5 Interest and similar expense: differences on hedging transactions

Item/Segment	Total 31/12/2011	Total 31/12/2010
A. Positive differences on hedging transactions	7.472	3.686
B. Negative differences on hedging transactions	25.474	19.591
C. Balance (A-B)	**(18.002)**	**(15.905)**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies

	Total 31/12/2011	Total 31/12/2010
- on liabilities in foreign currencies	1.794	1.411

Section 2 - Fees - Items 40 and 50

2.1 Fee income: breakdown

Type of service/Amount	Total 31/12/2011	Total 31/12/2010
a) Sureties issued	2.993	2.561
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	53.421	49.977
1. Financial instruments trading	113	-
2. Currency trading	1.108	869
3. Portfolio management	8.671	8.845
3.1. individual	8.671	8.845
3.2. collective	-	-
4. Custody and administration of securities	913	761
5. Depositary bank	-	-
6. Placement of securities	10.692	9.769
7. Order reception and transmission activities	23.724	22.993
8. Consultancy activities	578	431
8.1 about investments matters	578	431
8.2 about financial structure matters	-	-
9. Distribution of third party services	7.622	6.309
9.1. Portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	7.176	5.586
9.3. Other products	446	723
d) Collection and payment services	75.224	29.869
e) Servicing for securitization transactions	102	194
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	22.910	18.416
j) Other services	38.064	24.364
Total	**192.714**	**125.381**

The increase in the aggregate is mainly attributable to the transfer of the Payment Systems business unit by the Parent Company which took place for accounting purposes on 29 May 2011. In fact, the item with the largest positive changes is that of collection of payment services which increased by 45,4 million euro.

Futher details on the "other services" item is provided below:

Fee income: details on the item "Other services"		
	31/12/2011	**31/12/2010**
Credit and debit cards	7.372	1.958
Recupero spese su finanziamenti concessi a clientela	1.040	839
Fees and commissions on relations with credit institutions	128	109
Locazione cassette di sicurezza	159	139
Recovery of postal, printing and similar expenses.	2.892	1.910
Commissioni su finanziamenti concessi a clientela	21.607	15.351
Others	4.866	4.058
Total "Other services"	**38.064**	**24.364**

2.2 Fee income: product and service distribution channels

Channel/Amount	**Total 31/12/2011**	**Total 31/12/2010**
a) At own branches:	**26.850**	**24.290**
1. Portfolio management	8.671	8.845
2. Placement of securities	10.685	9.759
3. Third party products and services	7.494	5.686
b) Door-to-door sales:	**14**	**77**
1. Portfolio management	-	-
2. Placement of securities	7	10
3. Third party products and services	7	67
c) Other distribution channels:	**121**	**556**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third party products and services	121	556
Total	**26.985**	**24.923**

2.3 Fee expense: breakdown

Service/Amount	Total 31/12/2011	Total 31/12/2010
a) Sureties received	333	133
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	18.859	13.476
1. Financial instruments trading	4.701	4.619
2. Currency trading	-	-
3. Portfolio management	-	-
3.1. own	-	-
3.2. delegated to third parties	-	-
4. Custody and administration of securities	475	424
5. Placement of fnancial instruments	-	-
6. Door-to-door sale of securities, products and services	13.683	8.433
d) Collection and payment services	33.307	8.876
e) Other services	1.805	1.203
Total	**54.304**	**23.688**

Futher details on the "other services" item is provided below:

Fee expense: details on the item "Other services"	31/12/2011	31/12/2010
Connections with banks	284	25
Loans	968	1.070
Others	553	108
Total "Other services"	**1.805**	**1.203**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown				
Item/Income	Total 31/12/2011		Total 31/12/2010	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	2	-	127	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**2**	**-**	**127**	**-**

The amount relative to 2010 was almost entirely attributable to the dividends received by Banca Sella Sud Arditi Galati.

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	**159**	**473**	**1.354**	**516**	**(1.238)**
1.1 Debt securities	159	473	1.354	516	(1.238)
1.2 Equity securities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**982**
4. Derivative instruments	**15.277**	**2.825**	**11.527**	**2.893**	**4.512**
4.1 Financial derivatives:	15.277	2.825	11.527	2.893	4.512
- On debt securities and interest rates	15.277	2.825	11.527	2.893	3.682
- On equity securities and share indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	830
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**15.436**	**3.298**	**12.881**	**3.409**	**4.256**

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

5.1 Net gains/(losses) on hedging activities: breakdown		
Income component/Amount	**Total 31/12/2011**	**Total 31/12/2010**
A. Income from:		
A.1 Fair value hedging derivatives	27.622	49.191
A.2 Hedged financial assets (fair value)	37.903	7.680
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**65.525**	**56.871**
B. Expenses for:		
B.1 Fair value hedging derivatives	51.905	54.600
B.2 Hedged financial assets (fair value)	-	594
B.3 Hedged financial liabilities (fair value)	12.456	1.420
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**64.361**	**56.614**
C. Net gains/(losses) on hedging activities (A-B)	**1.164**	**257**

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

6.1 Gains/(Losses) on sale/repurchase: breakdown						
Item/Income component	**Total 31/12/2011**			**Total 31/12/2010**		
	Gains	**Losses**	**Net gains/(losses)**	**Gains**	**Losses**	**Net gains/(losses)**
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	509	905	(396)	150	787	(637)
3. Financial assets available for sale	51	587	(536)	425	-	425
3.1 Debt securities	51	587	(536)	425	-	425
3.2 Equity securities	-	-	-	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**560**	**1.492**	**(932)**	**575**	**787**	**(212)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	302	-	302
3. Outstanding securities	672	222	450	174	212	(38)
Total liabilities	**672**	**222**	**450**	**476**	**212**	**264**

Section 8 - Net value adjustments for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2011 (1)-(2)	Total 31/12/2010 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**10**	**-**	**-**	**-**	**-**	**(10)**	**-**
- Loans and advances	-	-	10	-	-	-	-	(10)	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**18.920**	**88.133**	**-**	**7.576**	**10.271**	**-**	**1.582**	**(87.624)**	**(51.067)**
- Loans and advances	18.920	88.133	-	7.576	10.271	-	1.582	(87.624)	(51.067)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**18.920**	**88.133**	**10**	**7.576**	**10.271**	**-**	**1.582**	**(87.634)**	**(51.067)**

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

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2011 (1)-(2)	Total 31/12/2010 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	-	X	X	-	(282)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	46	-	-	(46)	-
Total	**-**	**46**	**-**	**-**	**(46)**	**(282)**

8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2011 (1)-(2)	Total 31/12/2010 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	-	-	-	-	651	651	40
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	1	-	-	-	-	(1)	-
D. Other transactions	11	221	-	1	-	-	-	(231)	(13)
E. Total	**11**	**221**	**1**	**1**	**-**	**-**	**651**	**419**	**27**

Section 9 - Administrative expenses - Item 150

9.1 Personnel expenses: breakdown

Type of expense/Amount	Total 31/12/2011	Total 31/12/2010
1) Employees	122.351	81.401
a) Wages and Salaries	88.268	59.857
b) Social security contributions	21.156	14.721
c) Severance indemnities	4.451	1.603
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	514	293
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	4.769	3.281
- defined contribution	4.769	3.281
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	3.193	1.646
2) Other working personnel	752	610
3) Directors and statutory auditors	649	341
4) Non-working personnel	-	-
5) Expenses recovered for employees seconded to other companies	(2.557)	(1.598)
6) Expenses rerefunded for third parties' employees seconded to the company	1.749	1.757
Total	**122.944**	**82.511**

The increase in the item personnel expenses is directly proportional to the increase in employees which occurred following:

- merger by incorporation of Servizi Bancari S.C.p.A. (involving 944 employees, of which 154 working at the Indian branch) and of Banca Sella Sud Arditi Galati S.p.A. (involving 385 employees);
- transfer of the Banca Sella Holding business unit consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area (involving 48 employees);

9.2 Average number of employees per category

	Total 31/12/2011	Total 31/12/2010
Employees:	2.332	1.449
- Executives	21	12
- Middle management	589	395
- Remaining employees	1.721	1.042
Other personnel	24	7
Total	**2.355**	**1.456**

9.4 Other employee benefits

	Total 31/12/2011	Total 31/12/2010
Costs relating to staff exits	527	189
Benefits for employees' children	150	109
Benefits in kind	685	136
Insurance policies stipulated in favour of employees	1.154	772
Professional employee update courses	366	280
Travel costs	26	-
Others	285	160
Total	**3.193**	**1.646**

9.5 Other administrative expenses: breakdown

Type of expense/Segments	Total 31/12/2011	Total 31/12/2010
Legal and notarial expenses	4.662	3.251
IT assistance and sundry advice	9.723	19.280
Other expenses for professional services	3	-
Printing and stationery	795	360
Leasing of electronic machines and software licences	167	-
Sundry rentals and expenses for services provided by third parties	29.957	30.062
Fees for data transmission	2.354	1.648
Postal and telegraphic expenses	3.981	3.289
Telephone charges	1.156	756
Transport expenses	944	911
Cleaning of premises	1.096	783
Surveillance and escort of valuables	2.443	2.009
Electricity and heating	2.743	1.380
Rent of premises	17.597	13.121
Sundry insurance policies	955	651
Advertising and promotion	1.041	785
Entertainment expenses	145	137
Donations	165	152
Membership fees	751	580
Subscriptions and books	85	87
Information and inspections	2.838	2.328
Travelling expenses	1.340	797
Expenses for interbank network service	300	114
Others	1.482	854
Maintenance and repair expenses	**6.271**	**2.053**
- Properties owned	231	16
- Properties rented	129	116
- Movables	2.617	1.608
- Hardware and software	3.294	313
Indirect taxes and duties	**22.692**	**16.280**
- Stamp duty	19.975	14.319
- Substitute tax Pres. Dec. 601/73	1.780	1.479
- Local property tax	73	2
- Other indirect taxes and duties	864	480
Total	**115.686**	**101.668**

The increase in this item is mainly attributable to the merger by incorporation of Servizi Bancari a consortium company in the Group and of Banca Sella Sud Arditi Galati S.p.A. and transfer of the Banca Sella Holding business unit consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area.
In accordance with art. 2427, paragraph 16-bis of the Italian Civil Code, the information required in relation to fees paid to the independent auditing firm are disclosed in the Explanatory Notes to the Consolidated financial statements of the Banca Sella Group.

Section 10 - Net provisions for risks and charges - Item 160

10.1 Net provisions for risks and charges: breakdown

	Balances 31/12/2011	Balances 31/12/2010
Provisions for risks for bankruptcy revocatory actions	1.394	218
Provisions for risks for lawsuits brought	1.610	1.189
Provisions for customer complaints	249	95
Provisions for employee disloyalty	155	81
Provisions for personnel	700	88
Supplementary provisions for customer indemnity	5	-
Other provisions	129	572
Reattributions to Income Statement relating to revocatory provisions	(496)	(9)
Reattributions to Income Statement relating to provisions for risks for lawsuits brought	(1.601)	(1.039)
Reattributions to Income Statement relating to provisions for customer complaints	(237)	(231)
Reallocation to Income Statement relevant to provisions for employee disloyalty	(119)	(127)
Reattributions to Income Statement relating to other provisions	(322)	(307)
Total	**1.467**	**530**

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	4.915	-	-	4.915
- for business purposes	4.883	-	-	4.883
- for investment	32	-	-	32
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**4.915**	**-**	**-**	**4.915**

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	7.079	-	-	7.079
- Generated internally by the company	396	-	-	396
- Others	6.683	-	-	6.683
A.2 Acquired in financial leasing	-	-	-	-
Total	**7.079**	**-**	**-**	**7.079**

Section 13 - Other operating expenses and income - Item 190

Other operating expenses and income		
	31/12/2011	**31/12/2010**
Total other operating expenses	6.855	4.831
Total other operating income	37.484	19.528
Other operating expenses and income	**30.629**	**14.697**

13.1 Other operating expenses: breakdown		
	Total 31/12/2011	**Total 31/12/2010**
Amortization of expenses for improvements on third party assets	1.760	1.556
Losses related to operational risks	2.839	2.212
Refunds of interest on collection and payment transactions	30	31
Penalties payable for contract defaults	98	30
Refunds to customers on Funds/UCITS interest	476	-
Losses related to the participation in deposit-guarantee schemes	510	-
Others	1.142	1.002
Total	**6.855**	**4.831**

13.2 Other operating income: breakdown	Total 31/12/2011	Total 31/12/2010
Rents and instalments receivable	136	311
Charges to third parties and refunds received:	21.555	15.634
- taxes recovered	21.121	15.344
- insurance premiums and refunds	434	290
Expenses recovered and other revenues on current accounts and deposits	325	264
Income from software services	3.840	32
Recoveries of interest on collection and payment transactions	46	86
POS fee income	698	120
Administrative services rendered to third parties	6.125	146
Penalties receivable for contract defaults	99	30
Expenses recovered for services rendered in relation to credit recovery	2.394	1.357
Other income	2.266	1.548
Total	**37.484**	**19.528**

The increase in other income is mainly due to the merger by incorporation of Sella Servizi Bancari in Banca Sella. The increase in the sub-item "income for software services" and in "administrative services rendered to third parties" testifies to the same, through its role as a provider of services to the Group which it inherited from the consortium company.

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

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

Income component/Amount	Total 31/12/2011	Total 31/12/2010
A. Properties	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	5	-
- Gains on sales	6	1
- Losses on sales	1	1
Net gains/(losses)	**5**	**-**

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 31/12/2011	Total 31/12/2010
1. Current taxes (-)	31.052	16.978
2. Change in current taxes of previous years (+/-)	(4)	85
3. Reduction of current taxes for the year (+)	(82)	(67)
4. Change in prepaid taxes (+/-)	(11.249)	(3.572)
5. Change in deferred taxes (+/-)	75	(70)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	19.792	13.354

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

Description	taxable amount	rate	income tax
Pre-tax profit from current operations	28.778		
Nominal rate [1]		33,05%	9.511
Non-deductible costs and allocations	2.017	2,32%	666
Non-deductible IRES and IRAP interest expense	2.935	3,37%	970
IRAP deduction from IRES	-934	-0,89%	-257
Other differences		0,40%	116
Adjusted rate		**38,25%**	**11.006**
IRAP reconciliation			
Personnel costs non-deductible from IRAP (item 150)	85.626	16,51%	4.751
Value adjustments on loans non-deductible from IRAP (item 130)	70.802	13,65%	3.929
Non-deductible IRAP interest expense	567	0,11%	31
other differences in IRES and IRAP taxable base	1.346	0,25%	75
Effective rate		**68,77%**	**19.792**

[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**	**8.986**
	Other income net of tax			
20.	Financial assets available for sale:	(14.498)	4.825	(9.673)
	a) fair value changes	(14.548)	4.841	(9.707)
	b) reversal to income statement	50	(16)	34
	- impairment losses	-	-	-
	- gain/losses from disposal	50	(16)	34
	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	(574)	158	(416)
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**	**(15.072)**	**4.983**	**(10.089)**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**(1.103)**

PART E INFORMATION ON RISKS AND ASSOCIATED HEDGING POLICIES

As required by Banca d'italia Circular No. 263 of 27 December 2006, 11TH update of 31 January 2012 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 RISK

QUALITATIVE INFORMATION

1. General aspects

Banca Sella considers the measurement and management of credit risk to be of crucial importance. The activity of loan supplies has always looked towards traditional business forms, supporting family financing needs and providing the necessary support to businesses – in particular small and medium sized enterprises – in order to support growth projects, consolidation phases and financial needs during negative phases of the economic cycle. With regards to the credit risk, no operations are present in innovative or complex financial products.

The lending policies and processes for the disbursement and monitoring of loans are consequently defined so as to combine customer needs with the need to ensure the maintenance of quality for the lending business.

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

2. Credit risk management policies

2.1 Organizational Aspects

In general, requests for financing are presented directly to the branches of the respective banks of the Group.

In the process of credit disbursement, applications must first be assessed by a specific decision-making structure in the branch. In support of the assessment process, the Bank has developed a scoring and rating system to assess whether customers are retail/small businesses or SME and Corporate customers.

Starting in May 2011, offices were opened throughout the country who are responsible for business credit line inquiries as well as those for large loans to private individuals. These offices, known as Credit Centers, also provide support to the branches as they conclude the credit line process.

In accordance with the limits of its autonomy, the branch may accept the application, reject it or, sometimes, modify it (for example requesting further guarantees or proposing a reduction in the amount applied for or a different type of loan or advance).

Depending on the amount and type of credit requested, applications for loans or advances are decided by different bodies within the structure of each Group bank, from the branches up to the Board of Directors. If the procedure provides for the acquisition of guarantees in the form of pledges, sureties or mortgages, the process requires detailed examination of the documents acquired. The conclusion of this examination is necessary for the application process to be completed and for the guarantees themselves to be used for the weighting of capital absorption.

After disbursement, borrowing positions must be reviewed regularly in order to check maintenance of the creditworthiness and to evaluate any new needs of the customer. In support of this activity, at the beginning of each month an automatic procedure refers the dossiers to be reviewed to the relevant branches.

Since 30 May 2011, following the transfer of the Banca Sella Holding business unit consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area, Banca Sella grants loans, mainly to private individuals, through the distribution of credit cards to individuals who do not have current accounts. Applicants are carefully examined in order to verify their risk profile and their ability to pay back. These activities are carried out by a specialised department.

In order to monitor the trend of the account, the internal procedure was entirely reviewed to classify customers even more precisely according to the anomalies that may arise from their accounts. Four risk categories were defined and a detailed sheet with possible irregularities is available to all customers. Depending on the seriousness of the problem, a specific management process was defined so as to guarantee customer service and eliminate trend anomalies.

2.2 Systems of management, measurement and control

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 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 11TH update of 31 January 2012 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. During 2011, the Risk Management completed the review of the rating model used for corporate and large corporate businesses, with methodological assistance received from the Cerved Group. The new internal ratings model was released to production in September 2011. During the first stage, following appropriate statistical verifications of the model's reliability, it was decided to use the new rating model for all customer companies. The process of assigning *ratings* covers all types of companies in a generalised way: in fact, the assessments cover enterprises operating in the industrial, commercial, service and multi-year production segments, as well as farms, cooperatives, non-profit organisations and financial companies.

The internal rating used in Banca Sella 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 and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer. In contrast to statutory accounting *rating* and business *rating*, it can only be calculated for companies with performance data that is valorised for at least three months out of a six-month time frame.

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

A performance scoring model for continuous assessment of the probability of default associated with Private, Small Business and Small and Medium Enterprise Customers is also going to be added to the credit disbursement and monitoring processes (for now only for information purposes). . . During the course of 2011, the Risk Management unit completed the revision of the scoring models used for private individuals, small business, and small and medium-size businesses, with methodological assistance from Crif. Like the internal rating, the performance scoring leads to a summary final classification made up of nine classes. The main difference with respect to the internal rating lies in the fact that, as it concerns a precise customer segment, the relative weight of the single components of the model takes into due consideration the different risk characteristics of the counterparties. Like the internal rating, the performance scoring leads to a summary final classification made up of nine classes. The main difference with respect to the internal rating lies in the fact that, as it concerns a precise customer segment, the relative weight of the single components of the model takes into due consideration the different risk characteristics of the counterparties.

In 2011 work continued on assigning and updating ratings to corporate borrowers, further consolidating the already significant levels of coverage achieved in previous years.

With a view to constantly refining the supply, control and monitoring of credit risk, in 2011 the Parent company also constituted a new mechanism: the Ratings Committee during the course of 2011, the activities of the Rating Committee established in 2010 continued. This Committee is both an advisory board and decision-making council and its tasks include resolving to override the ratings of customers belonging to Corporate and Large Corporate categories. Override resolutions take place in accordance with the powers assigned to the Committee and in compliance with specific guidelines. Causes must lie in a specific list of grounds and there will be an audits system in place in order to guarantee the homogeneity, integrity and efficiency of these measures, in any case only to be implemented with regards to residual cases that are not easy to standardise or not considered by the model.

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

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

At the same time as drafting the ICAAP statement (analysis of the suitability of equity in accordance with the Second Pillar of Basel 2) and therefore at least once a year, the Parent Company carries out stress tests on the consolidated loan portfolio. The stress test procedures consist of analysing the sensitivity of internal capital against the credit risk should specific negative events occur that, although extreme, are plausible (such as, for example, a deterioration in the decline rate of the loans portfolio).

Specifically in reference to the new Basel 3 regulations, the changes envisaged in terms of credit and counterparty risk do not significantly impact the risk profile of the portfolio.

Next, as regards the control at the individual level, Banca Sella has a service that supports problem loans Managers of branches in the management of those customer relationships characterized by behavioral abnormalities relevant indices.

Next, as regards the control at the individual level, there is a service that supports problem loans Chartered branches in the management of those customer relationships characterized by behavioral abnormalities relevant indices.

The Group's Credit Quality service, which formerly operated from within the consortium company Sella Servizi Bancari, is now known as Credit Control and operates from Banca Sella. It also carries out second-level control activities regarding the proper provision and management of credit in the companies of the Group.

More specifically, the service operates through:

- remote control of the correct supply of loans and management of branches in anomalous trends;
- control of the correct exercise of delegated powers;
- control of the trend of anomalies held to be most symptomatic of credit risk situations;
- control of compliance with internal regulations on the supply and management of loans.

The various monitoring purposes, the different areas to be observed and reporting timing are such as to require the adoption of different and complementary instruments, whose use and specific operation techniques are such as to avoid report overlaps.

Within the scope of its trend monitoring work, the Credit Quality Service employs the following information procedures:

- Credit Alarm procedure. The procedure is aimed at reporting individual trend anomalies that may concern customer account relationships. This report concerns the anomaly, regardless of a risk class connected with the customer account relationships assessed as a whole. The notifications are sent to the manager responsible for the relationship with the customer (branch, *corporate management,* anomalous loan auditor*)* and the employees of Credit Control. Depending on the alarms, they may recur daily, weekly or monthly;
- Cadr procedure - Automatic risk classification. With the purpose of improving the management of anomalous accounts, the Cadr procedure (whose calculation criteria are integrated with rating and scoring systems for determining insolvency probability) classifies loan portfolios according to the credit risk associated to customers. The Cadr procedure assigns each customer a risk class, from among four: on the basis of the seriousness indicated by the Cadr number, various types of interventions are identified. The notifications are sent to the manager responsible for the relationship with the customer: (branches, *corporate management, anomalous loan auditor)* the employees of Credit Control and the peripheral and central deliberative bodies. During the course of 2011, two projects aimed at reviewing the policies were carried out to increase the efficacy of said procedures. In the context of said reviews, the updating frequency was changed from monthly to weekly;
- ISA – Indice sintetico di anomalia (Synthetic anomaly index). Such index is aimed at identifying the customer account relationship that present greater trend anomalies within the Cadr classes. Report addressees and frequency are the same as those mentioned for the Cadr procedure;
- Tableau de bord. This instrument monitors individual trend variables, with the possibility to divide portfolio reports into different levels. In 2011, the Tableau de bord was implemented with the insertion of all the credit trend variables subject to monitoring and the insertion of the assigned objectives.

The special focus on signs of tension represented by excess of current account overdraft limits and late payment of instalments through the development of computer signalling procedures that are able to guarantee more timely intervention was reinforced. This intervention aims to solve the trend anomaly, seeking the best solution with the customer to allow him to obtain regular reimbursement of the benefit he has enjoyed, at the same time safeguarding the portfolio credit risk. In January 2011, a team devoted to the positions concerned by restructuring in accordance with art. 67, paragraph 3 and art. 182-bis of the Bankruptcy Law became fully operational. The team has the following objectives:

- to anticipate situations of irreversible customer economic and financial decline;
- to protect the quality of the balance sheet assets;
- to support worthy customers and those with suitable prospects of recovery;

- to develop customised financial solutions;
- to promote agreements with consortia guaranteeing loans, entities, and loan guarantee companies.

2.3 Credit risk mitigation techniques

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

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

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

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

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

- statistical revaluations (known as surveillance) of the value of properties mortgaged for all contracts for which Banca d'Italia Circular note 263/2006 11^{TH} update of 31 January 2012 permits recourse to this type of valuation. To this end the bank makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;
- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

With specific reference to personal guarantees, the specific admission requirements for guarantors are quite strict and, substantially, they exclusively recognise guarantees issued by sovereign states, public bodies, multilateral development banks, supervised brokers and companies with good credit rating for the purposes of capital requirement mitigation against credit risk. Banca Sella has continued, also in 2010, to make use of, when possible, the guarantees issued by the Guarantee Fund for SMEs, which, thanks to the presence of the Italian State as counter-guarantor, allow for mitigating the credit risk to comply with regulatory ratios. With the belief that the personal guarantees issued by entities that do not fall within the standard list may as well provide effective credit risk mitigation for management purposes, it shall be common practice to also accept individual persons or companies without external rating as guarantors, if necessary.

As a general rule, the credit disbursement procedure does not include the purchase of guarantees involving contractual obligations that may undermine their validity. The process for verifying admissibility of guarantees involves the analysis by legal experts both in standard and non-standard contracting (of which one example can be seen in the individual conventions stipulated with Confidi). Additionally, as further monitoring of the requirement for legal certainty, a second level audit is carried out on each contract, on the completeness and correctness of the documentation. This is the task of the Centralised Group Operating Controls Service and the Group Service Centre.

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

- real guarantees on real estate: both mortgage loans and real-estate leasing transactions are mainly aimed at private customers or small-sized enterprises. This allows maintaining a high level of risk sharing;
- real guarantees on financial instruments and personal guarantees: despite the diversification of issuers and guarantors, we highlight that the Italian government is the issuer/guarantor towards whom the loan portfolio is most exposed.

2.4 Impaired financial assets

The Banca Sella structure that manages the work of recovery of disputed loans for the Banca Sella Group, works on an outsourcing basis for the Italian banks and the leasing companies in the Group.

Among its management functions and for the fulfilment of the contractual conditions for the assignment received, the structure has the responsibility of:

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

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

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

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

The forecast of recoverability of the credit takes account of:

- the amount of the recovery value as the sum of the expected cash flows estimated on the basis of the types of guarantees given and/or acquirable, their estimated realization value, the costs to be sustained and the debtor's desire to pay;

- recovery times estimated on the basis of the types of guarantees, the in-court or out-of-court liquidation methods for the guarantees, bankruptcy proceedings and the geographical area to which the loan belongs;
- discounting rates: for all credits measured at the amortized cost the original effective rate of return is used, whereas for revocable credit lines the interest rate considered is that at the moment of default;

At the first implementation of IAS, as regards analytical assessments and the definition of the effective interest rate – seeing the objective impossibility to retrieve original rates from impaired loan accounts as no electronic format was available – the Banca Sella Group decided to:

- use the nominal rate applied at 31 December 2004 in the bank records, relatively to the individual default account: depending on the case, such rate may correspond to the rate adopted at the default, the rate deducible at the injunction or the one agreed upon with the customer with a repaiment plan; however, such rates have been reduced to the rate usury limit at 31 December 2004;
- adopt, for all accounts with a zero rate at 31 December 2004, the last rate applied to the account before the zeroing, if available; when this information is not available, the legal rate is adopted.

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purpose of its quantitative nature on credit quality, the term "credit exposure" shall mean excluding equity securities and mutual fund shares, while the term "exposure" includes the above elements.

A.1 Credit exposure: 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	7	118	-	-	161.267	161.392
2. Financial assets available for sale	-	-	2.424	-	353.198	355.622
3. Financial assets held to maturity	-	-	-	-	165.063	165.063
4. Due from banks	-	-	-	-	1.858.614	1.858.614
5. Due from customers	123.953	209.853	17.113	17.809	6.333.956	6.702.684
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	16.144	16.144
Total 31/12/2011	**123.960**	**209.971**	**19.537**	**17.809**	**8.888.242**	**9.259.519**
Total 31/12/2010	**70.240**	**84.779**	**12.232**	**21.801**	**7.480.668**	**7.669.720**

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

Portfolio/quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	125	-	125	X	X	161.267	161.392
2. Financial assets available for sale	2.424	-	2.424	353.198	-	353.198	355.622
3. Financial assets held to maturity	-	-	-	165.063	-	165.063	165.063
4. Due from banks	-	-	-	1.858.657	43	1.858.614	1.858.614
5. Due from customers	640.838	272.110	368.728	6.367.965	34.009	6.333.956	6.702.684
6. Financial assets at fair value through profit or loss	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	16.144	16.144
Total 31/12/2011	**643.387**	**272.110**	**371.277**	**8.744.883**	**34.052**	**8.888.242**	**9.259.519**
Total 31/12/2010	**400.261**	**211.209**	**189.052**	**7.508.533**	**27.866**	**7.480.668**	**7.669.720**

Positions subject to collective agreements

Total remaining debt at 31/12/11	of which overdue			
	up to 3 months	from 3 to 6 months	from 6 months to 1 year	over 1 year
	amount overdue	amount overdue	amount overdue	amount overdue
22.970	52	3	-	-

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	2.023.799	X	43	2.023.756
TOTAL A	**2.023.799**	**-**	**43**	**2.023.756**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	-	-
b) Others	92.766	X	-	92.766
TOTAL B	**92.766**	**-**	**-**	**92.766**
TOTAL A+B	**2.116.565**	**-**	**43**	**2.116.522**

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	352.907	228.955	X	123.953
b) Watchlist exposures	250.643	40.789	X	209.853
c) Restructured exposures	20.964	1.427	X	19.537
d) Past due exposures	18.748	939	X	17.809
e) Other assets	6.855.826	X	34.009	6.821.817
TOTAL A	**7.499.088**	**272.110**	**34.009**	**7.192.969**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	10.807	23	-	10.784
b) Others	641.417	X	1.635	639.782
TOTAL B	**652.224**	**23**	**1.635**	**650.566**

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	**260.889**	**103.344**	**13.347**	**22.682**
- of which: exposures sold but not derecognized	1.284	187	-	-
B. Increases	**205.485**	**290.034**	**8.231**	**28.654**
B.1 Inflows from performing exposures	1.139	243.956	3.741	17.160
B.2 Transfers from other categories of impaired exposures	118.896	22.076	3.641	128
B.3 Other increases	85.450	24.002	849	11.366
C. Decreases	**113.467**	**142.735**	**614**	**32.588**
C.1 Outflows to performing exposures	-	7.441	-	7.953
C.2 Write-offs	93.241	526	128	-
C.3 Collections	18.882	9.135	127	1.417
C.4 Realizations through sales	1.344	-	-	-
C.5 Transfers to other categories of impaired exposures	-	121.645	-	23.096
C.6 Other decreases	-	3.988	359	122
D. Final gross exposure	**352.907**	**250.643**	**20.964**	**18.748**
- of which: exposures sold but not derecognized	2.415	392	-	-

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	**190.649**	**18.565**	**1.114**	**881**
- of which: exposures sold but not derecognized	265	10	-	-
B. Increases	**145.292**	**41.084**	**858**	**1.171**
B.1 Writedowns	83.821	35.006	560	889
B.2 Transfers from other categories of impaired exposures	15.082	665	177	11
B.3 Other increases	46.389	5.413	121	271
C. Decreases	**106.986**	**18.860**	**545**	**1.113**
C.1 Writebacks on valuation	9.619	2.376	400	333
C.2 Writebacks on collection	3.983	460	13	-
C.3 Write-offs	93.241	526	128	-
C.4 Transfers to other categories of impaired exposures	-	15.212	4	720
C.5 Other decreases	143	286	-	60
D. Final total adjustments	**228.955**	**40.789**	**1.427**	**939**
- of which: exposures sold but not derecognized	668	24	-	-

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

In the light of the composition of the credit portfolio at Group level, composed mainly of exposures towards private clientele and small-medium Italian companies without an external rating, the distribution of the cash and off-balance sheet exposures according to external rating classes is not significant. Almost all counterparties with which relations are maintained have a rating higher than investment grade.

In addition, Banca Sella's exposures towards banks are, for 98,7%, towards Banca Sella Holding, and for 1,1% towards other banks of the Banca Sella Group.

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

With regard to internal ratings, almost all Italian banks of the Group have an internal model for assigning companies a creditworthiness rating. The internal rating system includes, for terminological conformity with the scale adopted by external rating agencies, nine credit rating classes for creditworthy customers, from AAA (the less risky) to C (the riskiest). At present, internal ratings are not used for calculating capital requirements.

The table below shows the distribution of exposures by rating classes of the business customer companies of Banca Sella. The "No rating" column includes both exposures to companies with no internal rating and exposures to customers not belonging to the "companies" segment. For Banca Sella, the percentage of coverage of the "companies" segment alone is almost 84% of total exposures.

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

Exposures	Internal rating classes									Unrated	Total
	AAA	AA	A	BBB	BB	B	CCC	CC	C		
A. Cash exposures	**49.569**	**74.950**	**224.975**	**248.847**	**193.268**	**163.730**	**110.551**	**89.120**	**25.793**	**8.035.976**	**9.216.779**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42.793**	**-**	**-**	**42.793**
B.1 Financial derivatives	-	-	-	-	-	-	-	42.793	-	-	42.793
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**33.225**	**12.584**	**19.451**	**4.823**	**10.934**	**15.927**	**3.632**	**1.518**	**102**	**198.964**	**301.160**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**398.880**	**398.880**
Total	**82.794**	**87.534**	**244.426**	**253.670**	**204.202**	**179.657**	**114.183**	**133.431**	**25.895**	**8.633.820**	**9.959.612**

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.2 Guaranteed credit exposure to customers

		Real guarantees (1)			Personal guarantees (2)									
					Credit derivatives					Guaranteed loans				
						Other derivatives								
	Net exposure value	Real estate	Securities	Other real guarantees	CLN	Governments and central banks	Other public bodies	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	Total (1)+(2)
1. Guaranteed cash exposure:														
1.1 Totally guaranteed	3.790.796	2.573.219	87.651	14.381	-	-	-	-	-	-	945	372	1.088.912	3.765.480
- of wich: impaired	244.287	140.424	800	438	-	-	-	-	-	-	359	-	99.727	241.748
1.2 Partially guaranteed	102.301	1.910	28.096	6.106	-	-	-	-	-	-	-	8.123	14.275	58.510
- of wich: impaired	10.848	1.353	221	124	-	-	-	-	-	-	-	23	3.266	4.987
2. Guaranteed "off balance sheet" exposure														
2.1 Totally guaranteed	196.744	581	8.537	5.193	-	-	-	-	-	-	17	155	72.803	87.286
- of wich: impaired	3.657	4	15	170	-	-	-	-	-	-	-	-	804	993
2.2 Partially guaranteed	27.907	-	3.449	1.050	-	-	-	-	-	-	-	-	7.807	12.306
- of wich: impaired	1.917	-	68	8	-	-	-	-	-	-	-	-	50	126

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	-	(24)	X	184	(719)	X	-	-	X	82.446	(144.022)	X	41.322	(84.190)	X
A.2 Watchlist exposures	1	-	X	212	(44)	X	377	(29)	X	-	-	X	150.404	(26.885)	X	58.860	(13.831)	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	18.443	(1.238)	X	1.094	(189)	X
A.4 Past due exposures	-	-	X	-	-	X	10	(1)	X	-	-	X	7.885	(599)	X	9.914	(339)	X
A.5 Other exposures	478.885	X	-	15.694	X	-	900.621	X	(240)	336	X	(1)	3.015.836	X	(25.402)	2.410.445	X	(8.366)
Total A	**478.886**	**-**	**-**	**15.906**	**(68)**	**-**	**901.192**	**(749)**	**(240)**	**336**	**-**	**(1)**	**3.275.014**	**(172.744)**	**(25.402)**	**2.521.635**	**(98.549)**	**(8.366)**
B. "Off balance sheet" exposures																		
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	-	X	599	(6)	X	39	-	X
exposures	-	-	X	36	-	X	2	-	X	-	-	X	7.267	(13)	X	2.453	(1)	X
B.2 Watchlist exposures																		
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	379	(3)	X	9	-	X
B.4 Other exposures	31	X	-	1.376	X	-	18.368	X	(17)	760	X	-	493.230	X	(1.544)	126.017	X	(78)
Total B	**31**	**-**	**-**	**1.412**	**-**	**-**	**18.370**	**-**	**(17)**	**760**	**-**	**-**	**501.475**	**(22)**	**(1.544)**	**128.518**	**(1)**	**(78)**
Total (A+B) 31/12/2011	**478.917**	**-**	**-**	**17.318**	**(68)**	**-**	**919.562**	**(749)**	**(257)**	**1.096**	**-**	**(1)**	**3.776.489**	**(172.766)**	**(26.946)**	**2.650.153**	**(98.550)**	**(8.444)**
Total (A+B) 31/12/2010	**335.413**	**-**	**-**	**15.538**	**(23)**	**(15)**	**888.182**	**(916)**	**(97)**	**2.041**	**-**	**-**	**3.098.656**	**(120.910)**	**(22.434)**	**2.061.703**	**(89.383)**	**(7.332)**

B.2 Geographical distribution of cash and off balance sheet credit exposures to customers (book value)

Exposure/Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	123.906	(228.489)	27	(282)	13	(83)	6	(24)	1	(77)
A.2 Watchlist exposures	209.843	(40.633)	7	(153)	4	(3)	-	-	-	-
A.3 Restructured exposures	19.537	(1.427)	-	-	-	-	-	-	-	-
A.4 Past due exposures	17.805	(938)	-	-	4	(1)	-	-	-	-
A.5 Other transactions	6.772.187	(33.874)	36.229	(94)	4.447	(14)	139	-	8.818	(27)
TOTAL A	**7.143.278**	**(305.361)**	**36.263**	**(529)**	**4.468**	**(101)**	**145**	**(24)**	**8.819**	**(104)**
B. Off balance sheet exposures										
B.1 Non-performing exposures	638	(6)	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	9.759	(14)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	387	(3)	-	-	-	-	-	-	-	-
B.4 Other exposures	636.724	(1.637)	2.351	(1)	704	(1)	-	-	2	-
TOTAL B	**647.508**	**(1.660)**	**2.351**	**(1)**	**704**	**(1)**	**-**	**-**	**2**	**-**
TOTAL (A+B) 31/12/2011	**7.790.786**	**(307.021)**	**38.614**	**(530)**	**5.172**	**(102)**	**145**	**(24)**	**8.821**	**(104)**
TOTAL (A+B) 31/12/2010	**6.356.333**	**(240.136)**	**30.706**	**(647)**	**3.909**	**(154)**	**16**	**(12)**	**10.569**	**(161)**

B.2 Geographical distribution of cash and off balance sheet credit exposures to customers (book value)

Exposure/Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	66.246	(124.547)	13.283	(22.350)	10.529	(26.214)	33.848	(55.378)
A.2 Watchlist exposures	91.114	(16.699)	31.350	(5.623)	30.559	(8.632)	56.820	(9.679)
A.3 Restructured exposures	14.086	(1.203)	1.250	(141)	862	(24)	3.340	(59)
A.4 Past due exposures	6.918	(304)	4.109	(139)	2.573	(162)	4.205	(333)
A.5 Other transactions	3.755.907	(17.731)	422.315	(2.613)	1.266.097	(5.069)	1.327.868	(8.461)
TOTAL A	**3.934.271**	**(160.484)**	**472.307**	**(30.866)**	**1.310.620**	**(40.101)**	**1.426.081**	**(73.910)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	458	(5)	61	-	95	(1)	24	-
B.2 Watchlist exposures	4.421	(6)	2.909	(1)	914	(5)	1.515	(2)
B.3 Other impaired assets	355	(3)	2	-	-	-	30	-
B.4 Other exposures	394.883	(1.011)	40.490	(76)	88.069	(216)	113.282	(334)
TOTAL B	**400.117**	**(1.025)**	**43.462**	**(77)**	**89.078**	**(222)**	**114.851**	**(336)**
TOTAL (A+B) 31/12/2011	**4.334.388**	**(161.509)**	**515.769**	**(30.943)**	**1.399.698**	**(40.323)**	**1.540.932**	**(74.246)**
TOTAL (A+B) 31/12/2010	**4.320.660**	**(178.340)**	**578.001**	**(24.403)**	**1.247.462**	**(26.762)**	**210.211**	**(10.630)**

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	1.969.706	(3)	52.222	(39)	251	(1)	1.559	-	18	-
TOTAL A	**1.969.706**	**(3)**	**52.222**	**(39)**	**251**	**(1)**	**1.559**	**-**	**18**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	92.766	-	-	-	-	-	-	-	-	-
TOTAL B	**92.766**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**2.062.472**	**(3)**	**52.222**	**(39)**	**251**	**(1)**	**1.559**	**-**	**18**	**-**
TOTAL (A+B) 31/12/2010	**1.918.891**	**-**	**31.156**	**-**	**1.559**	**-**	**35**	**-**	**6**	**-**

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

Exposure/Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-
A.5 Other transactions	1.855.520	(3)	48.833	-	65.353	-	-	-
TOTAL A	**1.855.520**	**(3)**	**48.833**	**-**	**65.353**	**-**	**-**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	74.056	-	55	-	18.655	-	-	-
TOTAL B	**74.056**	**-**	**55**	**-**	**18.655**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**1.929.576**	**(3)**	**48.888**	**-**	**84.008**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2010	**1.707.118**	**-**	**109.065**	**-**	**48.148**	**-**	**54.560**	**-**

B.4 Large Risks

number	book value	weighted value
2	3.363.676	1

The value on the balance sheet includes government securities for 478.831 thousand euro and infra-group exposures for 2.884.845 thousand euro weighted at 0%.

C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securitization transactions

QUALITATIVE INFORMATION

Beginning in financial year 2000 the Bank has carried out four securitization transactions of a traditional kind.

Two of these, concluded before 1st January 2006, were carried out by Banca Sella S.p.A., now Banca Sella Holding S.p.A., and involved performing mortgage loans. The assets associated with these transactions were conferred, on 1st January 2006, by Banca Sella Holding S.p.A. (formerly Sella Holding Banca S.p.A.) to the "new" Banca Sella S.p.A..

On 31 October 2010 the securitization carried out with Secursel S.r.l. in 2000 was concluded. Banca Sella bought back the loans from the vehicle company, which provided for the early reimbursement of the securities still existing.

On 4 April 2008 and on 02 January 2009, Banca Sella S.p.A. completed two securitization transactions, again of performing mortgage loans.

The transactions were conducted in order to diversify the types of funding in order to improve the correlation of maturities between funding and lending.

The role of servicer in the four securitization transactions was always played by the originators (Banca Sella S.p.A.).

Banca Sella S.p.A, as the originator of the transactions, subscribed the entire amount of the junior titles issued in relation to the various securitizations. The securities are still held by the same. In addition, in regards to the securitizations of 2008 and 2009, the Bank subscribed the entire amount of the securities issued. These securities can be used as collateral for repurchase agreements with the ECB.

The risk of the assets sold is still borne by Banca Sella S.p.A., which, consequently, monitor performance constantly, preparing also regular reports.

For transactions completed during 2005 and 2008, the assets sold continue to be represented in the financial statements in that the sale did not substantially transfer the risks to third-parties.

A brief account of the securitization transactions is provided below.

a) Banca Sella S.p.A. securitization of performing loans – financial year 2005

The transaction was completed at two subsequent moments: on 04 October 2005 the agreement to purchase the loans was entered into by the special purpose vehicle Mars 2600 S.r.l. , while the securities financing the acquisition of the credit were issued on 20 October 2005.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 263,3 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 248,9 million euro, Class B notes amounting to 11 million euro, Class C notes amounting to 3,5 million euro and Class D notes amounting to 3,5 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 for the class A securities (at issue Aaa) - A1 for the class B securities – Baa2 for the class C securities. At 31 December 2011 the securities in classes A-B-C had generated interest in the amount of 1,6 million euro. The Class D securities are not listed are were subscribed by Banca Sella S.p.A.: in the 2011, they recorded interest in the amount of 1,2 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. During the course of the year, the servicing fees collected by Banca Sella S.p.A. were 0,1 million euro.

Mars 2600 S.r.l. completed, together with the issuing of the securities, an interest rate swap contract with Banca Sella, through B.N.P. and Sella Holding Banca, in order to hedge the interest rate risk inherent in the structure due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

The sum paid for the subscription of the class D securities was used for the creation of a cash reserve.

b) Banca Sella S.p.A. securitization of performing loans – financial year 2008

The transaction was completed at two subsequent moments: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 4 April 2008, while the securities were issued on 22 April 2008.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 217.4 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 207,3 million euro, Class B notes amounting to 8,1 million euro, Class C notes amounting to 2,8 million euro and Class D notes amounting to 6,5 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 for the class A securities (at issue Aaa) - A2 for the class B securities – Baa2 for the class C securities. The class D securities are not listed. The same securities have the following ratings from Standard & Poor's: AA+ for the class A securities (AAA when the rating was first assigned) - AA for the class B securities – AA- for the class C securities.

The total amount of the notes was subscribed by Banca Sella S.p.A..

At 31 December 2011 the Class A-B-C notes earned interest of 2,9 million euro. The class D securities recorded interest of 1 million net of commission expenses for renegotiation of the guarantees which the bank paid to Mars S.r.l. in the amount of 1,9 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2011 the servicing fees collected by Banca Sella S.p.A. were 0,12 million euro.

Mars 2600 S.r.l. completed, together with the issuing of the securities, an interest rate swap contract with Banca Sella, through B.N.P. Paribas and Banca Sella Holding, in order to hedge the interest rate risk inherent in the structure due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

The sum paid for the subscription of the class D securities was used for the creation of a cash reserve.

c) Banca Sella S.p.A. securitization of performing loans – financial year 2009

The transaction was completed at two subsequent moments: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 08 January 2009, while the securities were issued on 29 January 2009.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 226.6 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 212,9 million euro, Class B notes amounting to 4,6 million euro, Class C notes amounting to 9,1 million euro and Class D notes amounting to 4,6 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 for the class A securities (at issue Aaa) - A1 for the class B securities – Baa2 for the class C securities. The class D securities are not listed. The same securities have the following ratings from Standard & Poor's: AA+ for the class A securities (AAA when the rating was first assigned) - AA for the class B securities – A- for the class C securities.

The total amount of the notes was subscribed by Banca Sella S.p.A..

At 31 December 2011 the Class A-B-C notes earned interest of 3,7 million euro. In 2011, the class D securities recorded interest of 2,5 million net of commission expenses for renegotiation of the guarantees which the bank paid to Mars S.r.l. in the amount of 1,5 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2011 the servicing fees collected by Banca Sella S.p.A. were 0.1 million euro.

Mars 2600 S.r.l. completed, together with the issuing of the securities, an interest rate swap contract with Banca Sella, through B.N.P. Paribas (since June 2011) and Banca Sella Holding, in order to hedge the interest rate risk inherent in the structure due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

The sum paid for the subscription of the class D securities was used for the creation of a cash reserve.

QUANTITATIVE INFORMATION

On 1 update Circ. 262 Bank of Italy states that are not subject to detection securitization where the originator bank subscribes to the complex on the issue of liabilities issued and therefore in the following tables are the data of the securitization of Mars 2600 Ltd. the year 2005.

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

Quality of underlying assets/ Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	13.164	-	4.015	-	3.500	3.500	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.2 Exposures deriving from main "own" securization operations divided by type of securized asset and type of exposures

Type of securized assets/Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
A. Subject to total derecognition																		
A.1 Secursel S.r.l.																		
- Performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Secursel S.r.l.																		
- Leasing instalments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognized																		
C.1 Mars 2600 S.r.l.																		
- Performing loans	13.164	-	4.015	-	3.500	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.5 Total amount of securized assets underlying junior securities or other forms of credit support

Assets/Amount	Traditional securizations	Synthetinc securizations
A. Own underlying assets		
A. 1 Subject to total derecognition		
1. Non performing exposures	-	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.2 Subject to partial derecognition		
1. Non performing exposures	-	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.3 Not derecognized		
1. Non performing exposures	759	-
2. Watchlist exposures	461	-
3. Restructured exposures	-	-
4. Past due exposures	552	-
5. Other assets	90.044	-
B. Third parties' underlying assets		
B.1 Non performing exposures	-	-
B.2 Watchlist exposures	-	-
B.3 Restructured exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	-	-

C.1.7 Servicer activity - collection of securized receivables and redemption of securities issued by special purpose vehicles

Vehicle company	Securized assets (end of period data)		Recievables collected during the year		Percentage redemptions (end of period data)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Secursel Srl	-	-	-	-	-	-	-	-	-	-
Mars Srl	1.772	90.044	325	22.546	1%	69%	-	-	-	-

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**	**2011**	**2010**
A. Cash assets																				
1. Debt securities	29.562	-	-	-	-	-	21.205	-	-	22.619	-	-	343.064	-	-	-	-	-	416.450	371.211
2. Share capital securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91.382	-	91.382	110.857
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2011	**29.562**	**-**	**-**	**-**	**-**	**-**	**21.205**	**-**	**-**	**22.619**	**-**	**-**	**343.064**	**-**	**-**	**-**	**91.382**	**-**	**507.832**	
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.772	-	1.772	
Total 31/12/2010	**64.919**	**-**	**-**	**-**	**-**	**-**	**2.062**	**-**	**-**	**-**	**-**	**-**	**304.230**	**-**	**-**	**110.857**	**-**	**-**		**482.068**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	649	-	-		649

KEY

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

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

C= partially recognized financial assets (full value)

C.2.2. 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	29.691	-	21.113	20.209	342.895	68.540	482.448
b) against partially recognized assets	-	-	-	-	-	-	-
2. Due to banks							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
3. Outstanding securities							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
Total 31/12/2011	**29.691**	**-**	**21.113**	**20.209**	**342.895**	**68.540**	**482.448**
Total 31/12/2010	**64.912**	**-**	**2.061**	**-**	**304.062**	**84.959**	**455.994**

» SECTION 2 - MARKET RISKS

The management and control of market risks (interest rate risk, price risk, exchange rate risk) is provided for by Group Regulations which lay down the rules under which the single Group companies may take on exposures to these types of risk.

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 within the assigned limits and powers.

The price risk inherent in the trading book is mainly a result of trading.

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 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.

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

The management and control of market risks (interest rate risk, price risk, exchange rate risk) is provided for by Group Regulations which lay down the rules under which the single Group companies may take on exposures to these types of risk.

The Parent Company's Risk Management Unit is responsible for the market risk monitoring methods of all Group companies, and also has an advisory and recommendatory role in the definition of methodological guidelines for the creation of Group risk measurement and control models.

For prudential purposes to measure the interest rate and price risks inherent in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular No. 263/2006, 11th update of 31 January 2012. Hence, capital absorption to cover market risk is represented by the sum of the capital requirements for each individual risk that makes up market risk, on the basis of the so-called building block approach.

QUANTITATIVE INFORMATION

1. Regulatory trading book: distribution for remaining duration (re-pricing date) of the financial assets and liabilities in cash and financial derivatives.

The table is omitted in as much as a sensitivity analysis is provided.

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

The table is not deemed necessary since the trading portfolio, for the purposes of Banca Sella regulatory limits, is not exposed to capital instruments or share indices.

3. Regulatory trading book: internal models and other methods used for sensitivity analysis.

For management purposes, the trading book market risk is measured and monitored on the basis of the VaR (value at risk), which is basically assessed according to the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time. Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of gains/losses that results is analysed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

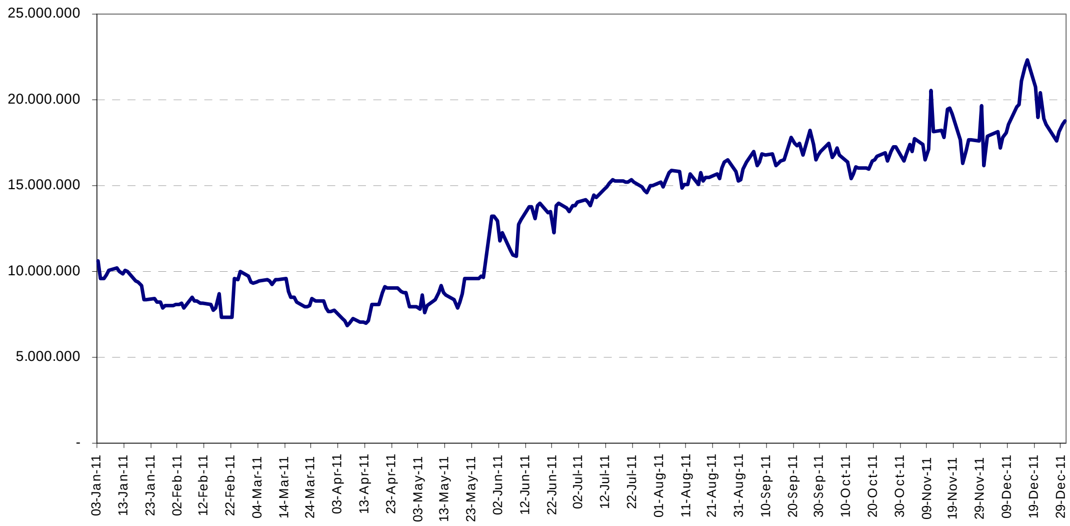
The Group Risk Management Unit measures the VaR (horizon 10 days and 3 months and confidence margin 99%) of the Banca Sella Group portfolios, and analyses sensitivity factors, namely: portfolio duration, effects of sudden interest rate shocks and finally the check on the operational limits on investment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

The average duration of the Banca Sella trading book is equal to 0,73 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 2,99 million euro (about 0,73% of the portfolio).

The trend in the VaR of the Banca Sella (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.

During the course of the year, the prudential limits adopted by the Parent Company were exceeded a number of times, mainly during the second half, but these were passive, that is not deriving from the purchase of more risky securities but rather from the worsening of the sovereign debt crisis which travelled from Greek securities to the entire Euro zone and led to a worsening of the credit spread.

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



2.2 INTEREST RATE AND PRICE RISKS – BANKING BOOK

QUALITATIVE INFORMATION

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

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

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

Interest rate risk is mainly generated by bank portfolio fixed-rate securities (e.g. securities in the Held to Maturity category), customer deposits (in current accounts, savings accounts and bonds) and loans to customers (mortgages), as well as derivative instruments contracted to mitigate exposure to the fair value rate risk generated by them. The Company's policy is to provide a high hedge to fixed-rate items, while strategic and management choices are aimed at minimising the volatility of the total economic value when the rate structure changes.

B. Fair value hedging activities

Hedging transaction strategies are mainly aimed at mitigating the exposure to interest rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit (general hedges, such as mortgage loans) or bonds issued (specific hedges).

Exposure to interest rate risk inherent in the disbursement of credit is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the loan portfolio disbursed and the average maturities of this portfolio. Other interest rate swaps are implemented when fixed-rate bonded loans are issued. Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

The Bank 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. At every periodic calculation of the fair value of the financial instrument, first and second level controls are carried out on the aforesaid parameters.

C. Cash flow hedging activities

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

D. Foreign investment hedging activities

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

QUANTITATIVE INFORMATION

1. Banking book: distribution for remaining duration (re-pricing date) of the financial assets and liabilities.

The table is omitted in as much as a sensitivity analysis is provided.

2. Banking book: - Internal models and other methods used for sensitivity analysis

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

The rate risk is measured using owned models for the processing of items in liabilities with undefined contractual due dates (on demand items). For all other assets and liabilities items, the rules defined by Bank of Italy Circular no. 263/2006, 11th update of 31 January 2012 are used. The audit is carried out taking into consideration all the positions assumed on and off the balance sheet, but limited to interest-bearing assets and liabilities.

To calculate the internal capital, parallel shifts are hypothesised to the rate curve, respectively of +200 basis points (rise) and -100 basis points (lowering, compatible with the constraint of a non-negativity of rates).

The sensitivity analysis figures at 31.12.2011 show a low risk for the banking book (see the table below for total and percentage impact on the economic value).

Shift	Total Sensitivity	Regulatory capital	Sensitivity %
+200 bps / -100 bps	46,9	714,1	6,6%

Amounts in euro Millions

The Banca Sella bank portfolio contains no financial instruments subject to price risk.

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 11TH update of 31 January 2012 which during the year never showed an absorption greater the 2% of Shareholders' Equity.

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

B. Exchange rate risk hedging activities

Banca Sella hedges transactions in foreign currency daily. The only assets of the Bank subject to this risk are loans and deposits in currency which correspond to a minimum part of the banking portfolio.

QUANTITATIVE INFORMATION

1. Distribution by currency of denomination of assets, liabilities and derivatives

Item	Currecies					
	US Dollar	Swiss Franc	British pound	Australian dollar	Japanese Yen	Other currencies
A. Financial assets	**138.263**	**18.135**	**8.634**	**8.013**	**5.048**	**6.315**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans and advances to bank	116.257	680	8.526	5.098	48	4.624
A.4 Loans and advances to custo	22.006	17.455	108	2.915	5.000	1.691
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**1.913**	**1.016**	**860**	**237**	**190**	**528**
C. Financial liabilities	**141.468**	**18.142**	**4.405**	**7.531**	**5.204**	**5.058**
C.1 Due to banks	8.377	12.605	5	-	4.580	1.505
C.2 Due to customers	133.091	5.537	4.400	7.531	624	3.553
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**32**	**5**	**1**	**-**	**-**	**610**
E. Financial derivatives	**1.154**	**(972)**	**(622)**	**4**	**42**	**4**
- Options	-	-	-	-	-	-
+ Long positions	27.162	1.992	3.956	45	2.812	17
+ Short positions	27.162	1.992	3.956	45	2.812	17
- Others	1.154	(972)	(622)	4	42	4
+ Long positions	148.813	6.946	4.980	8.872	8.968	2.405
+ Short positions	147.659	7.918	5.602	8.868	8.926	2.401
Total assets	**316.151**	**28.089**	**18.430**	**17.167**	**17.018**	**9.265**
Total liabilities	**316.321**	**28.057**	**13.964**	**16.444**	**16.942**	**8.086**
Imbalance (+/-)	**(170)**	**32**	**4.466**	**723**	**76**	**1.179**

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.

A. Financial derivatives

A.1 Regulatory trading book: notional end-of-period and average amounts				
Ulderlying assets/Type of derivatives	**Total 31/12/2011**		**Total 31/12/2010**	
	Over the counter	**Central counterparts**	**Over the counter**	**Central counterparts**
1. Debt securities and interest rates	290.526	-	396.982	-
a) Options	71.384	-	151.759	-
b) Swap	219.142	-	245.223	-
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	554.831	-	490.355	-
a) Options	207.279	-	212.880	-
b) Swap	181.552	-	94.649	-
c) Forward	166.000	-	182.826	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**845.357**	**-**	**887.337**	**-**
Average amounts	**866.347**	**-**	**813.355**	**-**

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

A.2.1 For heging

Ulderlying assets/Type of derivatives	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	*Over the counter*	Central counterparts
1. Debt securities and interest rates	1.103.966	-	738.065	-
a) Options	-	-	-	-
b) Swap	1.103.966	-	738.065	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**1.103.966**	**-**	**738.065**	**-**
Average amounts	**921.016**	**-**	**691.767**	**-**

A.2.2 Other derivatives				
Ulderlying assets/Type of derivatives	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	3.007.877	-	509.205	-
a) Options	3.007.877	-	509.205	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	19.879	-	26.108	-
a) Options	19.879	-	26.108	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**3.027.756**	**-**	**535.313**	**-**
Average amounts	**1.781.534**	**-**	**421.978**	**-**

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

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	16.247	-	11.906	-
a) Options	4.090	-	3.872	-
b) Interest rate swap	6.105	-	3.958	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	3.326	-	2.660	-
f) Futures	-	-	-	-
g) Others	2.726	-	1.416	-
B. Banking book - hedging	16.144	-	3.312	-
a) Options	-	-	-	-
b) Interest rate swap	16.144	-	3.312	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	10.388	-	9.618	-
a) Options	10.388	-	9.618	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**42.779**	**-**	**24.836**	**-**

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

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2011		Total 31/12/2010	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	16.324	-	12.119	-
a) Options	4.090	-	3.872	-
b) Interest rate swap	6.254	-	4.205	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	3.298	-	2.634	-
f) Futures	-	-	-	-
g) Others	2.682	-	1.408	-
B. Banking book - hedging	108.185	-	50.083	-
a) Options	-	-	-	-
b) Interest rate swap	108.185	-	50.083	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	15.401	-	10.715	-
a) Options	15.401	-	10.715	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**139.910**	**-**	**72.917**	**-**

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

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	-	146.948	40.937	-	98.592	4.049
- positive fair value	-	-	324	3.180	-	2.809	94
- negative fair value	-	-	6.238	3	-	287	28
- future exposure	-	-	939	300	-	363	12
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	277.727	-	-	226.638	50.466
- positive fair value	-	-	6.560	-	-	2.635	645
- negative fair value	-	-	3.262	-	-	6.115	391
- future exposure	-	-	3.241	-	-	3.470	1.161
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	946	1.426.116	62.546	-	885.360	1.736.875
- positive fair value	-	-	26.473	-	-	-	-
- negative fair value	-	-	97.406	10.801	-	253	15.067
- future exposure	-	-	11.969	719	-	6.893	13.871
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	9.939	-	-	4.322	5.617
- positive fair value	-	-	-	-	-	2	57
- negative fair value	-	-	59	-	-	-	-
- future exposure	-	-	-	-	-	202	272
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total
A Regulatory trading book	**569.583**	**208.154**	**67.620**	**845.358**
A.1 Financial derivatives on debt securities and interest rates	20.760	202.146	67.620	290.526
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	548.823	6.008	-	554.832
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book	**347.487**	**753.463**	**3.030.772**	**4.131.722**
B.1 Financial derivatives on debt securities and interest rates	327.608	753.463	3.030.772	4.111.843
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	19.879	-	-	19.879
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2011	**917.070**	**961.617**	**3.098.392**	**4.977.080**
Total 31/12/2010	**661.525**	**439.112**	**1.060.077**	**2.160.714**

» 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 are formalized in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. Such strategies are an integral part of the emergency plan called "Contingency Liquidity Plan".

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

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

The Group's liquidity monitoring follows the directives issued in Circular 263/2006 (Title V, chapter 2), 11th update of 31 January 2012, integrating the national regulations with the principles governed by the Basel Committee (Basel III: International framework for liquidity risk measurement, standards and monitoring") which will be applied starting on 01 January 2015.

The liquidity level is managed by the Banca Sella Holding Finance Department, which in case of need promptly takes remedial actions with the support of the ALM Committee. The second level audits of liquidity risk are performed by the Parent Company Risk Management Service.

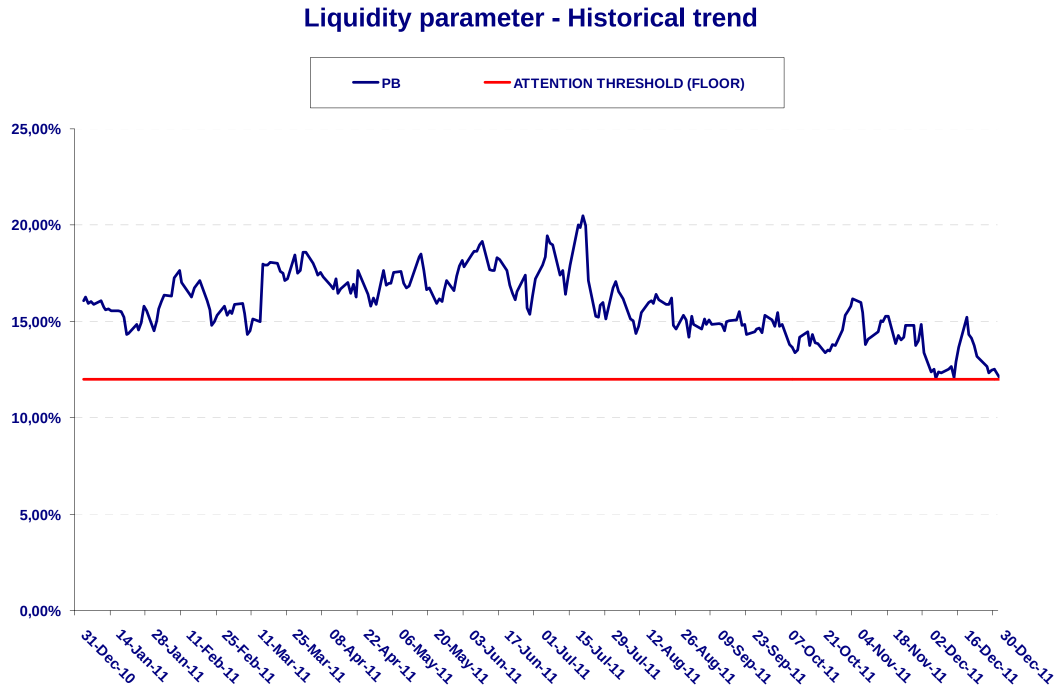
The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short-term and medium and long-term systemic and specific liquidity.

Below is the trend of the Banca Sella Group short-term liquidity indicator, which provides indications about the ability to fulfil the obligations taken both with regular customers and banks in case of a sudden liquidity strain. The minimum limit for this indicator is prudentially set at 12%. The effective level of the indicator was always over this threshold during the course of the year, testifying to the fact that the liquidity reserves are sufficient to account for the commitments made, even under conditions of stress.

This indicator, a management one, is calculated daily by the Parent Company Risk Management Service.

[1] *Banca d'Italia circular note n.263/2006 11TH update of 31 January 2012 title III, chap.1, Annex D*

Figure 1: Trend of Gruppo Banca Sella short term liquidity indicator



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

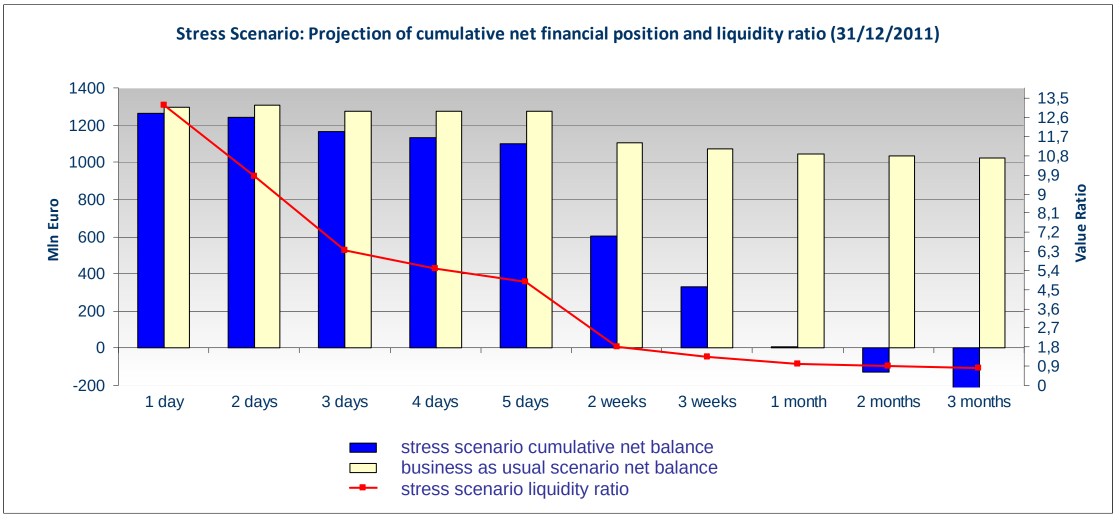
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated with the 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*

Figure 3: Stress Scenario: Projection of cumulative net financial position and liquidity ratio (Stress test at 31 December 2011)



The scenario analysis envisaged by the Banca Sella Group is structured from different stress hypotheses, in compliance with the provisions of Bank of Italy Circular no. 263/2006 (New provisions of prudential supervision for banks, Title III, Chapter 1) 11TH update of 31 January 2012 and consider the onset of events that may alter some items during the various bands comprising the maturity ladder.

The two hypotheses, which are linked to an equal number of occurrence configurations (frequency of onset) and severity (impact on the bank) are:

- acute tension in individual banks that requires extraordinary counter-measures, often linked to interventions lying outside the actual bank;
- systemic crisis, involving the market as a whole.

QUANTITATIVE INFORMATION

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	**2.594.993**	**81.354**	**148.301**	**225.397**	**639.461**	**423.870**	**717.586**	**2.307.703**	**1.920.095**	**-**
A.1 Government securities	-	-	-	2.534	8.681	48.620	37.195	250.962	130.839	-
A.2 Other debt securities	-	-	-	5.009	9.744	16.761	296.540	248.063	25.438	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	2.594.993	81.354	148.301	217.854	621.036	358.489	383.851	1.808.678	1.763.818	-
- Banks	1.203.377	-	11.035	8.333	69.349	1.835	2.272	-	-	-
- Customers	1.391.616	81.354	137.266	209.521	551.687	356.654	381.579	1.808.678	1.763.818	-
Cash liabilities	**6.180.415**	**33.290**	**73.726**	**109.692**	**216.074**	**354.374**	**469.747**	**839.429**	**296.899**	**-**
B.1 Deposits and current accounts	6.143.531	5.442	10.939	17.850	52.792	204.389	138.316	30.081	6.241	-
- Banks	63.073	-	56	169	486	-	-	-	6.241	-
- Customers	6.080.458	5.442	10.883	17.681	52.306	204.389	138.316	30.081	-	-
B.2 Debt securities	157	9	5.083	552	42.411	63.744	297.271	775.433	257.767	-
B.3 Other liabilities	36.727	27.839	57.704	91.290	120.871	86.241	34.160	33.915	32.891	-
Off balance sheet transactions	**7.018**	**37.274**	**35**	**515**	**262**	**(39.884)**	**2.231**	**(33.970)**	**(13.459)**	**19.032**
C.1 Financial derivatives with equity swaps	-	(52.595)	(22.812)	(24.648)	(88.092)	(84.993)	(30.496)	(3.152)	(252)	-
- Long positions	-	(6.512)	(11.406)	(12.324)	(44.046)	(61.631)	(15.248)	(2.359)	(252)	-
- Short positions	-	46.083	11.406	12.324	44.046	23.362	15.248	793	-	-
C.2 Financial derivatives without equity swaps	(12.961)	(2.514)	(7)	(110)	(3.235)	(5.729)	(8.773)	(74.230)	(42.334)	-
- Long positions	(6.406)	(2.514)	-	(14)	(2.398)	(4.960)	(7.626)	(62.383)	(41.797)	-
- Short positions	6.555	-	7	96	837	769	1.147	11.847	537	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	(125)	-	-	-	-	(125)	-	-	-	-
- Long positions	-	-	-	-	-	(125)	-	-	-	-
- Short positions	125	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	6.744	217	28	433	1.823	2.701	8.710	18.132	28.053	19.032

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	**57.248**	**3.274**	**2.305**	**6.545**	**34.108**	**25.838**	**8.252**	**680**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	57.248	3.274	2.305	6.545	34.108	25.838	8.252	680	-	-
- Banks	56.318	116	525	1.779	24.604	24.713	8.203	-	-	-
- Customers	930	3.158	1.780	4.766	9.504	1.125	49	680	-	-
Cash liabilities	**63.701**	**-**	**-**	**553**	**9.755**	**8.011**	**59.230**	**-**	**-**	**-**
B.1 Deposits and current accounts	63.402	-	-	553	9.755	8.011	59.230	-	-	-
- Banks	67	-	-	-	5.745	2.476	89	-	-	-
- Customers	63.335	-	-	553	4.010	5.535	59.141	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	299	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**3.546**	**5.169**	**22.152**	**21.534**	**89.409**	**43.934**	**28.068**	**896**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	1.065	4	4	15	8	-	-	-	-
- Long positions	-	3.117	11.078	10.769	44.712	21.971	14.034	448	-	-
- Short positions	-	2.052	11.074	10.765	44.697	21.963	14.034	448	-	-
C.2 Financial derivatives without equity swaps	34	-	-	-	-	-	-	-	-	-
- Long positions	1.790	-	-	-	-	-	-	-	-	-
- Short positions	1.756	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: 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	**128**	**203**	**1.423**	**5.864**	**9.646**	**527**	**174**	**169**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	128	203	1.423	5.864	9.646	527	174	169	-	-
- Banks	111	-	-	13	149	233	174	-	-	-
- Customers	17	203	1.423	5.851	9.497	294	-	169	-	-
Cash liabilities	**16.606**	**-**	**-**	**-**	**97**	**467**	**958**	**-**	**-**	**-**
B.1 Deposits and current accounts	16.606	-	-	-	97	467	958	-	-	-
- Banks	12.605	-	-	-	-	-	-	-	-	-
- Customers	4.001	-	-	-	97	467	958	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**116**	**1.085**	**-**	**-**	**152**	**840**	**3.858**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(977)	-	-	-	-	-	-	-	-
- Long positions	-	54	-	-	76	420	1.929	-	-	-
- Short positions	-	1.031	-	-	76	420	1.929	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	58	-	-	-	-	-	-	-	-	-
- Short positions	58	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: 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	**7.815**	**-**	**117**	**281**	**133**	**54**	**235**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	7.815	-	117	281	133	54	235	-	-	-
- Banks	7.814	-	117	174	133	54	235	-	-	-
- Customers	1	-	-	107	-	-	-	-	-	-
Cash liabilities	**3.330**	**-**	**-**	**-**	**256**	**481**	**337**	**-**	**-**	**-**
B.1 Deposits and current accounts	3.330	-	-	-	256	481	337	-	-	-
- Banks	5	-	-	-	-	-	-	-	-	-
- Customers	3.325	-	-	-	256	481	337	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**45**	**5.924**	**-**	**2.152**	**3.939**	**1.492**	**1.318**	**794**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(626)	-	-	1	2	-	-	-	-
- Long positions	-	2.649	-	1.076	1.970	747	659	397	-	-
- Short positions	-	3.275	-	1.076	1.969	745	659	397	-	-
C.2 Financial derivatives without equity swaps	1	-	-	-	-	-	-	-	-	-
- Long positions	23	-	-	-	-	-	-	-	-	-
- Short positions	22	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: 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	**55**	**461**	**1.350**	**562**	**1.689**	**230**	**-**	**668**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	55	461	1.350	562	1.689	230	-	668	-	-
- Banks	48	-	-	-	-	-	-	-	-	-
- Customers	7	461	1.350	562	1.689	230	-	668	-	-
Cash liabilities	**5.112**	**-**	**-**	**-**	**-**	**-**	**92**	**-**	**-**	**-**
B.1 Deposits and current accounts	5.112	-	-	-	-	-	92	-	-	-
- Banks	4.580	-	-	-	-	-	-	-	-	-
- Customers	532	-	-	-	-	-	92	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**232**	**9.164**	**-**	**2.026**	**877**	**3.046**	**2.240**	**80**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	38	-	-	1	-	-	-	-	-
- Long positions	-	4.601	-	1.013	439	1.523	1.120	40	-	-
- Short positions	-	4.563	-	1.013	438	1.523	1.120	40	-	-
C.2 Financial derivatives without equity swaps	2	-	-	-	-	-	-	-	-	-
- Long positions	117	-	-	-	-	-	-	-	-	-
- Short positions	115	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Australian Dollar										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**4.467**	**-**	**709**	**1.322**	**1.033**	**32**	**451**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	4.467	-	709	1.322	1.033	32	451	-	-	-
- Banks	4.450	-	-	155	10	32	451	-	-	-
- Customers	17	-	709	1.167	1.023	-	-	-	-	-
Cash liabilities	**5.399**	**-**	**-**	**-**	**656**	**-**	**1.475**	**-**	**-**	**-**
B.1 Deposits and current accounts	5.399	-	-	-	656	-	1.475	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	5.399	-	-	-	656	-	1.475	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**1.368**	**54**	**-**	**-**	**90**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(2)	-	-	-	-	-	-	-	-
- Long positions	-	26	-	-	45	-	-	-	-	-
- Short positions	-	28	-	-	45	-	-	-	-	-
C.2 Financial derivatives without equity swaps	6	-	-	-	-	-	-	-	-	-
- Long positions	687	-	-	-	-	-	-	-	-	-
- Short positions	681	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: other currencies										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**4.289**	**-**	**10**	**304**	**206**	**1.192**	**314**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	4.289	-	10	304	206	1.192	314	-	-	-
- Banks	4.175	-	-	98	7	30	314	-	-	-
- Customers	114	-	10	206	199	1.162	-	-	-	-
Cash liabilities	**2.514**	**-**	**-**	**92**	**42**	**38**	**356**	**-**	**-**	**-**
B.1 Deposits and current accounts	2.514	-	-	92	42	38	356	-	-	-
- Banks	1.505	-	-	-	-	-	-	-	-	-
- Customers	1.009	-	-	92	42	38	356	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**101**	**859**	**1.074**	**-**	**-**	**514**	**34**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	3	-	-	-	-	-	-	-	-
- Long positions	-	431	537	-	-	257	17	-	-	-
- Short positions	-	428	537	-	-	257	17	-	-	-
C.2 Financial derivatives without equity swaps	1	-	-	-	-	-	-	-	-	-
- Long positions	51	-	-	-	-	-	-	-	-	-
- Short positions	50	-	-	-	-	-	-	-	-	-
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;
- outputs and tools to support operational risk management.

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

- the computer applications for the collection of operating losses (Anomaly Detection procedure to support the "Control Cycle");
- the Risk Self Assessment (RSA) is a qualitative and quantitative analysis for operational risk exposure, whose added value consists of estimating the Group's expected and unexpected losses (quantification of possible risk events both in terms of economic impact and frequency of occurrence) attributed to the various corporate processes mapped and validated at the Group's Company;
- operating risk loss data from external sources (DIPO - Italian Operational Loss Database, joined by the Banca Sella Group)[3];
- the factors of the operating context and the internal control system, that is specific KPIs *(Key Performance Indicators*) or KRIs (*Key Risk Indicators*) that reflect improvement or worsening of the bank/group's risk profile following actions taken or reinforcement of controls (e.g.: service level indicators, anomalies and inspection findings, process ratings and business growth). These factors are part of the calculation of the Internal Operational Risk Rating[4].

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

[4] The "*internal operational risk rating*" is a summary indicator calculated internally and ordered into discrete risk classes in increasing order from 1 to 5 (where 5 is the maximum value) that make it possible to represent the operational risk exposure of a given Service, Area or Group company.

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

The beforehand and after the fact organisational protections, established to mitigate and control operational risk, make it possible to monitor and limit the occurrence of operational risk events and their associated losses. In fact, effective organisational protections allow for timely identification of any inefficiencies and the establishment of appropriate mitigation strategies.

Among the main organisational supervisory items adopted by the Banca Sella Group to mitigate and control operating risk, in addition to the above-mentioned Control Cycle process, are activities of mapping and validating company processes, certifying and reporting service levels and line controls, and controls by means of the so-called "alarm bells" (automatic processing in order to detect and/or prevent any internal and/or external anomalies).

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

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

With a view to pursuing the continuous improvement of the Group’s capacity to intercept symptoms of process vulnerability in advance and have an immediate perception of the areas most greatly exposed to risks, in 2011 a reorganisation project was continued involving business processes with an “end-to-end"[5] approach. This project involves processes being regrouped into macro-processes and then into macro-classes. An operating risk rating will also be assigned, not only to the individual process but also to the higher levels of regrouping, with a view to providing an overview of the areas of intervention under the scope of the entire process chain and planning action to reduce comprehensive exposure to operating risk.

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

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organization, in accordance with the legislation which states that timely information must 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.

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[5] *The process is defined as end-to-end when it is set up in such a way as to form a "value flow" in complete logic of satisfying the intended purposes of the customer, whether internal or external, starting from the request and running through to delivery of the service.*

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

- prejudicial events and operating losses reported in the Control Cycle database, highlighting the most serious anomalies
- the outcome of line audits;
- the trend in service levels;
- the "internal operational risk rating" [6] (R.I.R.O) on the basis of an analysis of some KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).

This evidence is disclosed, at different levels of details and according to severity, to the managers overseeing risks, the CEOs, appointed committees and corporate bodies.

With regards to the pending legal issues, we would point out that there are no individual disputes of any particularly relevant amount. There are, instead, several cases, particularly concerning investment services, for which the assessment process of the risk of adverse judgement has resulted in the determination of an allocation. In this regard, please refer to "Part B – Information on the liabilities – Section 12 "Provisions for risks and charges".

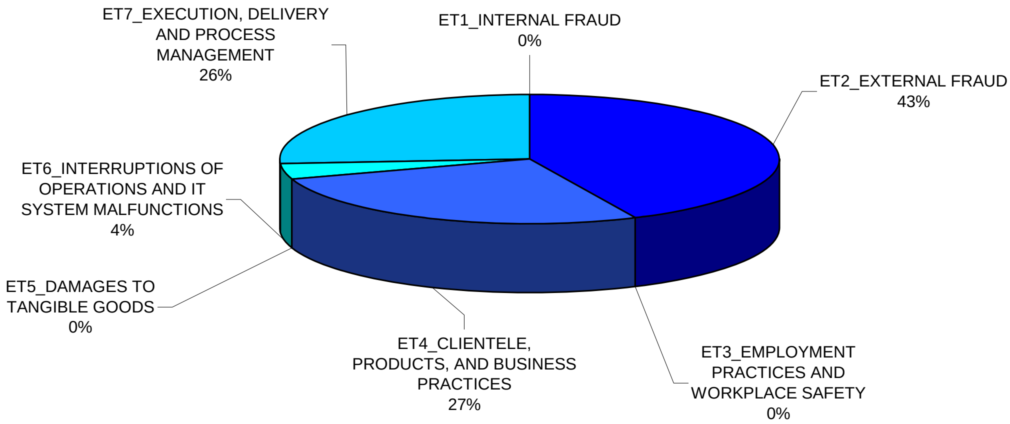
For the purposes of calculation of the capital requirement to cover exposure to operational risk, the Banca Sella Group uses the Basic Indicator Approach (BIA). In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net interest and other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

QUANTITATIVE INFORMATION

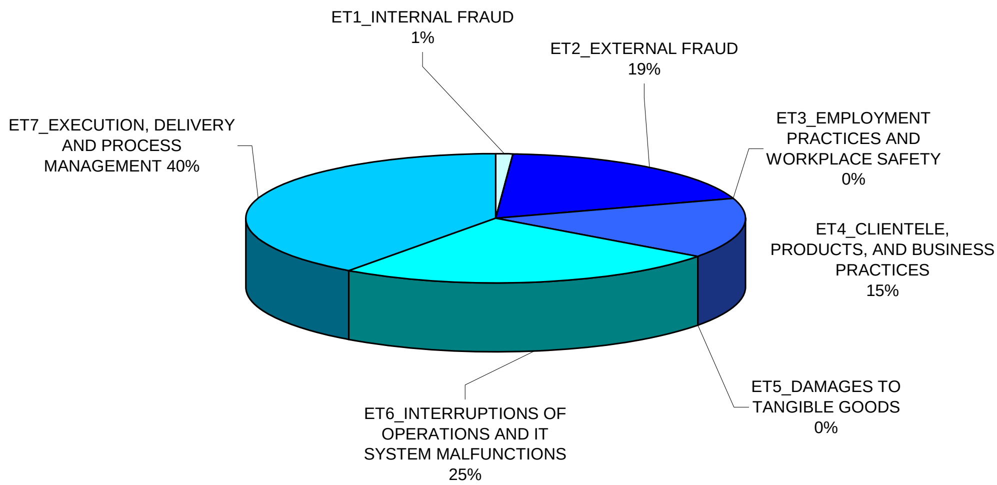
The graphs below, resulting from the processing of the information contained in the Loss Data Collection of the Group, illustrate the data of operating loss relevant to the period 01/01/2011-31/12/2011 classified by type of event according to Basel 2 and subdivided in terms of impact and frequency.

[6] *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).*

Banca Sella
breakdown of gross losses



Banca Sella
composition frequency



PART F INFORMATION ON CAPITAL

As required by Banca d'Italia Circular No. 263 of 27 December 2006, 11th update of 31 Jenuary 2012, on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it, Investor Relation section.

» SECTION 1 - CAPITAL

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 2011, 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.

QUANTITATIVE INFORMATION

B.1 Capital: breakdown by type

	Total 31/12/2011	**Total 31/12/2010**
Capital	269.145	200.000
Share premiums	267.840	100.000
Reserves	(52.333)	68.839
- profit reserves	(52.967)	68.840
a) legal	21.177	14.847
b) statuory	53.365	48.439
c) treasury shares	-	-
d) others	(127.509)	5.554
- others	635	-
Equity instruments	-	-
(Treasury shares)	-	-
Valuation reserves:	(10.795)	155
- Financial assets available for sale	(12.648)	(2.114)
- Actuarial profits (losses) on defined benefit pension plans	1.853	2.269
Profit (loss) for the year (+/-) group and of third parties	8.986	9.307
Shareholders' equity	**482.843**	**378.301**

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

Asset/Amount	Total 31/12/2011		Total 31/12/2010	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	12.648	-	2.114
2. Equity securities	-	-	-	-
3. UCITS units	-	-	-	-
4. Loans and advances	-	-	-	-
Total	**-**	**12.648**	**-**	**2.114**

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

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**(2.114)**	**-**	**-**	**-**
2. Increases	**84**	**-**	**-**	**-**
2.1 Increases in fair value	-	-	-	-
2.2 Reversal to income statement of negative reserves	84	-	-	-
- following impairment	-	-	-	-
- following realization	84	-	-	-
2.3 Other changes	-	-	-	-
- of which: business combinations	-	-	-	-
3. Decreases	**10.618**	**-**	**-**	**-**
3.1 Reductions in fair value	9.722	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	35	-	-	-
3.4 Other changes	861	-	-	-
- of which: business combinations	861	-	-	-
4. Closing balance	**(12.648)**	**-**	**-**	**-**

» SECTION 2 - CAPITAL AND ADEQUACY RATIOS

2.1 Regulatory capital

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/Loss 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 property, plant and equipment
- Hybrid capital instruments
- Subordinated liabilities

Subordinate liabilities of Banca Sella								
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 Spa	2,06%	variable	04-Jan-06	04-Jan-13	04-Jan-09	Euro	100.000	40.000
Banca Sella Spa	1,75%	variable	30-Sep-08	30-Sep-16	30-Sep-12	Euro	30.000	27.000
Banca Sella Spa	1,72%	variable	24-Jun-08	24-Jun-14	24-Jun-10	Euro	50.000	27.000
Banca Sella Spa	3,45%	fixed	18-Feb-09	18-Feb-15	18-Feb-11	Euro	10.000	7.711
Banca Sella Spa	2,23%	variable	16-Mar-09	16-Mar-15	16-Mar-11	Euro	20.000	14.400
Banca Sella Spa	2,58%	variable	03-Jun-09	03-Jun-19	No	Euro	3.450	3.050
Banca Sella Spa	2,37%	variable	15-Jul-09	15-Jul-19	no	Euro	1.692	1.479
Banca Sella Spa	5,30%	fixed	16-Jul-08	16-Jul-15	16-Jul-11	Euro	10.000	7.200
Banca Sella Spa	4,90%	fixed	22-Sep-08	22-Sep-14	22-Sep-10	Euro	8.000	5.792
Banca Sella Spa	4,00%	fixed	15-Dec-08	15-Dec-14	15-Dec-10	Euro	2.500	1.389
Banca Sella Spa	3,50%	fixed	24-Feb-09	24-Feb-15	24-Feb-11	Euro	2.500	1.800
Banca Sella Spa	3,90%	fixed	06-Feb-09	06-Feb-15	06-Feb-11	Euro	2.500	1.846
Banca Sella Spa	4,00%	fixed	12-Jan-09	12-Jan-15	12-Jan-11	Euro	2.500	1.800
Banca Sella Spa	3,50%	fixed	21-May-09	21-May-16	21-May-12	Euro	5.000	4.732
Banca Sella Spa	4,55%	fixed	21-May-09	21-May-16	21-May-12	Euro	1.000	1.000
Banca Sella Spa	2,29%	variable	31-Jul-09	31-Jul-19	31-Jul-15	Euro	1.799	1.549
Banca Sella Spa	2,95%	fixed	12-Oct-10	12-Oct-17	12-Oct-13	Euro	2.500	2.426
Banca Sella Spa	3,15%	fixed	22-Nov-10	22-Nov-17	22-Nov-13	Euro	2.500	2.455
Banca Sella Spa	3,70%	fixed	14-Jan-11	14-Jul-17	14-Jul-13	Euro	10.000	9.843
Banca Sella Spa	4,65%	fixed	15-Mar-11	15-Mar-21	15-Mar-17	Euro	10.000	10.000
Banca Sella Spa	4,30%	fixed	15-Jun-11	15-Jun-18	15-Jun-14	Euro	8.267	7.992
Banca Sella Spa	2,50%	variable	20-Oct-10	20-Oct-17	20-Oct-13	Euro	5.000	4.500
Banca Sella Spa	5,10%	fixed	11-Nov-11	11-Nov-17	11-Nov-13	Euro	9.801	9.801
Banca Sella Spa	5,75%	fixed	12-Dec-11	12-Dec-17	12-Dec-13	Euro	20.000	20.000
Banca Sella Spa	5,60%	fixed	30-Dec-11	30/12/17	30-Dec-13	Euro	1.862	1.862
Total eligible subordinated (Lower Tier II)								**216.628**
Banca Sella Spa	2,58%	variable	03-Jun-09	03-Jun-19	No	Euro	850	850
Banca Sella Spa	2,37%	variable	15-Jul-09	15-Jul-19	No	Euro	438	438
Banca Sella Spa	2,18%	variable	04-Sep-09	04-Dec-19	04-Dec-15	Euro	2.500	2.250
Banca Sella Spa	4,08%	fixed	04-Sep-09	04-Dec-19	04-Dec-15	Euro	1.000	969
Banca Sella Spa	2,17%	variable	10-Sep-09	10-Dec-19	No	Euro	10.000	9.311
Banca Sella Spa	4,10%	fixed	05-Oct-09	05-Jan-20	05-Jan-16	Euro	2.500	2.324
Banca Sella Spa	4,10%	fixed	15-Oct-09	15-Jan-20	no	Euro	5.000	4.500
Banca Sella Spa	4,10%	fixed	26-Oct-09	29-Jan-20	no	Euro	5.000	4.641
Banca Sella Spa	4,10%	fixed	26-Oct-09	29-Jan-20	no	Euro	10.000	9.000
Banca Sella Spa	4,10%	fixed	26-Oct-09	26-Jan-20	26-Jan-16	Euro	2.500	2.465
Banca Sella Spa	4,10%	fixed	23-Nov-09	23-Feb-20	no	Euro	5.000	4.694
Banca Sella Spa	2,29%	variable	31-Jul-09	31-Jul-19	31-Jul-15	Euro	701	701
Banca Sella Spa	4,00%	fixed	16-Dec-09	16-Mar-20	no	Euro	5.000	4.771
Total hybrid instruments (Upper Tier II)								**46.914**

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.

QUANTITATIVE INFORMATION

	Total 31/12/2011	Total 31/12/2010
A. Tier 1 capital before application of prudential filters	**450.932**	**375.336**
B. Tier 1 capital prudential filters	**(377)**	**-**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(377)	-
C. Tier 1 capital including ineligible items (A+B)	**450.555**	**375.336**
D. Tier 1 capital ineligible items	-	-
E. Total Tier 1 capital (C-D)	**450.555**	**375.336**
F. Tier 2 capital before the application of prudential filters	**263.527**	**199.890**
G. Tier 2 capital prudential filters	**-**	**(158)**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	(158)
H. Tier 2 capital including ineligible items (F+G)	**263.527**	**199.732**
I. Tier 2 capital ineligible items	-	-
L. Total Tier 2 capital (H+I)	**263.527**	**199.732**
M. Total Tier 1 and Tier 2 ineligible items	-	-
N. Regulatory capital (E+L-M)	**714.082**	**575.068**
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N+O)	**714.082**	**575.068**

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 2009 the "New capital adequacy rules for Banks" (Bank of Italy Circular No. 263 of 27 December 2006, 3th update of 15 Jenuary 2012) came into effect, incorporating the regulations on the subject of international Convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the Bank must represent at least 8% of total weighted assets (total capital ratio) deriving from the typical risks of the banking and financial business (credit, counterparty, market and operational risks), weighted on the basis of regulatory segmentation of the counterparty debtors and taking account of credit risk mitigation techniques.

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the company exhibits a ratio between Tier 1 capital and risk weighted assets of 11,47% and a ratio between total regulatory capital and risk weighted assets of 18,18%, well above the minimum requirement of 8%.

QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardize approach	9.782.197	7.919.087	4.587.849	3.716.218
2. Internal rating based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securizations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			275.271	222.973
B.2 Market risks			1.243	2.611
1. Standardized approach			1.243	2.611
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			37.783	28.399
1. Standardized approach			37.783	28.399
2. Internal models			-	-
3. Advanced approach			-	-
B.4 Other capital requirements			-	-
B.5 Other computing items			-	-
B.6 Total capital requirements			314.296	253.983
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk weighted assets			3.928.701	3.174.785
C. 2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			11,47%	11,79%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)			18,18%	18,08%

PART G AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

During the year no aggregation operations regarding companies or business lines occurred.

PART H RELATED PARTY TRANSACTIONS

SECTION 1 – INFORMATION ON DIRECTORS' AND MANAGERS' REMUNERATION

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

a) Banca Sella Holding S.p.A. as the parent company which controls Banca Sella S.p.A.;
b) directors, statutory auditors and top management of Banca Sella S.p.A. (managers with strategic responsibilities);
c) companies controlled by or associated with one of the subjects referred to in point b);
d) close family members of one of the subjects referred to in point b);
e) directors, statutory auditors and top management of the controlling company Banca Sella Holding (managers with strategic responsibilities);
f) the companies of the Group in as much as, together with Banca Sella S.p.A., subject to the direction and coordination of Banca Sella Holding S.p.A.

The table below indicates the fees received by managers with strategic responsibilities. The managers with strategic responsibilities also include directors and statutory auditors.

Fees paid to managers with strategic responsabilities (*) *(figures in thousand of euro)*

Items	Total 31/12/2011
a) Short-term employee benefits	865,8
b) Post-employment benefits	-
c) Other long term benefits	-
d) Severance indemnities	24,8
e) Share-based payments	-
Total	**890,6**

(*) *Including directors*

Fees paid to the members of the Board of Directors' and of the Board of Auditors *(figures in thousands of euro)*

Items	Total 31/12/2011
Board directors	440,8
Statutory Auditors	123,3
Total	**564,1**

» SECTION 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.

Transactions with related-parties at 31st December 2011	(amounts in euro thousands)					
Type of related party	Assets	Liabilities	operating income	operating expenses	Guarantees received	Guarantees granted
Parent Company	-1.344,0	-				
Significant Influence	-	-	-	-	-	-
Directors and Managers	-2.095,3	28.524,6	-	-	128,0	1.335,0
Subsidiaries	-	-	-	-	-	-
Associated Comapanies	-	3,3	-	-	2.640,0	-
Jointly-controlled comapanies	-	-	-	-	-	-
Other relatied parties	-48,1	10.490,4	-	-	283,0	1.580,0
Total	**-3.487,4**	**39.018,3**	**-**	**-**	**3.051,0**	**2.915,0**

Outsourcing contracts

On 29 May 2011, the merger by incorporation of Sella Servizi Bancari took place, which is a consortium company that provides outsourcing services to the companies with the Group (and, if necessary to those external to it).

As an effect of this operation, Banca Sella made use of services provided by the consortium company during the period of January - May 2011, while during the remaining portion of the year it offered outsourcing. Services related to Company Secretarial, Inspectorate, Computer Security and Bond Issues continue to be fulfilled by Banca Sella Holding.

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.

The fees which Banca Sella paid for services provided through outsourcing are summarised below:

Banca Sella outsourcing fees payed collected (amounts in euro thousands)	
Company	**amount at 31/12/2011**
Banca Sella Holding S.p.A.	1.434
Sella Servizi Bancari S.C.p.A.	20.287
Easy Nolo S.p.A.	4.150
Banca Patrimoni Sella & C.	64
Biella Leasing S.p.A.	6
Selgest SA	6
Selir S.r.l.	1.856

The fees which Banca Sella received for services provided through outsourcing are summarised below:

Banca Sella outsourcing fees received collected (amounts in euro thousands)	
Company	**amount at 31/12/2011**
Banca Sella Holding S.p.A.	2.213
Banca Sella Nord Est Bovio Calderari S.p.A.	2.473
Easy Nolo S.p.A.	182
Banca Patrimoni Sella & C.	1.890
Biella Leasing S.p.A.	279
Consel S.p.A.	175
Selir S.r.l.	243

PART I PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

Banca Sella has not carried out this type of operation.

PART L SEGMENT REPORTING

As permitted by Circular No. 262 of 22 December 2005, 1st amendment of 18 November 2009, issued by the Bank of Italy, the segment reporting has been prepared for the consolidated financial accounts.

OTHER INFORMATION

PARENT COMPANY OR COMMUNITY CREDIT ENTERPRISE PARENT COMPANY

NAME
Banca Sella Holding S.p.A.

HEAD OFFICE
Piazza Gaudenzio Sella n.1 – BIELLA
Biella Companies Register number and Tax Code 01709430027
Enrolled on the Register of Banking Groups under no. 03311

FINANCIAL STATEMENTS OF THE COMPANY PERFORMING THE WORK OF DIRECTION AND CO-ORDINATION

Attached are the Balance Sheet and Income Statement of Banca Sella Holding S.p.A. relating to financial years 2010 and 2009, as the company which as of 31 December 2011 performed the work of direction and coordination.

BALANCE SHEET

Assets	31/12/2010	31/12/2009	Differences %
20. Financial assets held for trading	715.073.608	1.090.869.443	-34,45%
40. Financial assets available for sale	207.174.132	17.739.862	1067,85%
50. Financial assets held to maturity	80.033.802	69.086.633	15,85%
60. Due from banks	951.382.276	1.471.723.886	-35,36%
70. Due from customers	901.849.138	1.388.212.764	-35,04%
80. Hedging derivatives	486.886	258.533	88,33%
100. Equity investment	732.460.844	760.056.127	-3,63%
110. Tangible assets	44.465.733	44.955.807	-1,09%
120. Intangible assets	3.919.452	4.117.235	-4,80%
of wich:			
- goodwill	-	-	-
130. Tax assets	14.210.061	14.622.476	-2,82%
a) current	6.642.635	7.986.427	-16,83%
b) deferred	7.567.426	6.636.049	14,04%
140. Non-current assets and asset groups held for sale	14.958.337	-	-
150. Other assets	44.318.036	39.162.190	13,17%
Total assets	**3.710.332.305**	**4.900.804.956**	**-24,29%**

Liabilities and shareholders' equity	31/12/2010	31/12/2009	Differences %
10. Due to banks	1.763.030.871	2.859.453.745	-38,34%
20. Due to customers	133.409.653	110.160.954	21,10%
30. Outstanding securities	1.083.411.856	1.203.852.585	-10,00%
40. Financial liabilities held for trading	136.038.873	139.037.061	-2,16%
80. Tax liabilities	2.799.478	4.915.577	-43,05%
a) current	2.186.800	4.491.560	-51,31%
b) deferred	612.678	424.017	44,49%
100. Other liabilities	97.865.390	82.537.105	18,57%
110. Employee severance indemnities	3.328.413	3.624.044	-8,16%
120. Provisions for risks and charges:	20.696.866	25.099.055	-17,54%
a) retirement and similar obligations	-	-	-
b) other provisions	20.696.866	25.099.055	-17,54%
130. Valuation reserves	1.114.246	5.218.887	-78,65%
160. Reserves	314.503.954	293.919.256	7,00%
170. Share premiums	49.413.513	49.413.513	0,00%
180. Share capital	100.500.000	100.500.000	0,00%
200. Profit for the year	4.219.192	23.073.174	-81,71%
Total liabilities	**3.710.332.305**	**4.900.804.956**	**-24,29%**

INCOME STATEMENT

Item	31/12/2010	31/12/2009	Differences %
10. Interest receivable and similar income	49.445.691	85.728.741	-42,32%
20. Interest payable and similar expense	(28.013.685)	(67.417.733)	-58,45%
30. Net interest income	**21.432.006**	**18.311.008**	**17,04%**
40. Fee income	98.723.698	90.729.369	8,81%
50. Fee expenses	(60.726.670)	(56.207.135)	8,04%
60. Net fees	**37.997.028**	**34.522.234**	**10,07%**
70. Dividends and similar income	13.904.808	24.729.190	-43,77%
80. Net gains/(losses) on trading activities	14.721.774	25.310.701	-41,84%
90. Net gains/(losses) on hedging activities	3.041	(33.964)	-108,95%
100. Gains/(losses) on sale or repurchase of:	4.664.889	8.879.426	-47,46%
a) loans & receivables	963.648	958.982	0,49%
b) financial assets available for sale	3.631.942	7.888.133	-53,96%
c) financial assets held to maturity	-	(47)	-100,00%
d) financial liabilities	69.299	32.358	114,16%
110. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	-	-	-
120. Net interest and other banking income	**92.723.546**	**111.718.595**	**-17,00%**
130. Net value adjustments for impairment on:	(406.260)	(2.253.672)	-81,97%
a) loans & receivables	(146.673)	(401.314)	-63,45%
b) financial assets available for sale	(293.292)	(1.815.998)	-83,85%
c) financial assets held to maturity	-	-	-
d) other financial transactions	33.705	(36.360)	-192,70%
140. Net gains/(losses) on financial operations	**92.317.286**	**109.464.923**	**-15,66%**
150. Administrative expenses	(74.944.760)	(88.942.687)	-15,74%
a) personnel expenses	(26.250.243)	(38.869.391)	-32,47%
b) other administrative expenses	(48.694.517)	(50.073.296)	-2,75%
160. Net provisions for risks and charges	(645.689)	(1.086.748)	-40,59%
170. Net value adjustments on tangible assets	(2.170.964)	(3.953.770)	-45,09%
180. Net value adjustments on intangible assets	(1.481.509)	(4.110.547)	-63,96%
190. Other operating expenses/income	12.144.911	23.550.775	-48,43%
200. Operating costs	**(67.098.011)**	**(74.542.977)**	**-9,99%**
210. Gains/(losses) on equity investments	(14.135.794)	(9.155.127)	54,40%
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	(40)	3.284	-101,22%
250. Profit/(losses) from continuing operations before taxes	**11.083.441**	**25.770.103**	**-56,99%**
260. Income taxes for the period on continuing operations	(1.765.599)	(2.696.929)	-34,53%
270. Profit/(losses) from continuing operations after taxes	**9.317.842**	**23.073.174**	**-59,62%**
280. Profit/(losses) on asset disposal groups held for sale after taxes	(5.098.650)	-	-
290. Profit/(Loss) for the year	**4.219.192**	**23.073.174**	**-81,71%**

Resolutions of the Ordinary Shareholders' Meeting of 27 April 2012

The Ordinary Shareholders' Meeting unanimously

approves

. the Board of Directors' report on operations for the year 2011; the Financial Statements at 31 December 2011 including: Balance Sheet, Income Statement and Notes and the relative attachments; the profit distribution proposal contained in the Board of Directors' Report totalling 0,00788 per share;

appoints

. as Directors until approval of the financial statements at 31 December 2013: Margarita Prof. Sergio and Vicari Prof. Avv. Andrea;

. as Standing Auditor Rizzo Dott. Vincenzo and as Alternate Auditors Frè Dott. Daniele and Rayneri Dott.ssa Michela until approval of the financial statements at 31 December 2013;

acknowledges

. the Board of Directors' Report on the implementation of remuneration policies;

. the review of the internal audit work on the methods for ensuring the conformity of remuneration procedures with the regulatory context;

resolves

. certain modifications and additions to the document on remuneration policies.

Independent Auditors' Report

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AUDITOR'S REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY, 2010)

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

1. We have audited the statutory financial statements of Banca Sella S.p.A. as of and for the year ended December 31, 2011, which comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes to the financial statements. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards 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.

   For the opinion on the prior year's financial statements, the data of which are presented for comparative purposes, reference should be made to our auditors' report issued on 13 April, 2011.

3. In our opinion, the statutory financial statements of Banca Sella S.p.A. as of and for the year ended December 31, 2011 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of the Italian Legislative Decree n. 38/2005; accordingly, they give a true and fair view of the financial position of Banca Sella S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of Banca Sella 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 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 is consistent with the financial statements of Banca Sella S.p.A. as of, and for the year ended 31 December, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 12, 2012

This report has been translated into the English language solely for the convenience of international readers.