BANCA SELLA HOLDING

Founded in 1886

REPORT AND FINANCIAL STATEMENTS

2011

125th Financial Year

Joint stock company
Parent Company of the Banca Sella Group
Head office in Biella – capital and reserves € 543.973.127
Adherent 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. 01709430027

13900 Biella (Italy), piazza Gaudenzio Sella, 1
Tel. 015.35011 – Telefax 015.351767 – Swift SELB IT 22
Website: www.gruppobancasella.it

This in an English translation of the Italian Original "BANCA SELLA HOLDING – RELAZIONE E BILANCIO 2011". It contains the Consolidated Financial Statements at 31 December 2011, consisting of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow report, the statement of comprehensive income and the notes to the statements, accompanied by the report on operations. In case of doubt, the Italian version prevails.

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

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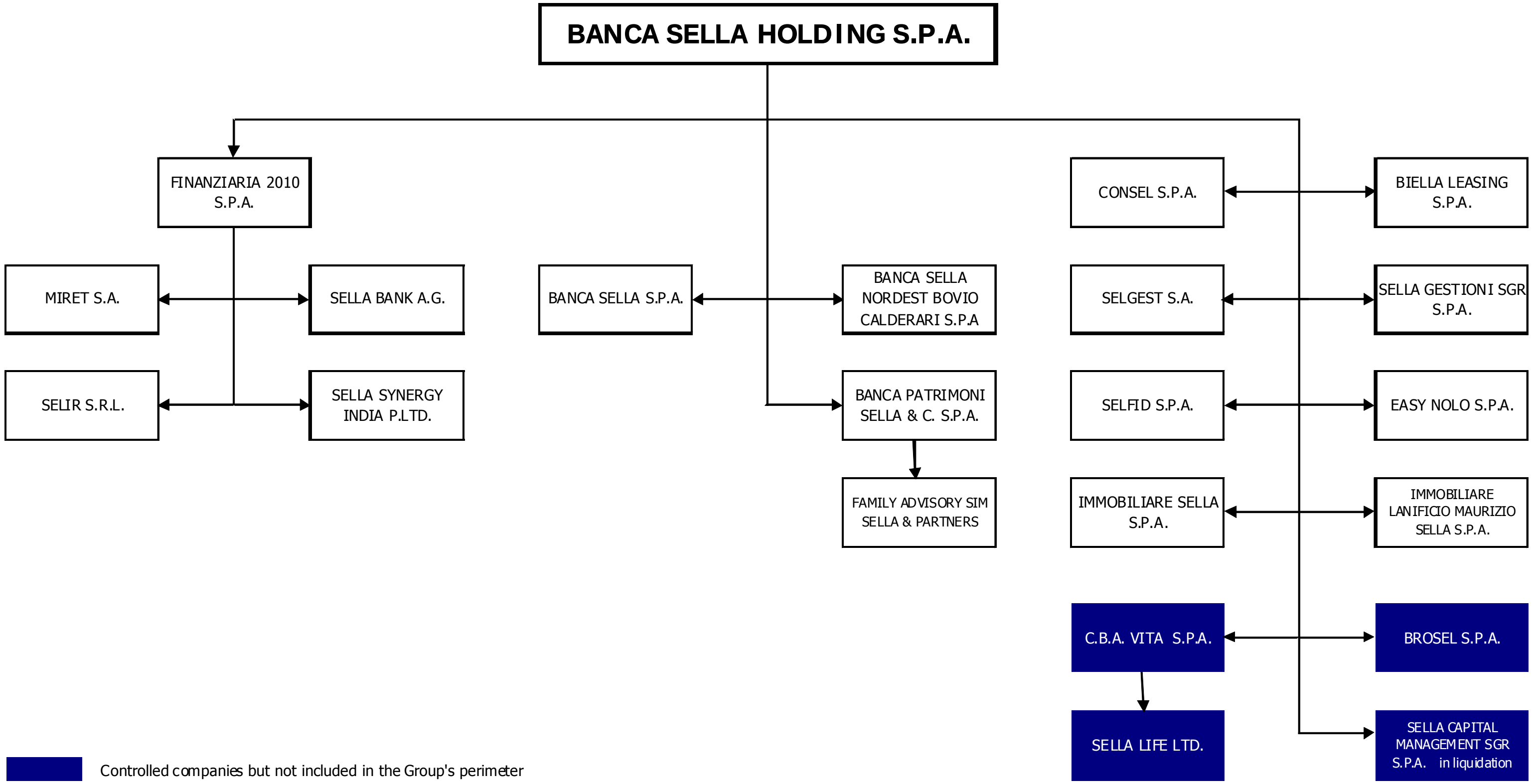
Map of the Banca Sella Group

at 31 December 2011



Controlled companies but not included in the Group's perimeter

Other line by line consolidated companies:	MARS 2600 S.r.l. (special purpose vehicle for the Group's securization transaction).
Net equity method consolidated companies	MARTIN MAUREL SELLA BANQUE PRIVEE MONACO S.A.M. HI-MTF SIM S.p.A. INCHIARO ASSICURAZIONI S.P.A. S.C.P. VDP 1 ENERSEL S.p.A.

Banca Sella Holding S.p.A. Main corporate boards and committees

BOARD OF DIRECTORS

In office up to the approval of the 2012 financial statements

Chairman	Maurizio Sella
Deputy Chairman	Franco Sella
“ “	Lodovico Sella
Chief Executive Officer	Pietro Sella
Director	Mario Bonzano (*)
“	Franco Cavalieri
“	Anna Maria Ceppi
“	Massimo Condinanzi
“	Mario Deaglio
“	Giovanni Petrella (*)
“	Ernesto Rizzetti
“	Caterina Sella
“	Federico Sella
“	Giacomo Sella
“	Sebastiano Sella
“	Giovanni Zanetti
“	

(*) appointed by the Shareholders' Meeting of 27th April 2012

AUDIT COMMITTEE

Member – Chairman	Anna Maria Ceppi
“	Mario Deaglio
“	Giovanni Zanetti

REMUNERATION COMMITTEE

Member – Chairman	Mario Deaglio
“	Mario Bonzano
“	Giovanni Zanetti

APPOINTMENT COMMITTEE

Member – Chairman	Maurizio Sella
“	Anna Maria Ceppi
“	Giovanni Zanetti

BOARD OF STATUTORY AUDITORS

in office up to the approval of the 2014 financial statements

Auditor - Chairman	Mario Pia
“ “	Paolo Piccatti
“ “	Daniele Frè
Alternate Auditor	Riccardo Foglia Taverna
“ “	Pierangelo Ogliaro

GENERAL DIRECTION

General Manager	Pietro Sella
Co - General Manager	Attilio Viola

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

Ordinary Meeting

CONVENING OF ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called to the Ordinary Meeting, to be held in Biella, Piazza Gaudenzio Sella 1, at 9:30am on 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 corporate governance;
4) Acknowledgement of the Board of Directors' Report on the implementation of remuneration policies;
5) Acknowledgement of the review of the internal audit work on the methods for ensuring the conformity of remuneration procedures with the regulatory context.

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

Biella, 10 April 2012

BANCA SELLA HOLDING
The Chairman

REPORT ON OPERATIONS

» INTRODUCTION

This Report on the management of Banca Sella Holding S.p.A. includes the comments on the Bank's period results, the summary data and the alternative performance indicators and comments relating to operations management alone. For all other information required by the provisions of the law, please refer to the Consolidated Management Report of the Banca Sella Group or the Explanatory Notes to these individual financial statements.

Please refer to the Consolidated Report on Operations for:

- information on strategic issues, the relevant macroeconomic scenario, the forecast for the next financial year and the risks connected with the going concern, as the same remarks reported in the consolidated financial statements are valid;
- the activity of the Audit Committee and the Internal audit, Value control and Compliance areas (described in the section “Internal control”);
- research and development and Information Technology activities;
- the liquidity management information;
- information on “high-risk” financial products.

Please instead refer to the Explanatory Notes to these individual financial statements with regards to the following:

- information concerning operations and Bank related party transactions, which are described in part H;
- information on financial and operating risks, which are illustrated in part E;
- the list of subsidiaries, under joint control and those subject to significant influence as of 31 December 2011, which is given in Part B.

During the year, the first stage of the "One Bank" project was begun, which lead to the transfer of the business unit of Electronic and Traditional Payment Systems, Customer Desk and Customer Area from Banca Sella Holding to Banca Sella, effective for accounting purposes on 29 May 2011.

» MAIN FIGURES AND INDICATORS

SUMMARY DATA *(euro millions)*				
Item	**31/12/2011**	**31/12/2010**	**Change**	
			absolute	**%**
BALANCE SHEET				
Total assets	3.740.252,9	3.710.332,3	29.920,6	0,8%
Cash loans	900.668,9	901.849,1	(1.180,2)	-0,1%
Guarantees given	58.089,3	10.177,7	47.911,6	470,7%
Financial assets	1.034.073,3	1.002.281,5	31.791,8	3,2%
Equity investments	798.173,9	732.460,8	65.713,1	9,0%
Tangible and intangible fixed assets	40.063,9	48.385,2	(8.321,3)	-17,2%
Direct deposit[1] (excluding repurchase agreements)	1.145.755,1	1.216.821,5	(71.066,4)	-5,8%
Repurchase agreement	1.223,6	-	1.223,6	-
Indirect deposit	14.449.120,7	15.472.173,7	(1.023.053,0)	-6,6%
Total deposit	15.596.099,4	16.688.995,2	(1.092.895,8)	-6,5%
Regulatory capital	666.098,8	651.588,1	14.510,7	2,2%
INCOME STATEMENT[2]				
Net interest income	18.555,6	35.336,8	(16.781,2)	-47,5%
Net income from services	37.535,5	52.721,8	(15.186,4)	-28,8%
Net banking income	56.091,1	88.058,7	(31.967,6)	-36,3%
Operating costs [3]	52.123,5	67.371,1	(15.247,6)	-22,6%
Operating profit	3.967,5	20.687,6	(16.720,0)	-80,8%
Net value adjustments for impairment losses	(15,7)	(146,7)	131,0	-89,3%
Income tax	2.439,9	(809,8)	3.249,7	-
Profit for the year (net)	(18.131,5)	4.256,2	(22.387,7)	-

(1) The aggregate represents the sum of the following items of the Balance Sheet Assets: 20 "Due from customers" and 30 "Outstanding securities".

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

(3) Given by the sum of the following items: "Administrative expenses" item 150, "Writedowns of tangible assets" item 170, Writedowns of intangible asset item 180, "Other operating expenses and income" item 190.

STAFF AND BRANCHES				
Items	**31/12/2011**	**31/12/2010**	**Change**	
			absolute	**%**
Employees	250	312	-62	-19,9%
Branches	1	1	-	-

The figures were influenced by the transfer 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.

ALTERNATIVE PERFORMANCE INDICATORS		
Item	**31/12/2011**	**31/12/2010**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [(1)]	-3,4%	0,9%
R.O.A. (return on assets) [(2)]	-0,5%	0,1%
Net interest income[(3)] / Net banking and insurance income[(3)]	33,1%	40,1%
Net income from services [(3)] / Net banking and insurance income [(3)]	66,9%	59,9%
Cost to income [(4)]	90,0%	73,5%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income [(3)] / Average number of employees	199,6	268,9
Gross operating profit [(3)] / Average number of employees	14,1	63,0
Cash loans / Number of employees at year end	3.602,7	2.890,5
Direct deposit / Number of employees at year end	4.583,0	3.900,1
Total deposit / Number of employees at year end	62.384,4	53.490,4
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	78,6%	74,1%
Cash loans / Total assets	24,1%	24,3%
Direct deposit / Total assets	30,6%	32,8%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	0,0%	0,0%
Net value adjustments to loans / Cash loans	0,0%	0,0%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	52,38%	45,95%
Total Capital Ratio	70,25%	65,07%

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

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

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

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

» OPERATIONS MANAGEMENT

Finance Area

DEALING AND TRADING ON THE MARKETS

In 2011 the Bank's dealing activity in the market, on its own behalf and on behalf of third parties (including On Line Trading), recorded the following market shares (the table below shows a comparison with 2010 figures):

TRADING ACTIVITIES	2011	2010
MTA	1,64%	1,52%
(in *trading after hours)*	5,04%	4,56%
SeDeX	0,80%	0,56%
Domestic MOT	11,15%	12,96%
EuroMOT	27,32%	24,76%
IDEM – FTSE MIB Future	4,24%	5,17%
IDEM – MINI/Future	13,48%	19,12%
IDEM – FTSE MIB Option	14,11%	8,82%

(*Source: Assosim data)*

With respect to the previous year, the market shares recorded in 2011 increased in the cash share division, the EuroMOT bond segment and the index options segment. On the other hand, the index *futures* segment and the Domestic MOT bond segment declined.

OWN ACCOUNT TRADING ACTIVITIES IN FINANCIAL INSTRUMENTS AND TREASURY ACTIVITIES

During the financial year 2011, the activity of trading on our own behalf provided a growing contribution to the income statement. The Bank kept its status as Primary Dealer on the Electronic Government Securities Market (MTS), with a market share of around 2,0% (2,3% in 2010).

During the financial year dealing activities on our own behalf in the electronic bond market (MOT) recorded decreasing volumes, with a market share settling at 17,23% (22,94% in 2010), while the EuroMOT division saw slightly decreasing volumes, with a market share of 49,80% (51,78% in 2010)[1]. All bond trading desks achieved excellent results, growing on the previous financial year.

Total volumes traded in 2011 on the electronic share market (MTA), deriving from trading activities on our own behalf alone, saw a drop compared with the previous financial years, with a market share decreasing from 0,29% in 2010 to 0,11%[2].

Trading of derivative products focused mainly on instruments quoted on the regulated markets IDEM (Italian Derivatives Market) Eurex and MEFF RV. Trading in quoted derivative instruments on IDEM recorded a decline with respect to financial year 2010. The market share of own-account trading in relation to Futures on the FTSE MIB Index went up from 5,32% in 2010 to 2,37% in 2011; the share for MiniFutures on the FTSE MIB Index went up from 26,32% in 2010 to 17,60% in 2011; the share for Options on the FTSE MIB Index went from 3,20% in 2010 to 0,72% in 2011.[3]

In relation to the IDEM market, the Equity Derivatives desk continued its role as Primary Market Maker on MiniFuture on the FTSE MIB Stock Market Index, while it renounced that role in relation to

[1] *Source: Dati Assosim*

[2] *Source: Dati Assosim*

[3] *Source: Dati Assosim*

Index options on the FTSE MIB stock market index. The stock desks saw positive income results that were slightly lower with respect to the previous year.

Trading on the spot and forward foreign exchange market, implemented to meet the customers' demands, shows a predominance of trading on the spot market with volumes traded of about 3,8 billion euro.

With reference to the treasury, the Bank's business on the interbank deposits market was notably less than that in 2010, settling at relatively low levels, owing to the contraction of volumes on this market following the climate of deep distrust due to the worsening financial crisis (total volumes with counterparties outside the Group, excluding the Central Bank, on the e-MID and OTC markets, approximately 8 billion euro). Dealings on the REPO market were notably less than those in 2010 following a greater use of the European Central Bank as the main counterparty for the purposes of managing excess liquidity (total PCT volumes on MTS of approximately 29 billion euro, almost all of it falling due overnight).

In 2011 the liquidity position of the Bank and of the entire Banca Sella Group always recorded more than adequate balances. The liquidity position management policy, in fact, has always been based on criteria of extreme prudence, above all at times of strong turbulence on the financial markets such as that seen during recent years.

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

CORPORATE FINANCE

Banca Sella Holding's (SCF) corporate finance service ended the year with total revenues of approximately 846 thousand euro, an increase over the figure in 2010. Consulting activities provided to the companies of the Banca Sella Group (so-called *corporate development*) increased significantly, with involvement in numerous transactions and the production of overall revenues that exceeded those of 2010, in particular thanks to the positive completion of some transactions for which SCF provided assistance.

Consulting for *corporate finance* for external clientèle saw SCF involved in various assignments. The positive completion of some of these led to overall revenues that exceeded those of 2010.

SECURITIES TRADING ACTIVITIES FOR THIRD PARTIES - TRADITIONAL TRADING

2011 saw revenues linked to traditional trading of financial instruments decrease by approximately 14% with respect to 2010. This trend was influenced by various factors. Some factors were relevant throughout the entire year, while others were more important in the first or second half of the year.

Throughout 2011, the slowing of the world economy, the difficulty in peripheral economies, the economic recession, the worsening of the Greek crisis and the continuous downgrading by Rating Agencies led to a progressive increase in risk-aversion by private clientèle in terms of investments in securities, in favour of other investment instruments, such as highly remunerative current accounts or insurance and social security savings products.

The decrease in maturing securities with respect to 2010 (which were already much lower than in 2009), together with a decrease in the "reinvestment" percentage by customers, with respect to historic "retention," created a negative effect on revenues from trading.

This situation was furthered, especially in the first half, by deposit policies aimed at direct deposit instruments, such as issues of own bond issues, or indirect deposits aimed at managed savings products, funds or insurance and social security products.

During the second half, the instability of the financial markets, the difficulties in Italy's political and economic system, and the dramatic increase in the Italy-Germany spread further increased risk-aversion on the part of clientèle in terms of investments in securities. In addition, market volatility increased notably during the same period, which while it favoured on-line trading activities, also had a decidedly negative effect on traditional clientèle.

During the same period, some initiatives which had been begun in the domestic market with the goal of restoring credibility to the Italian market, that is the so-called "BTP Days," had a negative impact on revenues, as these involved the trading and subscription of Italian government bonds with zero fees.

In addition, as the fees were applied as a percentage with respect to the countervalue of the transactions, the dramatic reduction in Italian stock prices and prices of Italian government bonds, which the majority of customer deposits were concentrated on, had a negative impact on the formation of revenues even at nominal brokerage parity.

On the other hand, positive aspects are connected to the stability of both overall volumes traded and direct income from the activity of institutional investors, in particular on the stock markets and the stability of the average commission applied to clientèle.

All of these occurrences during 2011 profoundly influenced actions on the financial markets on the part of traditional investors/customers and will continue to see effects in 2012, where we forecast:

- continuation of risk-adversity by the clientèle;
- a progressive decrease in propensity to savings in the Italian private sector;
- a decrease, at the system level, of securities stock in the face of growth in mutual funds products, and insurance and social security savings products (in the face of requirements for individual, insurance, health care and pension coverage as a response to changes welfare policies);
- an increase in the cost of deposits for banks and companies, with a consequent decrease in offerings of new corporate securities (which we have already seen in the last quarter of 2011) and hence a decrease in volumes traded, in particular for corporate bonds.

In this situation of uncertainty and limited growth, the constraints established by the supervisory authorities will continue to have an ever-greater impact (e.g. revision of the Mifid), with a consequent decrease in net revenues, in particular due to a foreseeable increase in costs to ensure compliance with regulations.

The standardisation of financial tax rates at 20% may discourage investment in securities by the clientèle in favour of other forms of savings allocation, such as highly remunerative current accounts or similar, with equal taxation. However, it is also possible that we will see stability or even an increase in volumes for government bonds and other supranational bonds (such as Bei, Bers, etc.), in particular short-term, as they have the benefit of a favourable tax rate, which has remained at 12,50%, in contrast to the 20% on all other financial instruments and forms of savings allocation.

Finally, constant supervision of average commissions through control and monitoring initiatives, constant focus on service to meet any type of request put forward by the clientèle, both in terms of new markets and new products to offer, and investment in human resources in order to continue to offer services aimed at excellence will be the key aspects to achieve the established economic objectives.

» RESULTS FOR THE YEAR INCOME DATA

Reclassified Income Statement

RECLASSIFIED INCOME STATEMENT *(euro thousand)*			
Item	**31/12/2011**	**31/12/2010**	**% Change over 2010**
10 Interest and similar income	56.486,5	49.445,7	14,2%
20 Interest and similar expenses	(47.996,9)	(28.013,7)	71,3%
70 Dividends and similar income	10.066,1	13.904,8	-27,6%
NET INTEREST INCOME AND DIVIDENDS	**18.555,6**	**35.336,8**	**-47,5%**
40 Fee income	46.551,6	98.723,7	-52,8%
50 Fee expenses	(29.401,6)	(60.726,7)	-51,6%
80 Net gains/(losses) on trading activities	20.361,6	14.721,8	38,3%
90 Net gains/(losses) on hedging activities	23,9	3,0	684,7%
Net income from service	**37.535,5**	**52.721,8**	**-28,8%**
NET INTEREST AND OTHER BANKING INCOME	**56.091,1**	**88.058,7**	**-36,3%**
150 Administrative expenses:			
a) Personnel expenses	(21.087,4)	(26.095,4)	-19,2%
IRAP on personnel and seconded personnel expenses [(1)]	(883,0)	(969,9)	-9,0%
b) Other administrative expenses	(31.841,3)	(48.798,2)	-34,7%
Recovery of stamp duty and other taxes [(2)]	115,3	447,5	-74,2%
170 Value adjustments on tangible assets	(2.150,6)	(2.171,0)	-0,9%
180 Value adjustments on intangible assets	(904,6)	(1.481,5)	-38,9%
190 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	4.628,0	11.697,4	-60,4%
Operating costs	**(52.123,5)**	**(67.371,1)**	**-22,6%**
OPERATING PROFIT/(LOSS)	**3.967,5**	**20.687,5**	**-80,8%**
160 Net provisions for risks and charges	(2.503,3)	(645,7)	287,7%
130 Net value adjustments for impairment on:			
- loans and receivables	(15,7)	(146,7)	-89,3%
- financial assets available for sale	(72,0)	(293,3)	-75,4%
- other financial transactions	16,1	33,7	-52,2%
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	47,6	963,6	-95,1%
- financial assets available for sale	2.196,6	3.631,9	-39,5%
- financial liabilities	976,9	69,3	1309,7%
210 Gains/(losses) on equity investments	(25.357,7)	(14.135,8)	79,4%
230 Impairment of goodwill	-	-	-
240 Gain/(loss) on disposal of investments	2.963,8	(0,0)	-
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**(17.780,1)**	**10.164,6**	-
260 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	2.439,9	(809,8)	-
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**(15.340,2)**	**9.354,9**	-
280 Profit/(losses) on asset disposal groups held for sale after tax	(2.791,3)	(5.098,7)	-45,3%
PROFIT/ (LOSS) FOR THE YEAR	**(18.131,5)**	**4.256,2**	-

[(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 year 2011 saw losses of 18,1 million euro.

From the reclassified income statement tables above, it can be seen that, when compared to the previous year, the results at 31 December 2011 are substantially caused by the significant worsening in the item, "Profits/losses on equity investments," which went from -14,1 million euro to -25,3 million euro. Following the continuing difficult financial situation, an impairment test was carried out on some of the companies in which the Parent Company holds an interest. The results made it necessary to carry out writedowns for Banca Sella Nord Est Bovio Calderari with an impact of 12,8 million euro, for CBA Vita for 12,5 million euro, for Selgest for 229 thousand euro, and for Miret for 236 thousand euro. The sale of the company Agata only partially compensated for these writedowns, bringing profits of 427 thousand euro.

In addition, the transfer of the business unit consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area to Banca Sella influences the results for the year.

The level of R.O.E. at the end of 2011 was -3,4%, while in the previous year it had been 0,9%.

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

NET INTEREST INCOME

Net interest income amounted to 18,6 million euro, down by 47,5% compared with the previous year, in which it totalled 35,3 million euro. This trend is the result of dynamics recorded by the two main components:

- "pure" interest margin, seen as the difference between increases and decreases, decreased by 12,9 million euro (-60,4%) over 2010;
- dividends received went from 13,9 million euro in 2010 to 10,1 million euro in 2011, dropping 3,8 million euro in relation to the less favourable results achieved by the associates in 2010.

NET INCOME FROM SERVICES

Net income from services amounted to a total of 37,5 million euro, down sharply by 28,8% from the previous year, in which it was 52,7 million euro.

Without a doubt, the positive trend in the component relative to trading and hedging activities influenced the results, which returned to the levels seen in previous years totalling 20,4 million euro, a 38,3% increase with respect to 31 December 2010, but it was not enough to compensate for the decrease in commission income (-52,8%), due to the transfer of the payment systems and customer desk business unit.

NET BANKING INCOME

Net income from banking and insurance activities, together with net income from services, led to total income of 56,1 million euro, a decrease of 36,3% compared with the figure at 31 December 2010, which was 88,1 million euro.

OPERATING COSTS

Operating costs amounted to 52,1 million euro, net of the positive contribution of 4,6 million euro of the item “Other operating expenses/income”. The aggregate is 22,6% below that recorded on 31 December 2010, when operating costs settled at 67,4 million euro, thanks also to the limitation of costs that took place during the year.

The component of operating costs, furthermore, has been directly affected by the sale of the business unit to Banca Sella that entailed substantial changes to the bank's operations and cost structure. This transaction took place on 29 May 2011, with its effects therefore only partially influencing the results of last year, meaning that a comparison of the two years is not homogeneous.

More specifically, within costs, we note:

- a decrease of 19,2% in staff costs, whose amount, including IRAP (regional tax on productive activities), fell from 27,2 million euro last year to 22 million euro, due to the effects of the transfer of the business unit referred to above;
- a decrease of 16,4% in adjustments on equipment and intangible assets, which stood at 3,1 million euro, over 3,7 millions in 2010;
- a drop of 60,4% in the positive contribution made by the item “Other operating expenses/income”, whose total amount, minus the Recovery of stamp duties and other taxes, fell from 11,7 million at 31 December 2010 to 4,6 million euro.

Other operating expenses included other administrative expenses, which, net of the recovery of stamp duties and other taxes amounted to 31,7 million euro, a notable decrease when compared with the 48,4 million euro of financial year 2010.

GROSS OPERATING PROFIT/LOSS

As a result of the trends examined above, gross operating profit stood at 4 million euro, 80,8% below the 20,7 million euro recorded in 2010.

ALLOWANCES, LOSSES/RECOVERIES, PROFIT/LOSSES ON DISPOSAL AND PROFIT/LOSSES ON EQUITY INVESTMENTS

Net provisions for contingent charges were 2,5 million euro as compared with the 0,6 million euro recorded last year.

Net impairment losses on loans amounted to 0,01 million euro, down on the 0,1 million euros recorded for financial year 2010, testifying to the low credit risk assumed by the company.

The item Income from the disposal of investments totalled 3 million euro due to the effects of the sale of the real estate located in Costa delle Noci in the province of Biella to the City of Biella.

The item Profits/losses on equity investments includes again the impact of the impairment of investments in Banca Sella Nordest Bovio Calderari, CBA Vita, Selgest and Miret. For further information on the impairment test on minority interests, please refer to the Notes to the Accounts, part B – Information on the Balance Sheet – Assets.

INCOME TAXES

Income taxes (exclusive of IRAP relative to expenses for personnel reclassified which increased said component) constitute a positive component at approximately 2,4 million euro and net of the extraordinary redemption transaction discussed below would have been a negative component at approximately -2,1 million euro.

Income taxes were negatively influences by non-deductible writedowns on equity investments which had the requirements pursuant to article 87 Presidential Decree 917/1986.

During the course of 2011, Banca Sella Holding carried out the redemption envisaged under Decree Law 98 of 06/07/2011 under article 23, paragraphs 12 and 14, regarding the greater values relative to the goodwill included in the value calculated for equity investments registered in the individual financial statements, which in the consolidated financial statements are carried as goodwill. This operation had a positive impact of approximately 4,5 million euro.

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

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

PROFITS/(LOSSES) ON ASSET DISPOSAL GROUPS HELD FOR SALE AFTER TAX

The item Profits (Losses) on asset disposal groups held for sale net of taxes includes the economic effects of impairment of the successive sale of the investment held in Banca Monte Parma for the amount of 4,5 million euro.

Comprehensive Income

	ITEMS	31/12/2011	31/12/2010
10.	**Net income (loss)**	**(18.131.471)**	**4.256.244**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	(11.491.610)	(4.104.641)
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	(255.512)	-
100.	Share of valuation reserves connected with investments meaured with net equity method	-	-
110.	**Total other comprehensive income (net of tax)**	**(11.747.122)**	**(4.104.641)**
120.	**Total comprehensive income (item 10+110)**	**(29.878.593)**	**151.601**

The amount included amongst the financial assets held for disposal refers to the impact of the valuation reserves in relation to the portfolio, whose negative trend refers above all to the component relating to public debt securities.

In the analysis of the aggregate, it is important to remember that in 2011, great tension was recorded on the financial markets, especially towards the end of the year, caused by an intensification of concern on the sustainability of the public debt of some economies of the euro area (for more information, refer to the chapter entitled “Macroeconomic reference scenario” of the 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 also concerned Italy, with a consequent impact on the spread between the Bund and the Italian securities.

» RESULTS FOR THE YEAR
BALANCE SHEET DATA

RECLASSIFIED BALANCE SHEET *(euro thousand)*			
ASSETS	**31/12/2011**	**31/12/2010**	**Variazione % su 2010**
Financial assets [1]	1.034.073,3	1.002.281,5	3,2%
Due from banks	924.046,8	951.382,3	-2,9%
Cash loans[2]	900.668,9	901.849,1	-0,1%
Equity investments	798.173,9	732.460,8	9,0%
Tangible and intangible fixed assets [3]	40.063,9	48.385,2	-17,2%
Tax assets	24.865,4	14.210,1	75,0%
Non current assets and asset groups held for sale	-	14.958,3	-
Other assets [4]	18.360,7	44.804,9	-59,0%
TOTAL ASSETS	**3.740.252,9**	**3.710.332,3**	**0,8%**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	1.863.328,9	1.763.030,9	5,7%
Direct deposit [5]	1.146.978,7	1.216.821,5	-5,7%
Financial liabilities hel for trading	174.782,7	136.038,9	28,5%
Tax liabilities	2.451,7	2.869,9	-14,6%
Other liabilities [6]	29.571,7	97.865,4	-69,8%
Provisions for specific purposes [7]	24.315,3	23.769,2	2,3%
Shareholders' equity [8]	498.823,8	469.936,5	6,1%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3.740.252,9**	**3.710.332,3**	**0,8%**

[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: 130"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.

In 2011 total Banca Sella Holding assets increased slightly by 0,8%, totalling 3.740,3 million euro, compared to 3.710,3 million euro recorded at 31 December 2010.

Banking business with customers remained essentially unchanged, -0,1% (900,7 million euro, with respect to 901,8 million euro registered at the end of the previous period), despite the impact of the transfer of the business unit of Electronic and Traditional Payment Systems, Customer Desk and Customer Area to Banca Sella, effective for accounting purposes as of 29 May 2011.

On the other hand, global deposits decreased by 6,5% with respect to December 2010, mainly due to the transfer of the depositary bank business unit to Istituto Centrale delle Banche Popolari Italiane which contributed a total of 1.425,4 million euro. The direct deposits component decreased by 5,8%, while indirect deposits totalled 14.449,1 million euro, a decrease of 6,6%.

Analysis of the balance sheet shows that in 2011 the policy used to manage the liquidity portfolio changed. The item receivables from banks totalled 924 million euro, due to increased receivables from Central banks (105 million at 31 December 2011 and not present at 31 December 2010) in the form of overnight deposits at the European Central Bank.

At 31 December 2011, financial assets totalled 1.034,1 million euro, a 3,2% increase with respect to the figure of 1.002,3 million euro at the end of the previous year.

Analysing the various portfolios that make up this item, it can be noted that the aggregate total of financial assets available for sale, totalling 417,3 million euro, increased by 101,41% with respect to the 207,2 million euro seen at the end of 2010. This is in line with the management strategy for the Company's securities portfolios, upon recommendations from the Board of Directors of the Parent Company, which over the course of 2011 led to an increase in investments in the category of financial assets available for sale and financial assets held to maturity. This change (+68,4% over 2010) is in line with the decisions taken by the Bank's Board of Directors in virtue of autonomous strategic decisions.

The upward changes described above are in contrast to the decrease in financial assets held for trading, which decreased by 32,6% over the previous year.

Finally, shareholders' equity totalled 498,8 million euro, an increase of 6,1% over the previous year, in which it was 469,9 million euro, thanks to the reserves deriving from the transfer of the business unit consisting of Electronic and Traditional Payment System,s Customer Desk and Customer Area.

Financial assets (Debt securities)

At 31 December 2011 the bank held a securities portfolio of 1.487,4 million euro which, in accordance with the International Accounting Standards, was divided into the following categories:

SECURITIES PORTFOLIO *(euro millions)*	**31/12/2011**	**31/12/2010**
Held for trading	305,5	584,7
Available for sale	392,4	187,8
Held to maturity	134,8	80,0
Credits (Loans and Receivables)	654,7	699,8
TOTAL	**1.487,4**	**1.552,3**

HELD-FOR-TRADING SECURITIES

During the year the total of the held-for-trading category has dropped considerably, compared with the figure for 31 December 2010, going up from 584,7 million euro to 305,5 million euro. The decrease is mainly due to the expiry and sale of government securities and bank bonds in 2011.

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

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

- Eurozone government securities for 10,6%;
- bonds by supranational issuers and government securities for 12,8%;
- bonds by bank and financial issuers for 71,.7%;
- bonds by corporate issuers for 1,4%;
- shares and reserves for 3,5%.

Bonds in this category are mainly short-term maturity: specifically, 79,8% reimburse by 2013, 14% between 2014 and 2016, and only 6,2% after 2016.

AVAILABLE-FOR-SALE SECURITIES

This sector increased notably in 2011, going from 187,8 million euro at the end of 2010 to 392,4 million euro at 31 December 2011.

The securities in this category are Italian and Euro-area government bonds with maturity falling between 2012 and 2018 representing 63,9% and the remaining 36,1% other non-subordinated bonds.

As in the previous year, there was an increase in the use of the accounting category in question, as it was decided to increase the percentage of Italian government bonds held for purposes of investment stability.

HELD-TO-MATURITY SECURITIES

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

At 31 December 2011 the securities held in this category amounted to 134,8 million euro and consisted of Italian government bonds with maturities between 2014 and 2021.

LOANS AND RECEIVABLES

At 31 December 2011 the securities included in this category amounted to about 654,7 million euro.

This segment includes ordinary and subordinated bonds issued by banks of the Group for a total of 633,5 million euro. These securities were issued by the banks with the purpose of achieving appropriate equilibrium between the maturity of assets and liabilities at an individual bank level.

In addition, there are approximately 18,6 million euro in non-subordinated bonds and approximately 2,6 million euro in *Asset Backed Securities,* classified in this category in the second half of 2008.

» OTHER INFORMATION

Information security and protection of privacy

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

The purpose of this document, which was updated in March 2012, is to establish the organizational, physical and logical security measures to be adopted to ensure compliance with the obligations on the subject of security laid down in Legislative Decree 196/2003 on the protection of personal data and its later amendments and additions.

Report on corporate governance and ownership structure

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

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

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

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

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

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 parent companies.

» EQUITY INVESTMENTS AND RELATIONS WITH GROUP COMPANIES

Equity investments

The equivalent value of the Bank's equity investments, which had increased by 80,6 million euro compared with 31 December 2010, amounted to 847,4 million euro, of which 820,6 million euro in companies belonging to the Group. The transactions in the investment portfolio of the Bank up to 31 December 2011 were:

INCREASES

- the purchase of 928.104 shares in Banca Patrimoni Sella & C. S.p.A., representing 3,315% of the share capital of the company, with a consequent increase of the interest from 68,415% to 71,730%;
- the purchase of 37.500 shares in Biella Leasing S.p.A., representing 0,150% of the share capital of the company, with a consequent increase of the interest from 76,986% to 77,136%;
- the purchase of 20.000 shares in Brosel S.p.A., representing 10,000% of the share capital of the company, with a consequent increase of the interest from 61,500% to 71,500%;
- the purchase of 45.000 shares in Consel S.p.A., representing 0,101% of the share capital of the company, with a consequent increase of the interest from 51,978% to 52,079%;
- the purchase of 1.000 shares in Easy Nolo S.p.A., representing 0,053% of the share capital of the company, with a consequent increase of the interest from 89,737% to 89,790%;
- the purchase of 10 shares in Selgest S.A., representing 0,40% of the share capital of the company, with a consequent increase of the interest from 99,600% to 100%;
- the purchase of 1.031.280 shares in Sella Capital Management S.p.A., representing 10,313% of the share capital of the company, with a consequent increase of the interest from 86,028% to 96,341%;
- the purchase of 1.905.000 shares in Sella Gestioni S.p.A., representing 10,000% of the share capital of the company, with a consequent increase of the interest from 75,452% to 85,452%;
- the purchase of 148.200 shares in Istituto Centrale delle Banche Popolari Italiane S.p.A., representing 1,046% of the share capital of the company, with a consequent increase of the interest from 0,957% to 2,003%;
- the purchase of 1 share in S.W.I.F.T., representing 0,001% of the share capital of the company, with a consequent increase of the interest from 0,031% to 0,032%;

DECREASES

- sale of the entire shareholding in Banque BPP S.A. representing 23,655% of the share capital;
- sale of 370.000 shares in London Stock Exchange Group Plc. representing 0,136% of the capital share of the company;
- sale of the entire shareholding in Banca Monte Parma S.p.A. representing 4,597% of the share capital;
- sale of the whole interest in Visa Inc. (USA) - Class C - Series I, representing 0,003% of the share capital of the company;

EQUITY OPERATIONS

- increase in the interest in C.B.A. Vita from 82,000% to 84,954%, on the occasion of the capital increase;
- subscription of 5.000% of the share capital of Pallacanestro Biella, previously revoked to cover losses;
- purchase of a 9,928% interest in Smava GmbH, through a capital increase partially subscribed in cash and partially by transferring our entire interest in Agata S.p.A. (40%);
- reduction of our interest in Città Studi S.p.A. from 0,352% to 0,334%, following the completion of a capital increase operation;

- reduction of our interest in Finpiemonte S.p.A. from 0,616% to 0,345%, following a capital increase operation in which we did not participate.

OTHER TRANSACTIONS

- following the merger by incorporation of Banca Sella Sud Arditi Galati S.p.A. and Sella Servizi Bancari S.C.p.A. in Banca Sella S.p.A., transfer of the business unit of Banca Sella Holding S.p.A. represented by the Payment Systems Area and Customer Area and successive acquisitions by minority shareholders, the interest in Banca Sella S.p.A. went from 100% to 94,801%;
- during the course of 2011, the company Sella Holding N.V. moved its registered offices from Holland to Italy and changes its name to Finanziaria 2010 S.p.A.;
- during the course of 2011, the liquidation of Secursel S.p.A. was completed and it was removed from the registry of businesses.

COMMITMENTS TO MIRET S.A.

We note that the operating risks which are referred to briefly below are related to relationships not subject to transfer as of 1 July 2010 to the banking company Banque BPP SA. and hence remain within the equity of the divided company Sella Bank Luxembourg S.A., now “Miret S.A.”.

The operational risks of Miret S.A. are only those referring to events that can be entirely attributed to the old management (2001 – 2003), which was dissolved by dismissing the managers in charge and replacing them immediately in November 2003. This subject was already reported on in the financial statements for previous years.

For reasons of clarity and consistency, we are presenting once again the division of risks following the same scheme that appears in the report on the 2010 financial statements, distinguishing therefore between:

a) risks attributable to the role of Sella Bank Luxembourg (now Miret S.A.) as the depositary bank and administrative agent of the Sicav Amis Funds (Amis) and Top Ten Multifonds (TTM);
b) the risks relating to disputes that arose with reference to the relations of Sella Bank Luxembourg (now Miret S.A.) with a number of funds incorporated under the laws of the BVI (*British Virgin Islands*) and with their *management* and/or *sub-management companies* or with subjects directly or indirectly related to the former or latter.

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

This transaction was carried out regularly by Sella Bank Luxembourg (now Miret S.A.) through the deposit of 21,8 million on 8 August 2008 (deriving from the capital amount of 21,5 million plus interest at conventional rate). The agreement envisages, besides a complex mechanism of guarantees given by the liquidation to Sella Bank Luxembourg (now Miret S.A.) for the eventuality of subsequent suits filed by third parties, the settlement states that, in the context of the judicial liquidation procedure, the Liquidators will pay off investors in the Vario Invest product distributed by Amis AG and with which Sella Bank Luxembourg (now Miret S.A.) had dealt, up to 4 March 2004, with the amounts used for investments with the consequent assumption of responsibility as regards their mixing with the assets of the SICAV.

The Liquidators thus undertook, against the payment made by Sella Bank Luxembourg (now Miret S.A.) of the further sum of 4 million euro, to collate by 3 July 2011 the waivers of at least 85% of the Vario Invest investors of all claims against Sella Bank Luxembourg (now Miret S.A.). On 30 March 2010, the liquidators informed that they had collated the waivers of Vario Invest customers in accordance with that required through a transaction in the amount of 18,9 million, equal to 86,50% of the total indicated in the transaction signed on 21 March 2008. As a consequence, on 8 June 2010, Sella Bank Luxembourg (now Miret S.A.) continued the above mentioned transaction, depositing the amount of 3,460 million euro, the full charge of which was sustained by Banca Sella Holding, as in the signed letter of financial support. The conclusion of the condition and the subordinate obligation to pay the remaining amount of 540 thousand euro is, at present, still subject to verification between the parties, as the liquidators communicated on 03 August 2011 that they had completed gathering the waivers of Vario Invest customers, but that the relative documentation had not yet been sent. No investor or third party, subsequent to the transaction, has made any demands of any type of Sella Bank Luxembourg (now Miret S.A.).

With reference to the risks regarding (b), and without prejudice to the disputes from previous years that are still pending, we note that Miret S.A.'s request to suspend the four civil procedures, while awaiting definition of the criminal proceedings brought by Miret S.A. on 07 May 2008, with the deposit of the complaint for the events linked to the previous management (2001 - 2003), was accepted by the Luxembourg Appeals Court on 26 January 2011 for two of the above-mentioned proceedings and, by the Court of Luxembourg on 08 November 2011 for the two remaining proceedings. In the proceedings brought by a sub-management company operating under BVI law aimed obtaining the payment of sub-management commissions for the period of 2003 - 2006, on 31 March 2011 the Court of Luxembourg declared the request unfounded. On 12 August 2011 the above-cited sub-management company appealed the sentence.

Other cases with BVI funds and directly or indirectly related parties did not see any significant changes, as negotiations between parties are still under way and decisions have not yet been made as regards the preliminary ruling procedures introduced by Miret S.A. for all pending civil trials.

As a whole, having carried out the transaction with the judicial winding-up of Sicav Amis Fund and Top Ten Multifonds including as regards the Vario Invest investors (section a above), operating risk for Miret S.A. is being modified as to the rights claimed. Nonetheless, while the results of the cases referred here are found to be comforting, at present it is held to be prudent to not make quantitative changes to the risk estimates calculated in the 2010 financial statements.

Business continuity, strategy and profitability

In the Report on Operations, the reasons behind the results for the period are described, influenced by the transfer of the business unit consisting of Electronic and Traditional Payment Systems, Customer Desk and Customer Area to Banca Sella and the need to carry out some writedowns following the execution of impairment tests on certain companies invested in by the Bank. It is also held that said writedowns are extraordinary events which had a particular impact on the year 2011.

In addition, 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 despite the continuation of the crisis during the whole financial year, and the risk management processes and objectives, with particular focus on the riskiest financial instruments, are commented on in detail both in the report on operations and in Part E of the notes to the financial statements.

In the light of that outlined above, the Directors declare that they have carefully and attentively examined the company's economic and financial situation and the presuppositions for business continuity exist.

Relations with Group companies

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

Relations of Banca Sella Holding with other Group companies: balance sheet data (euro thousands)								
Counterparty	**Other assets**	**Other liabilities**	**Financial assets held for trading**	**Due from banks**	**Due from customers**	**Due to banks**	**Due to customers**	**Financial liabilities held for trading**
Biella Leasing S.p.A.	89	-	7.762	-	503.355	-	-	30
Banca Patrimoni Sella & C.	593	19	1.470	26.145	-	9.464	-	439
Brosel S.p.A.	1	2	-	-	-	-	-	-
Banca Sella S.p.A.	3.458	4.971	106.957	27.600	-	1.353.919	-	33.378
Banca Sella Nordest Bovio Calderari S.p.A.	200	1	3.290	64.957	-	4.499	-	1.600
CBA Vita S.p.A.	28	71	-	-	-	-	66.570	328
Consel S.p.A.	4	-	9.302	-	360.178	-	-	346
Easy Nolo S.p.A.	78	-	0	-		-	-	-
Family Advisory SIM S.p.A. - Sella & Partners	170	2	-	-	-	-	-	-
Finanziaria 2010 S.p.A.	1	-	-	-	-	-	-	-
Immobiliare Sella S.p.A.	1	42	-	-	-	-	-	-
Immobiliare Lanificio Maurizio Sella S.p.A.	71	-	-	-	-	-	-	-
Sella Bank AG	30	1	881	75	-	97.712	-	987
Selfid S.p.A.	78	-	-	-	-	-	-	-
Selgest SA	12	-	-	-	-	-	-	-
Selir S.r.l.	1	3	-	-	-	-	-	-
Sella Gestioni SGR S.p.A.	76	-	-	-	-	-	-	-
Overall total	**4.891**	**5.112**	**129.662**	**118.777**	**863.533**	**1.465.594**	**66.570**	**37.108**

Relations of Banca Sella Holding with other Group companies: income statement data (euro thousands)									
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 trading activity	Other administrative expenses	Personnel expenses(*)
Biella Leasing S.p.A.	-	43	-	-	9.975	-	5.176	-4	-261
Banca Patrimoni Sella & C.	-	345	1.446	153	5	344	1.118	35	-41
Banque Bpp SA	-	-	4	-	2	205	-	-	-
Brosel S.p.A.	-	3	-	-	-	-	-	-	-
Banca Sella S.p.A.	10	2.808	8.196	3.976	10.839	23.129	36.207	4.540	423
Banca Sella Nordest Bovio Calderari S.p.A.	-	195	365	228	1.627	821	783	1	-216
CBA Vita S.p.A.	-	104	-	-	86	915	-13	46	354
Consel S.p.A.	-	17	-	-	6.412	-	8.784	1	25
Easy Nolo S.p.A.	-	5	-	459	-	-	-	1.633	-273
Family Advisory SIM S.p.A. - Sella & Partners	-	25	-	-	-	-	-	-1	-529
Finanziaria 2010 S.p.A.	-	2	-	-	-	-	-	-	-
Immobiliare Sella S.p.A.	-	4	-	-	-	-	-	988	-
Immobiliare Lanificio Maurizio Sella S.p.A.	-	4	-	-	-	-	-	122	-223
Securse S.r.L.	-	2	-	-	-	-	-	-	-
Sella Bank AG	-	26	7	19	2	769	-	-	-
Selfid S.p.A.	-	19	-	-	-	-	-	-6	-291
Selgest SA	-	-	57	-	-	-	-	-	-
Selir S.r.l.	-	6	-	-	-	-	-	140	-
Sella Gestioni SGR S.p.A.	-	47	117	-	-	112	-	24	-96
Sella Servizi Bancari S.C.p.A.	-	193	-	-	-	-	-	6.919	151
Overall total	10	3.848	10.192	4.835	28.948	26.295	52.055	14.438	-977

(*) Negative amounts refer to expense recover

» PLAN FOR COVERING LOSSES

Shareholders, the Balance Sheet and Income Statement at 31 December 2011, presented in euro units in accordance with current legislation, with the usual prudential criteria, after all the necessary depreciation, amortisation and provisions, show a net loss for the year of Euro 18.131.471,38.

Therefore, we propose that the losses be fully covered by using the reserves as detailed below:

18.131.471,38 euro from the "Extraordinary" reserves.

Biella, 27 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 HOLDING S.p.A.
Head Office at Piazza Gaudenzio Sella, 1 - Biella
Share capital €100.500.000 fully paid up
Enrolled on the Biella Businesses Register
with its tax ID number: 01709430027.
Adherent of the Interbank Fund for the Protection of Deposits
Enrolled on the Registers of Banks and of Banking Groups

PARENT COMPANY OF THE BANCA SELLA GROUP
ENROLLED ON THE REGISTER OF BANKING GROUPS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 2429, PARAGRAPH 2, OF THE CIVIL CODE

Dear Shareholders,

during 2011, the board of statutory auditors acted to fulfil its tasks of supervision and auditing of the performance of the company's business, with specific reference to aspects concerning the application of the various regulations governing the complex subjects of corporate and banking law.

In particular:

- we met fourteen times;
- we took part in fifteen meetings of the Board of Directors, obtaining, approximately every month, information on the work performed and on the transactions of greatest economic and financial significance, making sure that those approved and carried out were compliant with the law and with the articles of association, not manifestly imprudent, not hazardous, not in contrast with general meeting resolutions or in potential conflict of interest and – wherever appropriate – making sure that the subjects involved provided the information prescribed;
- we attended three general meetings and eight meetings of the audit committee;
- we have kept ourselves informed of and supervised, insofar as our duty required, both the adequacy of the organisational structure of the company - following regularly the further improvements introduced - and the observance of principles of correct administration, by direct observation, the collection of information and documents from the managers of relevant units, including internal audit and compliance, and acquiring, through reciprocal exchanges of data and information, the results of the operations of the audit company, which, pursuant to Legislative Decree 39/2010, we supervised in terms of both activities and independence;
- we examined in depth the internal auditing system and the administrative and accounting system – ascertaining their continuing adequacy – as well as the continuing ability of the latter to give a true and fair picture of the business, formulating hypotheses to prevent and eliminate shortcomings;
- we ascertained that the capital eligible for regulatory purposes was more than the ratios required, with a Tier 1 capital ratio of 52,38% and a total capital ratio of 70,25%;

- we met with members of the boards of statutory auditors of the other Group companies, in order to exchange information and opinions, in application of the indications received from the Supervisory Authority and the provisions of Art. 2403 *bis* of the Civil Code, not forgetting that BANCA SELLA HOLDING, as the Parent Company, directs and coordinates these companies, under the terms of article 2497 of the Civil Code.

In 2011, two notifications were carried out regarding facts relative to two subsidiaries, pursuant to article 52 of the so-called "*Consolidated Banking Act*" and, in January 2012, one pursuant to article 52, paragraph 2, letter D of Legislative Decree 231/2007, for anomalies in the insertion of data into the shared IT archiving system for Italian banking companies.

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

* * *

We have also acknowledged – as far as the presentation and the structure are concerned, since the external auditing firm is responsible for legal auditing of the accounts – the draft individual financial statements for financial year 2011, approved by the directors in their meeting on last 27 March, which shows net losses of euro 18.131.471, with respect to the positive results for the previous year.

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

The management report and the explanatory notes provide the information required by the law, as well as other important information as regards the features of the company and the sector in which it works, while commenting the management of the financial year and highlighting the facts giving origin to financial flows and their incidence on the company's liquidity and solvency, and outlining the foreseeable trend for 2012 in the light of known elements and those that can be rationally assumed.

With reference to the provisions of IFRS and the Joint statements of the BANK OF ITALY - CONSOB – ISVAP issue 2 of 6 February 2009 and issue 4 of 3 March 2010, the directors highlight elements which we believe to provide adequate information on this matter.

The documents submitted for your approval also illustrate the relations between group companies and with related parties, stressing that they were all enacted in accordance with their respective specializations, in compliance with the provisions of current laws and on the basis of assessments of mutual economic advantage.

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

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

DELOITTE & TOUCHE, having been assigned the task of auditing the accounts, has today informed us of their positive opinion without any objections.

In addition, it confirmed that the various services outside of auditing that it provided to BANCA SELLA HOLDING were as follows:

- preparation of the "Comfort Letter" in the context of the renewal of the EMTN programme for fees totalling 30.000 euro;
- preparation of the request for the "Consolidated Audit" for fees totalling 31.700 euro;
- methodological assistance to the company's working group in the context of the "Efficiency and Quality through Regulations" project, for fees totalling 85.500 euro;

*   *   *

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

*   *   *

Our mandate expires at the general meeting; we thank you for the trust expressed in us at the time of our appointment and invite you to appoint a new board.

Biella, 11 April 2012

The Board of Statutory auditors

Alessandro Rayneri   Paolo Piccatti   Alberto Rizzo

FINANCIAL STATEMENTS AT 31 DECEMBER 2011

BALANCE SHEET

Assets	31/12/2011	31/12/2010	Differences %
20. Financial assets held for trading	482.016.259	715.073.608	-32,59%
40. Financial assets available for sale	417.278.996	207.174.132	101,41%
50. Financial assets held to maturity	134.778.055	80.033.802	68,40%
60. Due from banks	924.046.837	951.382.276	-2,87%
70. Due from customers	900.668.906	901.849.138	-0,13%
80. Hedging derivatives	884.477	486.886	81,66%
100. Equity investment	798.173.850	732.460.844	8,97%
110. Tangible assets	39.247.254	44.465.733	-11,74%
120. Intangible assets	816.605	3.919.452	-79,17%
of wich:			
- goodwill	-	-	-
130. Tax assets	24.865.380	14.210.061	74,98%
a) current	4.102.352	6.642.635	-38,24%
b) deferred	20.763.028	7.567.426	174,37%
140. Non-current assets and asset groups held for sale	-	14.958.337	-100,00%
150. Other assets	17.476.261	44.318.036	-60,57%
Total assets	**3.740.252.880**	**3.710.332.305**	**0,81%**

Liabilities and shareholders' equity	31/12/2011	31/12/2010	Differences %
10. Due to banks	1.863.328.939	1.763.030.871	5,69%
20. Due to customers	77.452.625	133.409.653	-41,94%
30. Outstanding securities	1.069.526.073	1.083.411.856	-1,28%
40. Financial liabilities held for trading	174.782.658	136.038.873	28,48%
80. Tax liabilities	2.451.732	2.869.891	-14,57%
a) current	1.939.118	2.257.213	-14,09%
b) deferred	512.614	612.678	-16,33%
100. Other liabilities	29.571.716	97.865.388	-69,78%
110. Employee severance indemnities	2.619.399	3.072.367	-14,74%
120. Provisions for risks and charges:	21.695.891	20.696.866	4,83%
a) retirement and similar obligations	-	-	-
b) other provisions	21.695.891	20.696.866	4,83%
130. Valuation reserves	(10.196.736)	1.550.385	-757,69%
160. Reserves	377.238.541	314.216.396	20,06%
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	(18.131.471)	4.256.244	-526,00%
Total liabilities	**3.740.252.880**	**3.710.332.305**	**0,81%**

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	56.486.456	49.445.691	14,24%
20.	Interest payable and similar expense	(47.996.942)	(28.013.685)	71,33%
30.	**Net interest income**	**8.489.514**	**21.432.006**	**-60,39%**
40.	Fee income	46.551.573	98.723.698	-52,85%
50.	Fee expenses	(29.401.558)	(60.726.670)	-51,58%
60.	**Net fees**	**17.150.015**	**37.997.028**	**-54,86%**
70.	Dividends and similar income	10.066.079	13.904.808	-27,61%
80.	Net gains/(losses) on trading activities	20.361.595	14.721.774	38,31%
90.	Net gains/(losses) on hedging activities	23.862	3.041	-
100.	Gains/(losses) on sale or repurchase of:	3.221.187	4.664.889	-30,95%
	a) loans & receivables	47.620	963.648	-95,06%
	b) financial assets available for sale	2.196.645	3.631.942	-39,52%
	c) financial assets held to maturity	-	-	-
	d) financial liabilities	976.922	69.299	-
120.	**Net interest and other banking income**	**59.312.252**	**92.723.546**	**-36,03%**
130.	Net value adjustments for impairment on:	(71.620)	(406.260)	-82,37%
	a) loans & receivables	(15.701)	(146.673)	-89,30%
	b) financial assets available for sale	(72.034)	(293.292)	-75,44%
	c) financial assets held to maturity	-	-	-
	d) other financial transactions	16.115	33.705	-52,19%
140.	**Net gains/(losses) on financial operations**	**59.240.632**	**92.317.286**	**-35,83%**
150.	Administrative expenses	(52.928.670)	(74.893.654)	-29,33%
	a) personnel expenses	(21.087.380)	(26.095.422)	-19,19%
	b) other administrative expenses	(31.841.290)	(48.798.232)	-34,75%
160.	Net provisions for risks and charges	(2.503.276)	(645.689)	287,69%
170.	Net value adjustments on tangible assets	(2.150.576)	(2.170.964)	-0,94%
180.	Net value adjustments on intangible assets	(904.606)	(1.481.509)	-38,94%
190.	Other operating expenses/income	4.743.323	12.144.911	-60,94%
200.	**Operating costs**	**(53.743.805)**	**(67.046.905)**	**-19,84%**
210.	Gains/(losses) on equity investments	(25.357.736)	(14.135.794)	79,39%
240.	Gains/(losses) on sale of investments	2.963.828	(40)	-
250.	**Profit/(losses) from continuing operations before taxes**	**(16.897.081)**	**11.134.548**	**-251,75%**
260.	Income taxes for the period on continuing operations	1.556.931	(1.779.653)	-187,49%
270.	**Profit/(losses) from continuing operations after taxes**	**(15.340.150)**	**9.354.895**	**-**
280.	Profit/(losses) on asset disposal groups held for sale after taxes	(2.791.321)	(5.098.650)	-45,25%
290.	**Profit/(Loss) for the year**	**(18.131.471)**	**4.256.245**	**-**

STATEMENT OF COMPREHENSIVE INCOME

	ITEMS	31/12/2011	31/12/2010
10.	**Net income (loss)**	**(18.131.471)**	**4.256.244**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	(11.491.610)	(4.104.641)
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	(255.512)	-
100.	Share of valuation reserves connected with investments meaured with net equity method	-	-
110.	**Total other comprehensive income (net of tax)**	**(11.747.122)**	**(4.104.641)**
120.	**Total comprehensive income (item 10+110)**	**(29.878.593)**	**151.601**

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	100.500.000	-	100.500.000	-	-	-	-	-	-	-	-	-	-	**100.500.000**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	49.413.513	-	49.413.513	-	-	-	-	-	-	-	-	-	-	**49.413.513**
Reserves:	-													
a) profit reserves	293.475.993	(287.558)	293.188.435	20.580.774	-	3.924	-	-	-	-	-	-	-	**313.773.133**
b) others	443.263	-	443.263	-	-	-	-	-	-	-	-	-	-	**443.263**
Valuation reserves	-													
a) available for sale	5.218.888	-	5.218.888	-	-	-	-	-	-	-	-	-	(4.104.642)	**1.114.246**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
d) other	-	441.631	441.631	-	-	-	-	-	-	-	-	-	(5.492)	**436.139**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (loss) for the year	23.073.174	-	23.073.174	(20.580.774)	(2.492.400)	-	-	-	-	-	-	-	4.256.244	**4.256.244**
Shareholders' equity	472.124.831	154.073	472.278.904	-	(2.492.400)	3.924	-	-	-	-	-	-	146.110	**469.936.538**

Statement of changes in shareholders' equity at 31 December 2011

Statement of changes in shareholders' equity at 31 december 2011 *(euro)*				Allocation of profit of previous year		Changes in the period								
							Operations on shareholders' equity							
	Balance at 31/12/2010	**Changes to opening balance**	**Balance at 01/01/2011**	**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 31/12/2011**
Share capital:														
a) ordinary shares	100.500.000	-	100.500.000	-	-	-	-	-	-	-	-	-	-	**100.500.000**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	49.413.513	-	49.413.513	-	-	-	-	-	-	-	-	-	-	**49.413.513**
Reserves:	-													
a) profit reserves	314.060.691	(287.558)	313.773.133	2.346.744	-	60.675.401	-	-	-	-	-	-	-	**376.795.278**
b) others	443.263	-	443.263	-	-	-	-	-	-	-	-	-	-	**443.263**
Valuation reserves	-													
a) available for sale	1.114.246	-	1.114.246	-	-	-	-	-	-	-	-	-	(11.491.609)	**(10.377.363)**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
d) other	-	436.139	436.139	-	-	-	-	-	-	-	-	-	(255.512)	**180.627**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (loss) for the year	4.219.192	37.052	4.256.244	(2.346.744)	(1.909.500)	-	-	-	-	-	-	-	(18.131.471)	**(18.131.471)**
Shareholders' equity	469.750.905	185.633	469.936.538	-	(1.909.500)	60.675.401	-	-	-	-	-	-	(29.878.592)	**498.823.847**

CASH FLOW STATEMENT – Direct Method

A. OPERATING ACTIVITIES *(euro)*	31/12/2011	31/12/2010
1. Operations	**(20.237.881)**	**(4.355.392)**
Interest income collected (+)	54.065.498	48.512.119
Interest expense paid (-)	(47.996.942)	(28.013.685)
Dividends and similar income	2.309.493	1.565.856
Net fees (+/-)	17.150.015	37.997.027
Personnel expenses	(21.201.831)	(26.087.450)
Other costs (-)	(31.841.290)	(48.694.517)
Other revenues (+)	5.720.245	12.144.911
Taxes and duties	1.556.931	(1.779.653)
2. Cash provided (used) by financial assets	**76.034.236**	**1.199.235.965**
Financial assets held for trading	253.418.944	390.517.609
Financial assets available for sale	(221.490.741)	(191.823.132)
Due from customers	1.212.150	487.180.601
Due from banks	27.335.439	520.341.610
Other assets	15.558.444	(6.980.723)
3. Cash provided (used) by financial liabilities	**61.588.848**	**(1.184.004.972)**
Due to banks	100.298.068	(1.096.422.874)
Due to customers	(55.957.029)	23.248.700
Outstanding securities	(14.033.542)	(120.440.729)
Financial liabilities held for trading	38.743.785	(2.998.189)
Other liabilities	(7.462.434)	12.608.120
Net cash provided (used) by operating activities	**117.385.203**	**10.875.601**

B. INVESTING ACTIVITIES	31/12/2011	31/12/2010
1. Cash provided by:	**36.437.880**	**13.001.513**
Sales of equity investments	18.064.776	-
Dividends collected on equity investments	7.756.586	12.338.953
Sales/redemptions of financial assets held to maturity	-	-
Sales of tangible assets	7.754.403	563.628
Sales of intangible assets	2.862.115	98.932
Sales of subsidiaries and company divisions	-	-
2. Cash used by:	**(151.913.583)**	**(21.384.713)**
Purchase of equity investments	(31.349.543)	(6.597.497)
Purchase of financial assets held to maturity	(54.720.525)	(11.160.000)
Purchase of tangible assets	(1.722.672)	(2.244.558)
Purchase of intangible assets	(663.874)	(1.382.658)
Purchase of subsidiaries and company divisions	(63.456.969)	-
Net cash provided (used) by investing activities	**(115.475.703)**	**(8.383.200)**

C. FUNDING ACTIVITIES	31/12/2011	31/12/2010
Issue/purchase of own shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(1.909.500)	(2.492.400)
Net cash provided (used) by funding activities	**(1.909.500)**	**(2.492.400)**

NET CASH PROVIDED (USED) IN THE PERIOD	**-**	**1**

RECONCILIATION	31/12/2011	31/12/2010
Cash and cash equivalents at start of year	**-**	**-**
Total net cash provided (used) in the period	-	1
Cash and cash equivalents at end of year	**-**	**1**

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 Holding.

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 Holding 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	2.799.478	58.441	11.972	2.869.891
a) current	*2.186.800*	*58.441*	*11.972*	*2.257.213*
b) deferred	*612.678*			*612.678*
110.Employee severance indemnities	3.328.413	-212.514	-43.532	3.072.367
130. Valuation reserves	1.114.246	441.631	-5.492	1.550.385
160. Reserves	314.503.954	-287.558	0	314.216.396
200. Utile d'esercizio	4.219.192	0	37.052	4.256.244

Items	31/12/2010	Impact of Ias 8 on year 2010	2010 recalculated
150. Administrative expenses	74.944.760		74.893.654
a) personnel expenses	*26.250.243*	*-51.106*	*26.199.137*
b) other administrative expenses	*48.694.517*		*48.694.517*
200. Operating costs	67.098.012	-51.106	67.046.906
250. Profit/(losses) from continuing operations before taxes	11.083.442	51.106	11.134.548
260. Income taxes for the period on continuing operations	1.765.599	14.054	1.779.653
270. Profit/(losses) from continuing operations after taxes	9.317.842	37.052	9.354.894
280. Profit/(losses) on asset disposal groups held for sale	-5.098.650		-5.098.650
290. Profit/(Loss) for the year	4.219.192	37.052	4.256.244

Items of comprehensive income	31/12/2010	Impact of Ias 8 on year 2010	2010 recalculated
10. Net profit/(Loss) for the year	4.219.192	37.052	4.256.244
Other income net of tax			
90. Actuarial Gains (Losses) on defined benefit plans	0	-5.492	-5.492
110. Total other comprehensive income (net of tax)	-4.104.641	-5.492	-4.110.133
120. Total comprehensive income (Item 10+110)	114.551	31.560	146.111

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

There are no subsequent events to be reported.

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 "150. 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	74.893.654		74.893.654
a) personnel expenses	*26.199.137*	*- 103.715*	*26.095.422*
b) other administrative expenses	*48.694.517*	*103.715*	*48.798.232*

» A.2 MAIN ACCOUNTING ITEMS

1 – Financial assets held for trading

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

Derecognition criteria

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

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

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

2 – Financial assets available for sale

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

In particular, the debt instruments is evidence of impairment loss, the existence of information, qualitative and quantitative indicator of financial difficulties which affect the collection of principal or interest, as indicated by the provisions of IAS 39, paragraph 59, supplemented by guidance in IAS 39, paragraph 61, with particular reference to significant impairment or prolonged. Article. 61 of IAS 39 requires that securities Available For Sale (AFS) are periodically subjected to impairment tests in order to identify any objective evidence of impairment or significant impairment.

For capital instruments, a significant or prolonged decrease of the fair value of the financial asset concerned to below its cost shall also be considered objective evidence of a reduction in value.

More specifically, the significance of the impairment (so-called “Severity”) should be measured both in absolute terms, as a negative performance of the financial asset, and in relative terms in connection with the trends of markets/sectors pertaining to the company analysed in this document; a reduction in the fair value of more than 50% is considered significant.

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

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.

7 – Equity investments

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

8 – Tangible assets

Classification criteria

Tangible assets include 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.

9 – Intangible assets

Classification criteria

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

10 – Non-current assets, asset groups held for sale and liabilities associated with assets held for sale

Classification criteria

Non-current assets/liabilities and asset/liability groups held for sale are classified under these items.

More specifically, paragraph 7 of IFRS 5 specifies that in order to be allocated to the item specified, the asset must be available for immediate sale in its current condition, subject to conditions applicable to the standard use and custom for the sale of said assets. The sale must also be highly probable.

In relation to this latter aspect, the next paragraph of IFRS 5 indicates that for the sale to be highly probable, the following conditions must be met:

- the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, save specific exceptions;
- the actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assessment criteria

In particular, these assets/liabilities are measured at the lower of their carrying value and their fair value net of selling costs. The relevant income and expenses are recognized in the Income Statement in a separate item net of the tax effect.

11 – Current and deferred taxation

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

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

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

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

12 – Provisions for risks and charges

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

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

Provisions are set aside for risks and chargest only when:

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

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

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

The congruity of these amounts is also reviewed regularly.

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

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

13 – Payables and outstanding securities

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

14 – Financial liabilities held for trading

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

15 – Foreign currency transactions

Initial recognition

Foreign currency transactions are entered, on initial recognition, in the accounting currency, applying to the foreign currency amount the exchange rate current at the time of the transaction.

Following recognition

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

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

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items at rates different from the initial ones or from those of translation of the previous financial statements, are charged to the Income Statement of the period in which they arise.

When a gain or loss relating to a non-monetary item is booked to shareholders' equity, the exchange difference relating to this item is also recognized in shareholders' equity. On the contrary, when a gain or loss is recognized in the Income Statement, the associated exchange difference is also booked to the Income Statement.

16 – Other information

Employee benefits

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

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

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

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

Recognition of revenues and costs

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

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

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

Accruals and deferrals

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

Expenses for improvements to third-party properties

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

Provisions for guarantees issued and commitments

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

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

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

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

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

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

- for the reduction of the value of loans and other financial assets, the determination of losses;
- in determining the fair value of financial instruments not quoted on active markets, the use of valuation models;
- for goodwill and other intangible assets, the estimate of the congruity of the value;
- for provisions for personnel and for risks and liabilities, estimates of their value;
- for deferred tax assets, estimates and assumptions on their recoverability;
- in developing insurance products and defining the basis of calculation of the supplementary reserves, demographic assumptions (linked to the prospective mortality of the insured population) and financial assumptions (deriving from the possible evolution of the financial markets).

Fair value measurement method

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

» 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			**15.777**	**14.683**	**(643)**	**-**	**-**	**108**
	HFT	Due from banks	(10.889)	(10.100)	556	-	-	(88)
	HFT	Due from customers	(4.888)	(4.583)	87	-	-	(20)
Total			**15.777**	**14.683**	**(643)**	**-**	**-**	**108**

Key:
HFT = Financial assets held for trading

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 allowed the reclassification of certain financial instruments from the category "held for trading" in rare circumstances) to reclassify part of its portfolio securities registered in the category "held for trading" in the "for sale avalailable".

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 643 thousand, whilst during the year other income components (9) have been recognized for euro 108 thousand.

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets			
Description	isin	rate	expected cash flow
BUMF 6A2 TV 40 LR	XS0299446103	4,31%	1.004
TDAC 8A TV 49 LR	ES0377966009	3,85%	647
CAJA MADRID TV 50 LR	ES0359093012	5,26%	1.450
INTESA TV EUR 12 LR	XS0218339835	4,01%	5.066
AGRILEASING TV 12 LR	XS0220543762	2,04%	1.513
BPU TV EUR 16 LR	XS0248693854	2,63%	3.788
C R BOLZANO TV 12 LR	XS0210355219	2,34%	1.005
GEN ELECT TV 12 LR	XS0219927802	2,02%	2.015
GOLDMAN S ZC 12 LR	XS0256281527	6,79%	300
BPU TV EUR 16 LR2	XS0248693854	3,36%	1.625

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	218.187	258.523	5.305	468.814	241.857	4.403
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	358.060	38.134	21.085	197.400	-	9.774
4. Hedging derivatives	-	884	-	-	487	-
Total	**576.247**	**297.541**	**26.390**	**666.214**	**242.344**	**14.177**
1. Financial liabilities held for trading	1.232	173.551	-	4.539	131.500	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**1.232**	**173.551**	**-**	**4.539**	**131.500**	**-**

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	**4.403**	**-**	**9.774**	**-**
2. Increases	**50.425**	**-**	**11.390**	**-**
2.1. Purchases	49.998	-	11.390	-
2.2. Profits allocated to:				
2.2.1. Income Statement	306	-	-	-
- of which capital gains	5	-	-	-
2.2.2. Shareholders' Equity	X	X	-	-
2.3. Transfers from other levels	121	-	-	-
2.4. Other increases	-	-	-	-
3. Decreases	**49.523**	**-**	**79**	**-**
3.1 Sales	47.485	-	7	-
3.2. Repayments	-	-	-	-
3.3. Losses allocated to:				
3.3.1. Income Statement	2.038	-	72	-
- of which capital losses	893	-	-	-
3.3.2. Shareholders' Equity	X	X	-	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	-	-	-	-
4. Closing balance	**5.305**	**-**	**21.085**	**-**

» ASSETS

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	213.770	81.087	-	460.575	115.159	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	213.770	81.087	-	460.575	115.159	-
2. Equity securities	141	8	1	2.333	-	-
3. UCITS units	4.217	981	5.304	4.306	1.057	4.403
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**218.128**	**82.076**	**5.305**	**467.214**	**116.216**	**4.403**
B. Derivative instruments						
1. Financial derivatives:	60	176.447	-	1.600	125.641	-
1.1 for trading	60	176.447	-	1.600	125.641	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**60**	**176.447**	**-**	**1.600**	**125.641**	**-**
Total A+B	**218.188**	**258.523**	**5.305**	**468.814**	**241.857**	**4.403**

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.

During the year the total of the held-for-trading category has dropped considerably, compared with the figure for 31 December 2010, going up from 584,7 million euro to 305,5 million euro. The decrease is mainly due to the expiry and sale of government securities and bank bonds in 2011.

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

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

- Eurozone government securities for 10,6%;
- bonds by supranational issuers and government securities for 12,8%;
- bonds by bank and financial issuers for 71,7%;
- bonds by corporate issuers for 1,4%;
- shares and reserves for 3,5%.

Bonds in this category are mainly short-term maturity: specifically, 79,8% reimburse by 2013, 14% between 2014 and 2016, and only 6,2% after 2016.

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	**294.857**	**575.734**
a) Governments and Central Banks	32.511	150.281
b) Other public bodies	116	9
c) Banks	241.208	382.885
d) Other issuers	21.022	42.559
2. Equity securities	**150**	**2.333**
a) Banks	88	145
b) Other issuers:	62	2.188
- insurance companies	34	1.420
- financial companies	6	4
- non-financial companies	22	764
- others	-	-
3. UCITS units	**10.502**	**9.766**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**305.509**	**587.833**
B. Derivative instruments		
a) Banks		
- *fair value*	159.036	109.262
b) Customers		
- *fair value*	17.471	17.979
Total B	**176.507**	**127.241**
Total A+B	**482.016**	**715.074**

Interest rate trends justify the increase of the component relative to financial derivatives held for trading.

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

Financial assets held for trading: details on the item "UCITS units"	
Description	**31/12/2011**
Bond	-
Equity	-
Monetary	-
Balanced	-
Other	10.502
Total "UCITS units"	**10.502**

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	150
- of wich: issued by subjects classified as non performing	-
- of wich: issued by subjects classified as wachlist exposures	-

2.3 Cash financial assets held for trading: annual changes					
	Debt securities	**Equity securities**	**UCITS units**	**Loans and advances**	**Total**
A. Opening balance	**575.734**	**2.333**	**9.766**	**-**	**587.833**
B. Increases	**58.290.652**	**1.076.378**	**1.772**	**-**	**59.368.802**
B.1 Purchases	58.249.826	1.074.209	1.767	-	59.325.802
B.2 Increases in fair value	1.249	29	4	-	1.282
B.3 Other changes	39.577	2.140	1	-	41.718
C. Decreases	**58.571.530**	**1.078.561**	**1.036**	**-**	**59.651.127**
C.1 Sales	58.257.915	1.072.965	20	-	59.330.900
C.2 Redemptions	290.325	-	-	-	290.325
C.3 Reductions in fair value	4.958	54	1.016	-	6.028
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	18.332	5.542	-	-	23.874
D. Closing balance	**294.856**	**150**	**10.502**	**-**	**305.508**

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	354.224	38.134	-	187.756	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	354.224	38.134	-	187.756	-	-
2. Equity securities	3.836	-	21.085	9.644	-	9.774
2.1 Carried at fair value	3.836	-	245	9.644	-	245
2.2 Carried at cost	-	-	20.840	-	-	9.529
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
Total	**358.060**	**38.134**	**21.085**	**197.400**	**-**	**9.774**

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 increased notably in 2011, going from 187,8 million euro at the end of 2010 to 392,4 million euro at 31 December 2011.

The securities in this category are Italian and Euro-area government bonds with maturity falling between 2012 and 2018 representing 63,9% and the remaining 36,1% other non-subordinated bonds.

As in the previous year, there was an increase in the use of the accounting category in question, as it was decided to increase the percentage of Italian government bonds held for purposes of investment stability.

Available-for-sale securities include minority equity interests, which at the end of the year were subjected to impairment tests, according to criteria described in Part A of the Notes to the Statements. No writedowns were carried out.

On the other hand, shareholders' equity reserves were subject to changes relative to:

- London Stock Exchange Group (measurement method: market listings): Banca Sella Holding adjusted the positive shareholders' equity reserve to the closing market price at 31/12/2011 for an amount of 541.217 euro;
- Intesa Sanpaolo (evaluation method: market listings): as the closing market price at 31/12/2011 was lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 556.123 euro;
- Mutui On Line Group (evaluation method: market listings): as the closing market price at 31/12/2011 was lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 96.000 euro;

During 2011 the interest in London Stock Exchange Group was partly sold and the interests in Visa Inc. and Agata S.p.A. were entirely sold; on the whole, 2.874.771,67 euro of gross capital gains were realised. On the other hand, during the course of the year the interests in Istituto Centrale delle Banche Popolari Italiane S.p.A. and in Intesa Sanpaolo S.p.A. were increased. In addition, the capital increase operations at Città Studi S.p.A. and Pallacanestro Biella S.p.A. were participated in, for the respective shareholding shares.

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

Item/Amount	31/12/2011	31/12/2010
1. Debt securities	**392.358**	**187.756**
a) Governments and central banks	250.860	187.756
b) Other public bodies	-	-
c) Banks	113.701	-
d) Other issuers	27.797	-
2. Equity securities	**24.921**	**19.418**
a) Banks	18.170	8.892
b) Other issuers:	6.751	10.526
- insurance companies	-	-
- financial companies	6.375	10.152
- non-financial companies	376	374
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**417.279**	**207.174**

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	24.921
- 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	**187.756**	**19.418**	**-**	**-**	**207.174**
B. Increases	**295.778**	**14.090**	**-**	**-**	**309.868**
B.1 Purchases	292.020	11.603	-	-	303.623
B.2 Increases in fair value	552	39	-	-	591
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	3.206	2.448	-	-	5.654
C. Decreases	**91.176**	**8.587**	**-**	**-**	**99.763**
C.1 Sales	51.886	5.251	-	-	57.137
C.2 Redemptions	25.000	-	-	-	25.000
C.3 Reductions in fair value	13.314	3.264	-	-	16.578
C.4 Impairment losses	-	72	-	-	72
- charged to the income statement	-	72	-	-	72
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	976	-	-	-	976
D. Closing balance	**392.358**	**24.921**	**-**	**-**	**417.279**

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	134.778	115.951	8.908	-	80.034	78.010	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	134.778	115.951	8.908	-	80.034	78.010	-	-
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.

At 31 December 2011 the securities held in this category amounted to 134,8 million euro and consisted of Italian government bonds with maturities between 2014 and 2021.

5.2 Financial assets held to maturity: borrowers/issuers

Type of transaction/Amount	Total 31/12/2011	Total 31/12/2010
1. Debt securities	**134.778**	**80.034**
a) Governments and central banks	134.778	80.034
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	**134.778**	**80.034**

5.4 Financial assets held to maturity: annual changes			
	Debt securities	Loans and advances	Total
A. Opening balance	**80.034**	**-**	**80.034**
B. Increases	**55.367**	**-**	**55.367**
B.1 Purchases	54.720	-	54.720
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	647	-	647
C. Decreases	**623**	**-**	**623**
C.1 Sales	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	623	-	623
D. Closing balance	**134.778**	**-**	**134.778**

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	**108.994**	**828**
1. Term deposits	105.001	-
2. Statutory reserve	3.993	828
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**815.053**	**950.554**
1. Current accounts and demand deposits	138.204	162.234
2. Term deposits	18.752	59.587
3. Other loans and advances	8.268	35.175
3.1 reverse repurchase agreements	7.338	13.525
3.2 financial leasing	-	-
3.3 others	930	21.650
4. Debt securities	649.829	693.558
4.1 structured	-	-
4.2 others	649.829	693.558
Total (book value)	**924.047**	**951.382**
Total (fair value)	**922.630**	**950.765**

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

At 31 December 2011 the securities included in this category amounted to about 654,7 million euro. This segment includes ordinary and subordinated bonds issued by banks of the Group for a total of 633,5 million euro. These securities, issued by Group banks for the purpose of achieving an appropriate matching of maturities between assets and liabilities at the individual level, will presumably be held to maturity.

In addition, approximately 16,3 million euro is held in non-subordinated bonds.

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	20	-	5	-
2. Repurchase agreements	1.326	-	54.313	-
3. Mortgage loans	394.000	-	404.000	-
4. Credit cards, personal loans, salary-backed loans	-	-	91.072	49
5. Financial leasing	-	-	-	-
6. Factoring	-	-	-	-
7. Other operations	500.435	-	346.146	1
8. Debt securities	4.888	-	6.263	-
8.1 Structured	-	-	-	-
8.2 Others	4.888	-	6.263	-
Total (Book value)	**900.669**	**-**	**901.799**	**50**
Total (fair value)	**900.363**	**-**	**901.566**	**50**

The decrease in the aggregate is mainly due to the transfer to Banca Sella of the business unit including Electronic and Traditional Payment Systems, Customer Desk and Customer Area by Banca Sella Holding, effective for accounting purposes as of 29 May 2011, as demonstrated by the fact that the item "credit cards, personal loans and salary-backed loans" went from 91,1 million euro to zero.
In the item debt securities there are approximately 2,3 million euro in non-subordinated bonds and approximately 2,6 million euro in *Asset Backed Securities,* most of which were classified in this category in the second half of 2008.

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:	**4.888**	**-**	**6.263**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	4.888	-	6.263	-
- non-financial companies	-	-	586	-
- financial companies	4.888	-	5.677	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans and advances to:	**895.781**	**-**	**895.536**	**50**
a) Governments	-	-	-	-
b) Other public bodies	-	-	3	-
c) Other subjects	895.781	-	895.533	50
- non-financial companies	1	-	11.586	5
- financial companies	895.755	-	804.029	-
- insurance companies	20	-	13	-
- others	5	-	79.905	45
Total	**900.669**	**-**	**901.799**	**50**

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by hedging type and by levels	FV 31/12/2011			NV 31/12/2011	FV 31/12/2010			NV 31/12/2010
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**884**	**-**	**5.642**	**-**	**487**	**-**	**5.642**
1) Fair value	-	884	-	5.642	-	487	-	5.642
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**884**	**-**	**5.642**	**-**	**487**	**-**	**5.642**

Key:
FV = fair value
NV = notional value

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

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

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

The increase in the item is due to the very nature of the derivate, affected by rate trends, down during the first half and rising slightly towards year end.

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	884	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**884**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 10 - Equity investments - Item 100

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

Name	Head office	Equity interest %	Voting rights %
A. Solely-controlled companies			
Banca Sella Nordest Bovio Calderari S.p.A.	Trento	56,75	56,75
Banca Patrimoni Sella & C. S.p.A.	Torino	71,73	71,73
Banca Sella S.p.A.	Biella	94,80	94,80
Biella Leasing S.p.A.	Biella	77,14	77,14
Brosel S.p.A.	Biella	71,50	71,50
C.B.A. Vita S.p.A.	Milano	96,57	96,57
Consel S.p.A.	Torino	52,08	52,08
Easy Nolo S.p.A.	Biella	84,74	84,74
Immobiliare Lanificio M.Sella S.p.A.	Biella	100,00	100,00
Immobiliare Sella S.p.A.	Biella	100,00	100,00
Finanziaria 2010	Milano	100,00	100,00
Miret S.A.	Lussemburgo	100,00	100,00
Selfid S.p.A.	Biella	88,00	88,00
Selgest S.a.	Lussemburgo	100,00	100,00
Sella Capital Management SGR. S.p.A.	Milano	98,84	98,84
Sella Gestioni SGR S.p.A.	Milano	86,35	86,35
C. Companies subject to significant influence			
ENERSEL S.P.A.	Biella	18,30	18,30
Hi-Mtf S.i.m.p.a.	Milano	20,00	20,00
S.C.P. VDP1	Principato di Monaco	29,00	29,00

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

Name	Total assets	Total income	Profit (loss)	Shareholders' equity	Book value	*Fair Value*
A. Solely-controlled companies						
Banca Sella Nord Est Bovio Calderari S.p.A.	791.836	38.307	(2.361)	36.817	25.539	X
Banca Patrimoni Sella & C. S.p.A.	455.091	61.739	946	43.045	34.616	X
Banca Sella S.p.A.	9.780.949	626.370	8.986	482.843	468.124	X
Biella Leasing S.p.A.	1.064.717	61.114	5.536	62.880	15.912	X
Brosel S.p.A.	5.652	2.909	597	4.051	1.303	X
C.B.A. Vita S.p.A.	911.818	208.196	(9.056)	39.779	52.748	X
Consel S.p.A.	994.837	95.941	3.406	47.455	32.299	X
Easy Nolo S.p.A.	12.041	8.837	783	3.895	1.812	X
Immobiliare Lanificio M.Sella S.p.A.	38.653	2.811	703	37.673	31.583	X
Immobiliare Sella S.p.A.	48.536	2.382	313	48.220	47.413	X
Miret S.A.	14.549	9.740	(678)	3.106	499	X
Selfid S.p.A.	2.165	1.099	206	1.724	1.364	X
Selgest S.a.	2.714	239	(373)	2.395	2.164	X
Sella Capital Management SGR. S.p.A.	7.424	4	(167)	7.078	5.282	X
Sella Gestioni SGR S.p.A.	25.368	17.512	(954)	20.681	28.421	X
Finanziaria 2010 S.p.A.	39.577	2.179	556	38.379	47.274	X
C. Companies subject to significant influence						
Enelsel S.p.A.	1.688	194	30	1.328	243	243
Hi-Mtf S.i.m.p.a.	5.266	2.620	246	4.760	1.000	1.000
S.C.P. VDP1	5.248	167	(3)	1.958	580	580
Totale	**14.208.129**	**1.142.360**	**8.716**	**888.067**	**798.176**	**1.823**

Impairment tests on equity interests

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

Below is a list of the companies subject to impairment tests (figures in thousands of euro):

Companies subject to *impairment testing (figures in thousands of euros)*				
Company	**CGU**	**Carrying value (before any adjustments in the year) A**	**Shareholders' equity amount B**	**Difference A-B**
Banca Sella	CGU 1	468.124	457.740	10.384
Banca Sella Nordest Bovio Calderari	CGU 2	38.308	20.894	17.414
Banca Patrimoni Sella & C.	CGU 3	34.616	30.876	3.740
Miret	CGU 4	735	499	236
Sella Gestioni	CGU 5	28.421	17.672	10.749
Selgest	CGU 6	2.392	2.161	231
CBA Vita	CGU 7	65.297	26.312	38.985
Finanziaria 2010	CGU 8	47.274	38.936	8.338

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 methods to calculate the recoverable amount of the CGU and the results of the impairment tests:

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 a loss in value of 12,769 thousand euro
CGU 3	*Fair value*	*Multiples of comparable transactions*	The impairment test detected no loss in value
CGU 4	*Fair value*	*Shareholders' Equity*	The impairment test detected a loss in value of 236 thousand euro
CGU 5	Value in use	*Dividend discount* model (*excess capital* version)	The impairment test detected no loss in value
CGU 6	*Fair value*	*Shareholders' Equity*	The impairment test detected a loss in value of 229 thousand euro
CGU 7	*Fair value*	*Actuarial method*	The impairment test detected a loss in value of 12,549 thousand euro
CGU 8	*Fair value*	*Adjusted Equity Method*	The impairment test detected no loss in value

Methods used

The fair value is defined as the price at which an asset may be exchanged between knowledgeable and independent parties, in an arm's length transaction on the market, not subject to any duress and net of the selling costs. The methods used for determining the Fair Value are listed below:

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

The **Value in use** is defined as the present value of future cash flows expected to derive from an asset. The 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 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.

For the purposes of determining future flows, the three-year plans prepared analytically for each CGU were used. Their financial and economic forecasts were defined on the basis of hypotheses in line with the assumptions of the economic and financial forecasts of the Banca Sella Group and make reference to a scenario forecast whose main indicators are provided in the table below:

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.

<table>
<tr><th colspan="4">CGU: elements used to calculate recoverable value</th></tr>
<tr><th>CGU</th><th>Basic assumptions</th><th>Method of determination</th><th>Notes</th></tr>
<tr><td rowspan="3">CGU 1</td><td>Economic and balance sheet variables</td><td>Three-year plan (2012-2014) approved by the Board of Directors of the company</td><td rowspan="3">The forward-looking statements take into account a gradual recovery of the profitability of the banking retail business to which the CGU belongs, basically deriving from:
- the improvement in banking income 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 a recovery in markups in the face of a worsening in markdowns is envisaged
- the trend in impact on credit risk, which has been improving gradually year on year, due to the expected improvement in the external situation and the reinforcement of the organisation of credit processes which began in 2011;
- the continuation of actions to reduce structural operating costs
The discount rate used was 9,35%, incorporating a Beta of 0,8.</td></tr>
<tr><td>Discount rate</td><td>Estimated using the Capital Asset Pricing Model (CAPM).</td></tr>
<tr><td>Profitability beyond the forecast period</td><td>Constant annual growth rate at 2%</td></tr>
<tr><td rowspan="3">CGU 2</td><td>Economic and balance sheet variables</td><td>Five-year plan (2012-2016) approved by the Board of Directors of the companies</td><td rowspan="3">The forward-looking statements take into account a gradual recovery of the profitability of the banking retail business to which the CGU belongs, basically deriving from:
- improvement in network productivity and profitability of assets through an important project involving the organisational structure that envisages strengthening the resources used in commercial activities and rationalisation of the branch network
- the trend in the impact of losses on loans which forecasts a gradual improvement through to 2014 and stability in the two successive years
- the continuation of actions to reduce structural operating costs
The discount rate used was 9,35%, incorporating a Beta of 0,8.
The valuation was prepared with the assistance of an independent advisory company.</td></tr>
<tr><td>Discount rate</td><td>Estimated using the Capital Asset Pricing Model (CAPM).</td></tr>
<tr><td>Profitability beyond the forecast period</td><td>Constant annual growth rate at 2%</td></tr>
<tr><td rowspan="2">CGU 3</td><td>Shareholders' Equity</td><td>Book value at 31/12/2011</td><td rowspan="2">Multiples were determined with reference to a sample of comparable transactions that took place in the last 2 years</td></tr>
<tr><td>Administered assets</td><td>Management data at 31/12/2011</td></tr>
<tr><td>CGU 4</td><td>Shareholders' Equity</td><td>Book value at 31/12/2011</td><td></td></tr>
</table>

Continuation of table above			
CGU	**Basic assumptions**	**Method of determination**	**Notes**
CGU 5	Economic and balance sheet variables	Three-year plan (2012-2014) approved by the Board of Directors of the companies	• Forecast data, taking into account a gradual recovery of profitability, essentially deriving from: - improvement in revenues from services thanks to the trend forecast for assets - 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%	
CGU 6	Shareholders' Equity	Book value at 31/12/2011	
CGU 7	Shareholders' Equity	Book value at 31/12/2011	- As regards separate management yields, expected management yields were calculated at 31/12/2011; for the new production, as well as for the yield of assets hedging the margin, we assumed a constant yield of 3,5% - The discount rate used for discounting cash flows was assumed at 9% - With regard to future management expenses we assumed that expense reserves currently entered are sufficient to hedge portfolio costs. For the new business an annual policy cost was assumed based on the valuations based on 2011 financial statement data. - The valuation is supported by a fairness opinion provided by an independent advisory company
	Value of existing policies portfolio	Life policies portfolio as of 31/12/2011	
	Value of future policies	The value of new production has been calculated considering a time span of 10 years (from 2012 to 2021)	
CGU 8	Shareholders' Equity	Book value at 31/12/2011	Associates of Finanziaria 2010 closed the year generally recording positive economic values
	NAV of interests held	The value of the interest is determined using the Shareholders' Equity method	

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.	3,1%	- 25 b.p.	2,5%
CGU 5	+ 25 b.p.	1,6%	- 25 b.p.	1,3%

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	14,1%	-4,8%
CGU 5	10,1%	1,0%

Conclusions

From the analysis carried out, it was necessary to writedown the carrying values in question: the interest held in Banca Sella Nordest Bovio Calderari for an amount equal to 12.769 thousand euro, the interest held in CBA Vita for an amount equal to 12.549 thousand euro, the interest held in Miret for an amount equal to 236 thousand euro and the interest held in Selgest for an amount equal to 231 thousand euro.

10.3 Equity investments: annual changes		
	31/12/2011	**31/12/2010**
A. Opening balance	**732.461**	**760.056**
B. Increases	**199.473**	**10.057**
B.1 Purchases	199.473	9.881
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	176
C. Decreases	**133.760**	**37.652**
C.1 Sales	5.470	-
C.2 Writedowns	25.785	23.323
C.4 Other changes	102.505	14.329
D. Closing balance	**798.174**	**732.461**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

The transactions in the investment portfolio of the Bank up to 31 December 2011 were:

INCREASES

- the purchase of 928.104 shares in Banca Patrimoni Sella & C. S.p.A., representing 3,315% of the share capital of the company, with a consequent increase of the interest from 68,415% to 71,730%;
- the purchase of 37.500 shares in Biella Leasing S.p.A., representing 0,150% of the share capital of the company, with a consequent increase of the interest from 76,986% to 77,136%;
- the purchase of 20.000 shares in Brosel S.p.A., representing 10,000% of the share capital of the company, with a consequent increase of the interest from 61,500% to 71,500%;
- the purchase of 45.000 shares in Consel S.p.A., representing 0.101% of the share capital of the company, with a consequent increase of the interest from 51,978% to 52,079%;
- the purchase of 1.000 shares in Easy Nolo S.p.A., representing 0,053% of the share capital of the company, with a consequent increase of the interest from 89,737% to 89,790%;
- the purchase of 10 shares in Selgest S.A., representing 0,40% of the share capital of the company, with a consequent increase of the interest from 99,600% to 100%;

- the purchase of 1.031.280 shares in Sella Capital Management S.p.A., representing 10,313% of the share capital of the company, with a consequent increase of the interest from 86,028% to 96,341%;
- the purchase of 1.905.000 shares in Sella Gestioni S.p.A., representing 10,000% of the share capital of the company, with a consequent increase of the interest from 75,452% to 85,452%;
- the purchase of 148.200 shares in Istituto Centrale delle Banche Popolari Italiane S.p.A., representing 1,046% of the share capital of the company, with a consequent increase of the interest from 0,957% to 2,003%;
- the purchase of 1 share in S.W.I.F.T., representing 0,001% of the share capital of the company, with a consequent increase of the interest from 0,031% to 0,032%;

DECREASES

- sale of the entire shareholding in Banque BPP S.A. representing 23,655% of the share capital;
- sale of 370.000 shares in London Stock Exchange Group Plc. representing 0,136% of the capital share of the company;
- sale of the entire shareholding in Banca Monte Parma S.p.A. representing 4,597% of the share capital;
- sale of the whole interest in Visa Inc. (USA) - Class C - Series I, representing 0,003% of the share capital of the company;

EQUITY OPERATIONS

- increase in the interest in C.B.A. Vita from 82,000% to 84,954%, on the occasion of the capital increase;
- subscription of 5.000% of the share capital of Pallacanestro Biella, previously revoked to cover losses;
- purchase of a 9,928% interest in Smava GmbH, through a capital increase partially subscribed in cash and partially by transferring our entire interest in Agata S.p.A. (40%);
- reduction of our interest in Città Studi S.p.A. from 0,352% to 0,334%, following the completion of a capital increase operation;
- reduction of our interest in Finpiemonte S.p.A. from 0,616% to 0,345%, following a capital increase operation in which we did not participate.

OTHER TRANSACTIONS

- following the merger by incorporation of Banca Sella Sud Arditi Galati S.p.A. and Sella Servizi Bancari S.C.p.A. in Banca Sella S.p.A., transfer of the business unit of Banca Sella Holding S.p.A. represented by the Payment Systems Area and Customer Area and successive acquisitions by minority shareholders, the interest in Banca Sella S.p.A. went from 100% to 94,801%;
- during the course of 2011, the company Sella Holding N.V. moved its registered offices from Holland to Italy and changes its name to Finanziaria 2010 S.p.A.;
- during the course of 2011, the liquidation of Secursel S.p.A. was completed and it was removed from the registry of businesses.

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	**36.320**	**42.267**
a) land	8.464	8.831
b) buildings	26.694	31.993
c) furniture	113	136
d) electronic equipment	439	584
e) other	610	723
1.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total A	**36.320**	**42.267**
B. Assets held for investment		
2.1 owned	**2.927**	**2.199**
a) land	1.210	1.210
b) buildings	1.717	989
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**2.927**	**2.199**
Total (A+B)	**39.247**	**44.466**

11.3 Tangible assets used for business purposes: annual changes

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**8.831**	**48.538**	**2.191**	**54.833**	**4.394**	**118.787**
A.1 Total net impairments		(16.545)	(2.055)	(54.249)	(3.671)	(76.520)
A.2 Net opening balance	**8.831**	**31.993**	**136**	**582**	**723**	**42.267**
B. Increases	**970**	**351**	**8**	**315**	**188**	**1.832**
B.1 Purchases	970	351	8	315	78	1.722
- of which: business combinations	-	-	-	-	-	-
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	110	110
C. Decreases	**1.337**	**5.652**	**31**	**458**	**300**	**7.777**
C.1 Sales	1.337	3.392	-	52	2	4.783
- of which: business combinations	-	-	-	49	2	51
C.2 Depreciation	-	1.425	31	292	297	2.045
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	835	-	114	1	949
D. Net closing balance	**8.464**	**26.692**	**113**	**439**	**611**	**36.322**
D.1 Total net impairments		(17.087)	(2.065)	(26.142)	(7.427)	(52.721)
D.2 Gross closing balance	**8.464**	**43.781**	**2.178**	**26.581**	**8.037**	**89.041**
E. Carried at cost	-	-	-	-	-	-

Tangible assets items are carried at cost, after deducting any depreciation and impairment losses. Consequently, sub-item "E. Carried at cost" is not carried as it is only compiled for tangible assets carried on the financial statements at fair value.

11.4 Tangible assets held for investment purpose: annual changes

	Total	
	Land	**Buildings**
A. Gross opening balance	**1.210**	**3.505**
A.1 Total net impairments		(2.516)
A.2 Net opening balance	**1.210**	**989**
B. Increases	**-**	**833**
B.1 Purchases	-	-
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	-	833
C. Decreases	**-**	**105**
C.1 Sales	-	-
C.2 Depreciation	-	105
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	**1.210**	**1.717**
D.1 Total net impairments		(1.788)
D.2 Gross closing balance	**1.210**	**3.505**
E. Carried at fair value	-	-

11.5 Commitments to buy tangible assets (IAS 16/74.c)

	Total 31/12/2011	**Total 31/12/2010**
Commitments to buy tangible assets	1.277	-

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**	**-**	**X**	**-**
A.2 Other intangible assets:	**817**	**-**	**3.919**	**-**
A.2.1 Assets carried at cost	817	-	3.919	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	817	-	3.919	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**817**	**-**	**3.919**	**-**

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	**-**	**-**	**-**	**45.935**	**-**	**45.935**
A.1 Total net reductions in value	-	-	-	(42.016)	-	(42.016)
A.2 Net opening balance	**-**	**-**	**-**	**3.919**	**-**	**3.919**
B. Increases	**-**	**-**	**-**	**664**	**-**	**664**
B.1 Purchases	-	-	-	664	-	664
- of which: business combinations	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**3.766**	**-**	**3.766**
C.1 Sales	-	-	-	2.812	-	2.812
- of which: business combinations	-	-	-	2.812	-	2.812
C.2 Writedowns	-	-	-	905	-	905
- amortization	X	-	-	905	-	905
- writedowns	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	49	-	49
D. Net closing balance	**-**	**-**	**-**	**817**	**-**	**817**
D.1 Total net adjustments	-	-	-	(20.742)	-	(20.742)
E. Gross closing balance	**-**	**-**	**-**	**21.559**	**-**	**21.559**
F. Carried at cost	-	-	-	-	-	-

Sub-item "F. Carried at cost" is not carried as it is only compiled for intangible assets carried on the financial statements at fair value.

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	2.712	5.206
Credits for withholdings	-	4
Assets from inclusion in tax consolidation	205	126
Tax credits	1.185	1.307
Total	**4.102**	**6.643**

Current tax liabilities: breakdown	Total 31/12/2011	Total 31/12/2010
Provisions for direct taxes	1.939	2.257
Total	**1.939**	**2.257**

13.1 - Deferred tax assets: breakdown	Ires	Irap	Others	31/12/2011	31/12/2010
Losses on loans and receivables	2.542	167	-	2.709	2.917
Provisions for sundry risks and liabilities	413	-	-	413	605
Depreciation and valuation of buildings	715	54	-	769	752
Sundry administrative expenses	269	-	-	269	315
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	-	-	-	-	2
Collective valuations of sureties issued	-	-	-	-	-
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	254	-	254	-
Liberation goodwill	8.652	876	-	9.528	-
Other assets	514	3	-	517	873
Total deferred tax assets (charged to income statement)	**13.105**	**1.354**	**-**	**14.459**	**5.464**
Depreciation and valuation of buildings	1.098	-	-	1.098	1.142
Measurement of available-for-sale financial assets	4.299	907	-	5.206	961
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**5.397**	**907**	**-**	**6.304**	**2.103**

13.2 - Deferred tax liabilities: breakdown

	Ires	Irap	Others	31/12/2011	31/12/2010
Gains on sale of available-for-sale financial assets	92	350	-	442	403
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to income statement)	**92**	**350**	**-**	**-**	**-**
Measurement of available-for-sale financial assets	30	41	-	71	210
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to shareholders' equity)	**30**	**41**	**-**	**71**	**210**

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

	31/12/2011	31/12/2010
1. Initial amount	**5.464**	**5.494**
2. Increases	**10.407**	**1.745**
2.1 Prepaid taxes recognised during the year	10.290	1.718
a) relating to previous years	32	1.060
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	10.258	685
2.2 New taxes or increases of tax rate	117	-
2.3 Other increases	-	-
- of which: business combinations	-	-
3. Decreases	**1.412**	**1.775**
3.1 Prepaid taxes cancelled during the year	1.164	1.775
a) reversals	1.162	1.687
b) writedowns for unrecoverable items	2	-
c) changes in accounting policies	-	-
d) others	-	88
3.2 Reductions in tax rates	-	-
3.3 Other changes	248	-
- of which: business combinations	248	-
4. Final amount	**14.459**	**5.464**

For the information required by Bank of Italy circular 262/2005, 1st update of 18 November 2009 in relation to the share part of prepaid tax assets deriving from tax losses that can be carried forward to subsequent periods, please refer to table 13.1 of this section of the balance sheet assets.

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

	31/12/2011	31/12/2010
1. Opening balance	**403**	**89**
2. Increases	**55**	**380**
2.1 Deferred taxes recognized during the year	9	380
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	9	380
2.2 New taxes or increases in tax rates	46	-
2.3 Other increases	-	-
3. Decreases	**16**	**66**
3.1 Deferred taxes cancelled during the year	16	66
a) reversals	16	66
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**442**	**403**

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

	Total 31/12/2011	Total 31/12/2010
1. Opening balance	**2.103**	**1.142**
2. Increases	**4.271**	**961**
2.1 Prepaid taxes recognized during the year	4.248	961
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4.248	961
2.2 New taxes or increases in tax rates	23	-
2.3 Other increases	-	-
3. Decreases	**70**	**-**
3.1 Prepaid taxes cancelled during the year	70	-
a) reversals	-	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	70	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**6.304**	**2.103**

13.6 Changes in deferred tax liabilities (charged to shareholders' equity)		
	31/12/2011	**31/12/2010**
1. Opening balance	**210**	**335**
2. Increases	**26**	**49**
2.1 Deferred taxes recognized during the year	-	49
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	49
2.2 New taxes or increases in tax rates	26	-
2.3 Other increases	-	-
3. Decreases	**165**	**174**
3.1 Deferred taxes cancelled during the year	165	174
a) reversals	165	174
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**71**	**210**

Section 14 - Non-current assets and groups of assets held for sale and associated liabilities - Item 140 of assets and item 90 of liabilities

14.1 Non current assets and groups of assets held for sale: breakdown by type of asset		
	31/12/2011	**31/12/2010**
A. Single asset		
A.1 Financial assets	-	-
A.2 Equity investments	-	14.958
A.3 Tangible assets	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**14.958**
B. Asset groups (discontinued operations)		
Total B	**-**	**-**
C. Liabilities associated with single assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities associated with groups of assets held for sale		
Total D	**-**	**-**

The investments in Banque BPP and Banca Monte Parma have been classified as "Non-current assets and groups of assets in course of divestment and associated liabilities" as, at the end of 2010, the criteria for their inclusion in this category as established by IFRS 5 had been met.

This item was zeroed out following:
- in regards to Banque BPP, the transfer of all the capital of the company on the part of Banca Sella Holding and Sella Holding NV to a major European banking counterparty for an amount in line with the value of the company was completed on 20 April 2011;
- in regards to the interest held in Banca Monte Parma, it was transferred to Intesa Sanpaolo S.p.A. on 26 July 2011.

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	31/12/2011	31/12/2010
Forms in stock	19	852
Payment orders to sundry others being debited	63	11.804
Countervalues on securities and derivatives trading being settled	-	10.420
Current account cheques drawn against third parties	1	-
Current account cheques drawn against the bank	-	953
Tax credits (not income taxes)	923	-
Fees, commissions and other income in the process of collection	4.464	7.853
Expenses for improvements to third-party property	16	26
Advances and accounts payable	1.113	123
Charges/invoices to be issued towards customers	1.809	4.365
Disputed items not deriving from lending transactions	6.674	6.764
Deferrals on administrative expenses and fees	149	188
Others	2.245	970
Total	**17.476**	**44.318**

The item "Disputed items not deriving from lending transactions" includes a provisional deposit made in expectation of a judgement for a total amount of approximately 5,8 million euro. This amount - inclusive of taxes, sanctions, interest and collection fees - is connected to a Banca Sella Holding dispute with Inland Revenue regarding the methods of applying stamp duties to the day book, relative to the years 2003 - 2005. The deposit carried out following the receipt of the statement account led to the registration of the corresponding credit held in the face of said Inland Revenue at the same time - and in the same amount - highlighting the provisional nature of the payment demanded by Inland Revenue and carried out by the Bank. At present, a sentence from the provincial Tax Commission is still being awaited. In consideration of that indicated in Tax Office resolution no. 371/E of 2008, taking into account the authoritative opinions expressed by a major tax law company and the Italian Banking Association and taking into account a favourable sentence for another bank regarding an analogous dispute, registered in December 2010 at the CTR of Turin, it is reasonable to hold that it is not probable - if still possible - that liabilities will emerge, consisting in the loss of the assets reported due to the deposit carried out, which would occur only in the case that a contrary sentence is issued. Finally, the explanations provided by the internal revenue with resolution no. 161/E of 2007 may, in any case, considerably reduce the amount of the potential/possible non-existence of the asset.
The item "Other" includes an amount of approximately 850 thousand euro for a deposit for the purchase of a property located in Cerreto Castello (BI).

» 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	**350.273**	**-**
2. Due to banks	**1.513.056**	**1.763.030**
2.1 Current accounts and demand deposits	1.287.168	1.134.908
2.2 Term deposits	225.888	609.552
2.3. Loans and advances	-	18.570
2.3.1 financial leasing	-	5.044
2.3.2 others	-	13.526
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	-	-
Total	**1.863.329**	**1.763.030**
Fair value	**1.863.329**	**1.763.031**

Amounts due to central banks consists of the use of the financing offered by the European Central Bank totalling 350 million euro on 31 December 2011, of which 250 million deriving from the first 3-year LTRO (*Long Term Refinancing Operation*) offered by the ECB and adjusted for currency 22 December 2011.
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	73.993	101.275
2. Term deposits	-	-
3. Loans and advances	1.224	-
3.1 repurchase agreement	1.224	-
3.2 others	-	-
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	2.236	32.135
Total	**77.453**	**133.410**
Fair value	**77.453**	**133.410**

The decrease in the aggregate is mainly due to the transfer to Banca Sella of the business unit including Electronic and Traditional Payment Systems, Customer Desk and Customer Area by Banca Sella Holding, effective for accounting purposes as of 29 May 2011, which led to the transfer of the debt by bankers' cheques.

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 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	1.069.526	-	1.035.363	-	1.083.412	481.774	589.778	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1.069.526	-	1.035.363	-	1.083.412	481.774	589.778	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	**1.069.526**	**-**	**1.035.363**	**-**	**1.083.412**	**481.774**	**589.778**	**-**

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	218.206	252.151
Total	**218.206**	**252.151**

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	**5.729**	**5.024**
a) interest rate risk	5.729	5.024
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	**5.729**	**5.024**

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	1.397	1.232	-	-	1.232	3.109	3.139	-	-	3.139
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	**1.397**	**1.232**	**-**	**-**	**1.232**	**3.109**	**3.139**	**-**	**-**	**3.139**
B. Derivative instruments										
1. Financial derivatives	X	-	173.551	-	X	X	1.400	131.500	-	X
1.1 Held for trading	X	-	173.551	-	X	X	1.400	131.500	-	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**	**-**	**173.551**	**-**	**X**	**X**	**1.400**	**131.500**	**-**	**X**
Total A+B	**X**	**1.232**	**173.551**	**-**	**X**	**X**	**4.539**	**131.500**	**-**	**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 -1.232 euro thousands.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown	31/12/2011	31/12/2010
Taxes payable for third parties	926	969
Adjustments for non-cash portfolio items	1	5.374
Countervalues on securities and derivatives trading being settled	5.001	10.165
Cash available to customers	2.536	1.432
Bank transfers and other payments due	1.215	46.655
Accounts payable and fees payable to sundry third parties	8.798	18.502
Personnel expenses	7.900	5.931
Payables for guarantees and commitments	5	-
Fees payable to statutory auditors and directors	1.545	2.830
Contributions payable to sundry agencies	1.436	785
Deferrals	17	60
Advances and due to customers	2	-
Others	190	5.162
Total	**29.572**	**97.865**

The decrease in the aggregate is mainly due to the transfer to Banca Sella of the business unit including Electronic and Traditional Payment Systems, Customer Desk and Customer Area by Banca Sella Holding, effective for accounting purposes as of 29 May 2011, which led to a net decrease of around 45,4 million euro for the item Bank transfers and other payments due.

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes	31/12/2011	31/12/2010
A. Opening balance	**3.072**	**3.624**
B. Increases	**443**	**252**
B.1 Provision of the year	39	61
B.2 Other changes	404	191
C. Decreases	**896**	**804**
C.1 Liquidations paid	-	218
C.2 Other changes	896	586
D. Closing balance	**2.619**	**3.072**

On increases there are the actuarial effects related at valuation reserved for Actuarial profit/losses in relation to defined benefit plans about 352 thousand euro.

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	21.696	20.697
2.1 Legal disputes and customers complaint	748	1.446
2.2 Operational risks	1	1
2.3 Personnel charges	20.029	19.244
2.4 Supplementary customer allowance and goodwill compensation for termination of agency relationship	-	-
2.5 Others	918	6
Total	**21.696**	**20.697**

With regards to Banca Sella Holding, we note the existence of a tax dispute shared by many Italian banks, with regards to an alleged abuse of tax law in relation to amounts due for taxes paid abroad, arising from some repurchase agreements concluded from 2005 to 2008 with major English banking counterparties. While convinced of the legitimacy of the financial operations which are the subject of the dispute, as confirmed by the opinions issued by an important tax law firm, the Bank decided - with an eye simply to reducing the dispute and aimed at obtaining a sizeable decrease in the claims put forward by the Tax Office in terms of taxes and sanctions on the basis of a weighted cost/benefit analysis - to take action to settle the disputes in question. By the end of 2011 the disputes relative to 2005 and 2006 had already been determined, with the payment of a sum totalling around 850.000 euro for taxes and 180.000 euro for sanctions, plus interest. In addition, an allocation was made to the provisions for risks and charges totalling approximately 900.000 euro (in item 2.5 "Other"), to cover presumed charges (taxes, sanctions and interest) to be paid in 2012 upon the determination of the additional years 2007 and 2008.

12.2 Provisions for risks and charges: annual changes	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others	Total
A. Opening balance	**-**	**1.446**	**19.244**	**1**	**-**	**6**	**20.697**
B. Increases	**-**	**140**	**1.314**	**166**	**-**	**912**	**2.532**
B.1 Provisions for the year	-	130	56	166	-	912	1.264
B.2 Changes due to passing of time	-	10	468	-	-	-	478
B.3 Changes due to fluctuations in discount rate	-	-	790	-	-	-	790
B.4 Other changes	-	-	-	-	-	-	-
C. Decreases	**-**	**838**	**529**	**166**	**-**	**-**	**1.533**
C.1 Utilization in the period	-	81	520	1	-	-	602
C.2 Changes due to fluctuations in discount rate	-	3	2	-	-	-	5
C.3 Other changes	-	754	7	165	-	-	926
- business combinations (+)	-	737	-	165	-	-	902
- other changes (-)	-	17	7	-	-	-	24
D. Closing balance	**-**	**748**	**20.029**	**1**	**-**	**918**	**21.696**

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	**100.500**	**-**	**100.500**	**100.500**	**-**	**100.500**
A.1 ordinary shares	100.500	-	100.500	100.500	-	100.500
A.2 preference shares	-	-	-	-	-	-
A.3 other shares	-	-	-	-	-	-
B. Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**
B.1 ordinary shares	-	-	-	-	-	-
B.2 preference shares	-	-	-	-	-	-
B.3 other shares	-	-	-	-	-	-

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

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

- merger reserve under law 02/12/1975 no. 576 (deriving from merged company Finanziaria Bansel SpA): 88 thousand euro;
- merger reserve under law 19/03/1983 no. 72 (deriving from merged company Finanziaria Bansel SpA) 3.034 thousand euro
- revaluation reserve under law no. 266 of 2005, art. 1, paragraph 469: 8.317 thousand euro;
- revaluation reserve under law no. 342 of 2000: 8.895 thousand euro;
- extraordinary reserve restricted under the terms of law no. 266 of 2005, art. 1, paragraph 469: 3.036 thousand euro.

14.3 Capital: further information		
	31/12/2011	**31/12/2010**
Face value per share *(in units of euro)*	0,50	0,50
Shares reserved for option-based issue	-	-
Number of contracts in place for the sale of shares	-	-

During the financial year Banca Sella Holding has not held, purchased or sold its own shares.

14.4 Profit reserves: other information

	31/12/2011	31/12/2010
Legal Reserve	28.759	28.759
Statutory Reserve	72.387	70.077
Extraordinary Reserve	111.873	118.111
Free	111.873	118.111
Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943	74.943
Realignment reserve pursuant to Law 266/05 Art.1 paragraph 469	18.344	18.344
Reserve pursuant to Lgs. Dec. 218/90 Art. 7	2.591	2.590
Reinvested capital gain reserve	710	710
Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239	239
Group company merger surplus reserve	6.194	-
Reserve for purchase of company divisions from Group companies	60.575	(144)
Gains/losses carried forward in application of IAS n. 8	37	-
Reserve for sale of company divisions to Group companies	587	587
Total	**377.239**	**314.216**

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

	Amount	Possibility of utilization (*)	Proportion available for distribution	Summary of utilizations in the three previous years	
				To cover losses	For other reasons
Equity	**100.500**				
Equity reserves					
Share premium reserve	49.414	A - B - C	49.414		
Profit reserves					
Legal reserve	28.759	B			
Statutory reserve	71.765	B			
Extraordinary reserve	112.495	A - B - C	112.495	-	-
Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943	A[3] - B[1] - C[2]	74.943	-	-
Realignment reserve pursuant to Law 266/05 Art 1 paragraph 469	18.344	A - B[1] - C[2]	18.344	-	-
Reserve pursuant to Law 218/90 Art. 7	2.591	A - B - C[2]	2.591	-	-
Reinvested capital gain reserve	710	A - B - C[2]	710	-	-
Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239	A - B - C[2]	239	-	-
Group company merger surplus reserve	6.194	A - B - C	6.194	-	-
Gains/losses carried forward in application of IAS n. 8	37	A - B - C	37		
Valuation reserves					
Available-for-sale asset valuation reserve pursuant to Lgs. Dec. 38/05 Art. 7 paragraph 2	(10.377)	---			
Actuarial profit/losses in relation to defined benefit plans	181	--- (5)			
Other reserves					
Reserve for purchase of company divisions from Group companies	(515)	---	(515)	-	-
Reserve for sale of company divisions to Group companies	61.678	A - B - C	61.678		
Total	**516.958**		**326.130**		
Proportion not available for distribution pursuant to Art 2426 no. 5 C.C.			-		
Remainder of proportion available for distribution			326.130		

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

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

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

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

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

[5] The reserve is unavailable under the terms of Art. 6 of Lgs. Dec. 38/2005.

Other information

1. Guarantees issued and commitments

Transactions	Balance 31/12/2011	Balance 31/12/2010
1) Financial guarantees issued	**58.089**	**10.178**
a) banks	58.089	10.178
b) customers	-	-
2) Commercial guarantees issued	**-**	**-**
a) banks	-	-
b) customers	-	-
3) Irrevocable commitments to disburse funds	**160.441**	**190.604**
a) banks	106.140	136.540
i) certain to be drawn down	106.140	136.540
ii) not certain to be drawn down	-	-
b) customers	54.301	54.064
i) certain to be drawn down	54.301	54.064
ii) not certain to be drawn down	-	-
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**46.431**	**34.472**
6) Other commitments	**78.445**	**83.600**
Total	**343.406**	**318.854**

2. Assets pledged against own liabilities and commitments

Portfolios	Balance 31/12/2011	Balance 31/12/2010
1. Financial assets held for trading	200.852	288.476
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	380.697	-
4. Financial assets held to maturity	58.851	44.908
5. Due from banks	15.364	12.301
6. Due from customers	1.999	1.989
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	***76.273.471***	***73.969.356***
a) Purchases	38.161.951	36.774.899
1. settled	38.110.666	36.647.548
2. not settled	51.285	127.351
b) Sales	38.111.520	37.194.457
1. settled	38.049.692	37.073.722
2. not settled	61.828	120.735
2. Portfolio management	***-***	***-***
a) Individual	-	-
b) Collective	-	-
3. Custody and administration of securities		
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	-	-
1. securities issued by the reporting bank	-	-
2. other securities	-	-
b) other third-party securities on deposit (excluding asset management): others	14.021.959	14.691.764
1. securities issued by the reporting bank	684.517	605.836
2. other securities	13.337.442	14.085.928
c) third-party securities deposited with third parties	15.121.582	16.078.332
c) own securities deposited with third parties	5.318.232	1.684.143
4. Other transactions *	***7.835.745***	***11.583.244***

* The item "Other transactions" includes the volume of work of receiving and sending orders, which is divided as follows:
- purchases: 3.386.378
- sales: 3.337.688

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)	14.449.121	15.472.174
- Portfolio management	-	-
- 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	13.337.442	14.085.928
- Other transactions:		
- UCITS units subscribed by customers	1.111.679	1.386.246
b) Indirect deposit elated to income from insurance activities	-	-
Total indirect deposit	**14.449.121**	**15.472.174**

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	13.752	-	1.230	14.982	19.893
2. Financial assets available for sale	6.430	-	-	6.430	991
3. Financial assets held to maturity	3.347	-	-	3.347	3.041
4. Due from banks	11.302	1.385	-	12.687	11.881
5. Due from customers	115	18.660	-	18.775	13.237
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives	X	X	226	226	363
8. Other assets	X	X	39	39	40
Total	**34.946**	**20.045**	**1.495**	**56.486**	**49.446**

1.2 Interest and similar expense: differences on hedging transactions

Item/Segment	Total 31/12/2011	Total 31/12/2010
A. Positive differences on hedging transactions	226	363
B. Negative differences on hedging transactions	124	103
Balance (A-B)	**102**	**260**

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	1.261	969

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2011	Total 31/12/2010
1. Due to central banks	273	X	-	273	196
2. Due to banks	18.807	X	-	18.807	11.797
3. Due to customers	2.492	X	-	2.492	1.423
4. Outstanding securities	X	24.449	-	24.449	14.013
5. Financial liabilities held for trading	23	-	1.782	1.805	462
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	47	47	20
8. Hedging derivatives	X	X	124	124	103
Total	**21.595**	**24.449**	**1.953**	**47.997**	**28.014**

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	2.791	2.105

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	126	10
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	10.706	14.036
1. Financial instruments trading	7.089	7.354
2. Currency trading	-	-
3. Portfolio management	2	-
3.1. individual	2	-
3.2. collective	-	-
4. Custody and administration of securities	722	677
5. Depositary bank	-	1.495
6. Placement of securities	199	1.261
7. Order reception and transmission activities	2.442	2.408
8. Consultancy activities	216	489
8.1 about investments matters	-	489
8.2 about financial structure matters	216	-
9. Distribution of third party services	36	352
9.1. Portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	-	-
9.3. Other products	36	352
d) Collection and payment services	32.103	76.953
e) Servicing for securitization transactions	2	2
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	-	-
j) Other services	3.615	7.723
Total	**46.552**	**98.724**

The decrease in the aggregate is mainly due to the transfer to Banca Sella of the business unit including Electronic and Traditional Payment Systems, Customer Desk and Customer Area by Banca Sella Holding, effective for accounting purposes as of 29 May 2011. In fact, the item collection and payment services decreased by 45 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	2.523	5.717
Fees and commissions on relations with credit institutions	261	16
Recovery of postal, printing and similar expenses.	826	1.922
Others	5	68
Total "Other services"	**3.615**	**7.723**

2.2 Fee income: product and service distribution channels

Channel/Amount	Total 31/12/2011	Total 31/12/2010
a) At own branches:	**227**	**1.613**
1. Portfolio management	2	-
2. Placement of securities	199	1.261
3. Third party products and services	26	352
b) Door-to-door sales:	**10**	**-**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third party products and services	10	-
c) Other distribution channels:	**-**	**-**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third party products and services	-	-
Total	**237**	**1.613**

2.3 Fee expense: breakdown		
Service/Amount	**Total 31/12/2011**	**Total 31/12/2010**
a) Sureties received	-	-
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	6.364	9.507
1. Financial instruments trading	4.458	4.852
2. Currency trading	3	3
3. Portfolio management	-	-
3.1. own	-	-
3.2. delegated to third parties	-	-
4. Custody and administration of securities	861	948
5. Placement of fnancial instruments	38	189
6. Door-to-door sale of securities, products and services	1.004	3.515
d) Collection and payment services	21.011	49.039
e) Other services	2.027	2.181
Total	**29.402**	**60.727**

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	535	120
Loans	134	-
Brokerage activity	1.356	1.630
Others	2	431
Total "Other services"	**2.027**	**2.181**

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	1.806	-	1.556	-
B. Financial assets available for sale	503	-	967	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	7.757	X	11.382	X
Total	**10.066**	**-**	**13.905**	**-**

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	**1.282**	**38.469**	**6.028**	**15.915**	**17.808**
1.1 Debt securities	1.249	36.329	4.958	10.374	22.246
1.2 Equity securities	29	2.139	54	5.541	(3.427)
1.3 UCITS units	4	1	1.016	-	(1.011)
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**	**(2.810)**
4. Derivative instruments	**117.581**	**120.882**	**120.350**	**115.602**	**5.364**
4.1 Financial derivatives:	117.581	120.882	120.350	115.602	5.364
- On debt securities and interest rates	117.581	92.646	120.350	90.592	(715)
- On equity securities and share indices	-	28.236	-	24.978	3.258
- On currencies and gold	X	X	X	X	2.853
- Others	-	-	-	32	(32)
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**118.863**	**159.351**	**126.378**	**131.517**	**20.362**

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	172	385
A.2 Hedged financial assets (fair value)	-	-
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)	**172**	**385**
B. Expenses for:		
B.1 Fair value hedging derivatives	-	374
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	148	8
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**148**	**382**
C. Net gains/(losses) on hedging activities (A-B)	**24**	**3**

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	16	-	16	534	11	523
2. Due from customers	32	-	32	456	15	441
3. Financial assets available for sale	2.742	545	2.197	3.653	21	3.632
3.1 Debt securities	239	485	(246)	-	-	-
3.2 Equity securities	2.503	60	2.443	3.653	21	3.632
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**2.790**	**545**	**2.245**	**4.643**	**47**	**4.596**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	1.034	57	977	69	-	69
Total liabilities	**1.034**	**57**	**977**	**69**	**-**	**69**

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	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**5**	**-**
- Loans and advances	-	-	5	-	-	-	-	5	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**12**	**27**	**-**	**-**	**10**	**-**	**18**	**11**	**147**
- Loans and advances	12	27	-	-	10	-	18	11	147
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**12**	**27**	**-**	**-**	**10**	**-**	**13**	**16**	**147**

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	-	72	X	X	72	293
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
F. Total	**-**	**72**	**-**	**-**	**72**	**293**

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	-	-	-	-	-	-	21	(21)	(34)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	5	-	-	-	-	5	-
D. Other transactions	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5**	**-**	**-**	**-**	**21**	**(16)**	**(34)**

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	20.496	24.748
a) Wages and Salaries	14.968	17.974
b) Social security contributions	3.832	4.505
c) Severance indemnities	339	678
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	39	61
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	678	749
- defined contribution	678	749
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	640	781
2) Other working personnel	104	253
3) Directors and statutory auditors	1.392	1.811
4) Non-working personnel	-	-
5) Expenses recovered for employees seconded to other companies	(2.910)	(2.913)
6) Expenses rerefunded for third parties' employees seconded to the company	2.006	2.198
Total	**21.088**	**26.097**

The decrease in the item personnel expenses is directly proportional to the decrease in employees which occurred following the 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:	246	300
- Executives	22	27
- Middle management	88	100
- Remaining employees	136	173
Other personnel	3	4
Total	**249**	**304**

9.4 Other employee benefits		
	Total 31/12/2011	Total 31/12/2010
Costs relating to staff exits	11	14
Benefits for employees' children	24	24
Benefits in kind	-	62
Insurance policies stipulated in favour of employees	190	223
Professional employee update courses	120	269
Travel costs	227	113
Others	68	76
Total	**640**	**781**

9.5 Other administrative expenses: breakdown		
Type of expense/Segments	**Total 31/12/2011**	**Total 31/12/2010**
Legal and notarial expenses	928	1.412
IT assistance and sundry advice	5.421	9.016
Printing and stationery	10	61
Leasing of electronic machines and software licences	1.348	1.390
Sundry rentals and expenses for services provided by third parties	17.047	26.329
Fees for data transmission	335	577
Postal and telegraphic expenses	707	1.932
Telephone charges	206	228
Transport expenses	74	299
Cleaning of premises	103	154
Surveillance and escort of valuables	298	334
Electricity and heating	736	783
Rent of premises	1.367	1.115
Sundry insurance policies	121	176
Advertising and promotion	33	42
Entertainment expenses	199	238
Donations	45	29
Membership fees	335	471
Subscriptions and books	49	83
Information and inspections	79	245
Travelling expenses	263	281
Expenses for interbank network service	201	380
Expenses for web site	-	1
Others	286	561
Maintenance and repair expenses	**956**	**1.472**
- Properties owned	33	65
- Properties rented	1	1
- Movables	278	377
- Hardware and software	644	1.029
Indirect taxes and duties	**694**	**1.189**
- Stamp duty	187	796
- Substitute tax Pres. Dec. 601/73	1	-
- Local property tax	274	275
- Other indirect taxes and duties	232	118
Total	**31.841**	**48.798**

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 lawsuits brought	105	310
Provisions for customer complaints	32	317
Provisions for operational risks	1.306	325
Provisions for employee disloyalty	(1)	4
Provisions for personnel	166	15
Other provisions	912	-
Reattributions to Income Statement relating to provisions for risks for lawsuits brought	(17)	(178)
Reattributions to Income Statement relating to provisions for customer complaints	-	(130)
Reattributions to Income Statement relating to other provisions	-	(17)
Total	**2.503**	**646**

In relation to provisions for operational risks, the change is mainly attributable to the time adjustment and the trend in rates for the discounting component of the provisions.

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	2.151	-	-	2.151
- for business purposes	2.046	-	-	2.046
- for investment	105	-	-	105
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**2.151**	**-**	**-**	**2.151**

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	905	-	-	905
- Generated internally by the company	-	-	-	-
- Others	905	-	-	905
A.2 Acquired in financial leasing	-	-	-	-
Total	**905**	**-**	**-**	**905**

Section 13 - Other operating expenses and income - Item 190

Other operating expenses and income

	31/12/2011	31/12/2010
Total other operating expenses	1.218	1.926
Total other operating income	5.961	14.071
Other operating expenses and income	**4.743**	**12.145**

13.1 Other operating expenses: breakdown

	Total 31/12/2011	Total 31/12/2010
Amortization of expenses for improvements on third party assets	9	22
Losses related to operational risks	754	1.699
Refunds of interest on collection and payment transactions	12	48
Penalties payable for contract defaults	5	6
Others	438	151
Total	**1.218**	**1.926**

13.2 Other operating income: breakdown		
	Total 31/12/2011	Total 31/12/2010
Rents and instalments receivable	1.586	1.704
Charges to third parties and refunds received:	115	447
- taxes recovered	115	447
- insurance premiums and refunds	-	-
Income from software services	1.086	1.596
Recoveries of interest on collection and payment transactions	205	489
POS fee income	307	764
Administrative services rendered to third parties	1.027	1.087
Penalties receivable for contract defaults	303	13
Expenses recovered for services rendered in relation to credit recovery	58	557
Other income	1.274	7.414
Total	**5.961**	**14.071**

The reduction in this item is mainly due to the presence in 2010 of the amount of 6,1 million euro of income coming from the transfer of the business unit operating in the depository bank activities to ICBPI (Istituto Centrale delle Banche Popolari Italiane), which is classified under the item Other income.

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

14.1 Gains/(losses) on equity investments: breakdown		
Income components/Amount	Total 31/12/2011	Total 31/12/2010
A. Income	427	-
1. Revaluations	-	-
2. Gains on sales	427	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	25.785	14.136
1. Devaluations	25.785	14.136
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**(25.358)**	**(14.136)**

This item includes the effects of the writedowns carried out on the equity interest held in Banca Sella Nordest Bovio Calderari in the amount of 12,8 million euro, in CBA Vita at 12,5 million euro, in Selgest at 229 thousand euro and in Miret at 236 thousand euro. The sale of the subsidiary Agata created profits of 427 thousand euro. For further information on the impairment test on minority interests, please refer to the Notes to the Accounts, part B – Information on the Balance Sheet – Assets.

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	2.954	-
- Gains on sales	2.954	-
- Losses on sales	-	-
B. Other assets	10	-
- Gains on sales	10	-
- Losses on sales	-	-
Net gains/(losses)	**2.964**	**-**

The item Income from the disposal of investments totalled 3 million euro due to the effects of the sale of the real estate located in Costa delle Noci in the province of Biella to the City of Biella.

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 (-)	7.040	2.160
2. Change in current taxes of previous years (+/-)	811	(597)
3. Reduction of current taxes for the year (+)	(206)	(126)
4. Change in prepaid taxes (+/-)	(9.241)	29
5. Change in deferred taxes (+/-)	39	314
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(1.557)	1.780

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	-15.180		
Nominal rate (1)		33,07%	-5.020
IRES tax-exempt dividends	-7.847	14,22%	-2.158
Non-deductible costs and allocations	2.737	-5,96%	905
equity interest writedowns	25.857	-56,33%	8.551
Non-taxed gains on IRES equity investments	-4.437	8,04%	-1.220
Non-deductible IRES and IRAP interest expense	1.100	-2,40%	364
IRAP deduction from IRES	-91	0,16%	-25
Redemption of goodwill, pursuant to article 23, paragraphs 12 and 14, Legislative Decree no. 98 of 06/07/2011	-	29,60%	-4.494
Taxes from previous years and tax settlements		-5,30%	805
Other differences		-1,52%	231
Adjusted rate		**13,58%**	**-2.061**
IRAP non-taxed dividend share	-4.995	1,83%	-278
Personnel costs non-deductible from IRAP	15.853	-5,82%	883
Non-taxed gains on IRAP equity investments	-2.145	0,79%	-119
Non-deductible IRAP interest expense	811	-0,30%	45
other differences in IRES and IRAP taxable base	-470	0,17%	-26
Effective rate		**10,26%**	**-1.557**

(1): IRES rate + average IRAP rate weighted on the basis of the territorial distribution of the taxable base.

Section 19 - Gains (losses) on assets held for sale after tax - Item 280

19.1 Gains (losses) on assets held for sale after tax: breakdown		
Income components/Amount	**Total 31/12/2011**	**Total 31/12/2010**
1. Income	1.717	-
2. Expenses	(2.287)	(5.099)
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	(2.221)	-
5. Taxes and duties	-	-
Gain (loss)	**(2.791)**	**(5.099)**

PART D COMPREHENSIVE INCOME

Detailed statement of comprehensive income				
	Voci	Gross amount	Income tax	Net amount
10.	**Net profit/(Loss) for the year**	**X**	**X**	**(18.131)**
	Other income net of tax			
20.	Financial assets available for sale:	(15.938)	4.447	(11.491)
	a) fair value changes	(13.851)	4.281	(9.570)
	b) reversal to income statement	(2.087)	166	(1.921)
	- impairment losses	-	-	-
	- gain/losses from disposal	(2.087)	166	(1.921)
	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	(352)	97	255
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**	**(16.290)**	**4.544**	**(11.746)**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**(29.877)**

PART E INFORMATION ON RISKS AND ASSOCIATED HEDGING POLICIES

As required by Banca d'italia Circular No. 263 of 27 December 2006 11st updating of 31 Jenrary 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 Holding places great importance on measuring and managing credit risk, despite the fact that its lending activities are not traditional but relative to loans to Group companies and its exposures are with counterparties of a banking or financial nature.

Specifically, credit risk control activities are the responsibility of the Risk Management and Audit (Credit Risk Management Unit) of Banca Sella Holding and Credit Control of Banca Sella. The former has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating effective and proactive management. On the other hand, the second is dedicated to more traditional monitoring, mainly focused on analysis of individual risk positions and trend analysis of certain variables held to be significant in terms of controlling credit risk.

2. Credit risk management policies

2.1 Organizational Aspects

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

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

- Exposures to banking and financial counterparties
  Market operational limits are set by submitting the requests to the relevant deliberative bodies, with previous analysis of the counterparties' credit rating; in 2011, seeing the persistence of difficult macroeconomic conditions, a high level of attention was maintained in this area of operation.
- Financing the Group's companies
  Banca Sella Holding plays an important role in the Banca Sella Group for financing subsidiaries, supplying adequate credit lines according to the future use of such grants. The lending activity is mainly addressed to Consel and Biella Leasing.
- Exposure arising from credit cards
  The bank may grant credit by issuing credit cards to individuals who do not have a current account - mainly private customers. Applicants are carefully examined in order to verify their risk profile and their ability to pay back.

2.2 Systems of management, measurement and control

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

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

As regards the assessment of the risk of default, Banca Sella Holding 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 Holding is integrated into the company information system and is made up of the following components:

- Financial statements rating: this component assesses the risk of default based only on an analysis of the customer's accounting data. The financial statement rating may be calculated for every customer or potential customer. An indispensable premise for calculation of the financial statements rating is possession of financial statements containing a Balance Sheet and an Income Statement. For enterprises with simplified accounts a function has been developed for the attribution of a continual numerical judgement representing the customer's creditworthiness, called the Income Statement Score. Although an ad-hoc function has not been developed to divide the Income Statement Score into separate risk classes (known as clusterization), this Score is combined, by means of a specific function, with the qualitative assessment, contributing in this way to the calculation of the enterprise rating (see next point) also for companies with simplified accounts. The financial statements score is also the maximum level of detail obtainable for the following categories of customer: financial companies, leasing companies, factoring companies, holdings and real estate companies.
- Enterprise rating: a combination of the financial statements rating and the qualitative component deriving from compilation of a specific questionnaire by the account manager. Like the financial statements rating, the enterprise rating may be calculated for every borrower or potential borrower. In the case of a new customer, it represents the most detailed assessment possible of creditworthiness and is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. In view of the

need to contain the volatility of the enterprise rating, the difference between this rating and the financial statements rating is opportunely limited to no more than one class.

- Overall rating: a combination of the enterprise rating and a behavioural component (data from the Central Credit Register (Centrale rischi) and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer**.** 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). Like the internal rating, the performance scoring leads to a summary final classification made up of nine classes. 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. 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 Ratings Committee activities begun 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 Holding as an opportunity to refine the credit risk measurement techniques and to ensure supervision through the use of techniques with a growing degree of sophistication. Although capital requirement against credit risk is determined according to the First Pillar through the Standardized Method, the bank undertakes all the necessary organizational and methodological actions aimed at proving that its internal rating system is substantially in line with the requirements provided in regulatory standards (so-called experience test).

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

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

With specific reference to the new Basel 3 regulations, for which the Banca Sella Group has been involved in the sixth quantitative impact study run by the Basel Committee (the "QIS6"), the changes envisaged in view of the credit and counterparty risk do not significantly affect the portfolio risk profile.

The Group Loan Quality Service, already operative within the company Banca Sella, now called Loans Control, carries out second level audits on the correct supply and management of loans.

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. These reports go to the customer manager (branch corporate manager) and to the credit quality service. Depending on the alarms, they may recur daily, weekly or monthly;
- Cadr procedure – Automatic risk classification. With the purpose to improve the management of the most irregular relationships, the Cadr procedure (whose calculation criteria are integrated with rating and scoring systems for determining insolvency probability) classifies loan portfolios according to the credit risk associated to customers. The Cadr procedure classifies each customer under one of four risk levels: different types of action are identified on the basis of the seriousness corresponding to the Cadr value. These reports go to the customer manager, (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 Holding. 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 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. 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 natural persons or companies without external rating as guarantors, if necessary.

As a general rule, the credit disbursement procedure does not include the purchase of guarantees involving contractual obligations that may undermine their validity. The process for verifying admissibility of guarantees involves the analysis by legal experts both in standard and non-standard contracting.

2.4 Impaired financial assets

The Banca Sella structure that manages the recovery of disputed bad debts for the Banca Sella Group has the responsibility of:

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

The decision-making power in relation to the assessment of recoveries and waiver proposals for arrangements with customers is almost completely devolved to single managers within the range of the powers granted to the single CEOs of the various companies managed in outsourcing. The scope of the Sella Servizi Bancari legal division exclusively involves the management and analytical assessment of non-performing and watchlist impaired loans with revocation of credit lines.

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

The forecast of recoverability of the credit takes account of:

- the amount of the recovery value as the sum of the expected cash flows estimated on the basis of the types of guarantees given and/or acquirable, their estimated realization value, the costs to be sustained and the debtor's desire to pay;
- recovery times estimated on the basis of the types of guarantees, the in-court or out-of-court liquidation methods for the guarantees, bankruptcy proceedings and the geographical area to which the loan belongs;
- discounting rates: for all credits measured at the amortized cost the original effective rate of return is used, whereas for revocable credit lines the interest rate considered is that at the moment of default;

At the first implementation of 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 providing quantity information on credit quality, the term "credit exposure" is used excluding capital securities and units of UCITs, whilst the term "exposure" includes these elements.

A.1 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	-	-	-	-	471.364	471.364
2. Financial assets available for sale	-	-	-	-	392.358	392.358
3. Financial assets held to maturity	-	-	-	-	134.778	134.778
4. Due from banks	-	-	-	-	924.047	924.047
5. Due from customers	-	-	-	-	900.669	900.669
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	884	884
Total 31/12/2011	**-**	**-**	**-**	**-**	**2.824.100**	**2.824.100**
Total 31/12/2010	**-**	**50**	**-**	**-**	**2.824.432**	**2.824.482**

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	-	-	-	X	X	471.364	471.364
2. Financial assets available for sale	-	-	-	392.358	-	392.358	392.358
3. Financial assets held to maturity	-	-	-	134.778	-	134.778	134.778
4. Due from banks	-	-	-	924.052	5	924.047	924.047
5. Due from customers	-	-	-	900.671	2	900.669	900.669
6. Financial assets at fair value through profit or loss	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	884	884
Total 31/12/2011	**-**	**-**	**-**	**2.351.859**	**7**	**2.824.100**	**2.824.100**
Total 31/12/2010	**299**	**249**	**50**	**2.824.671**	**239**	**2.824.432**	**2.824.482**

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

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing exposures	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	1.278.960	X	5	1.278.955
TOTAL A	**1.278.960**	**-**	**5**	**1.278.955**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	-	-
b) Others	324.154	X	5	324.149
TOTAL B	**324.154**	**-**	**5**	**324.149**
TOTAL A+B	**1.603.114**	**-**	**10**	**1.603.104**

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	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	1.367.755	X	2	1.367.753
TOTAL A	**1.367.755**	**-**	**2**	**1.367.753**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	-	-	-	-
b) Others	196.648	X	-	196.648
TOTAL B	**196.648**	**-**	**-**	**196.648**

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	**67**	**232**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-
B. Increases	**104**	**63**	**-**	**-**
B.1 Inflows from performing exposures	-	63	-	-
B.2 Transfers from other categories of impaired exposures	104	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**171**	**295**	**-**	**-**
C.1 Outflows to performing exposures	-	9	-	-
C.2 Write-offs	96	-	-	-
C.3 Collections	5	7	-	-
C.4 Realizations through sales	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	105	-	-
C.6 Other decreases	70	174	-	-
D. Final gross exposure	**-**	**-**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-

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

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial total adjustments	**67**	**182**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-
B. Increases	**99**	**21**	**-**	**-**
B.1 Writedowns	26	21	-	-
B.2 Transfers from other categories of impaired exposures	73	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**166**	**203**	**-**	**-**
C.1 Writebacks on valuation	-	9	-	-
C.2 Writebacks on collection	5	4	-	-
C.3 Write-offs	97	-	-	-
C.4 Transfers to other categories of impaired exposures	-	73	-	-
C.5 Other decreases	64	117	-	-
D. Final total adjustments	**-**	**-**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-

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

A.2.1 Distribution of cash and off balance sheet exposures by external rating classes								
Exposures	External Rating Classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	**208.978**	**516.885**	**24.585**	**1.059**	**37**	**-**	**1.930.737**	**2.682.281**
B. Derivatives	**444**	**31.010**	**-**	**-**	**-**	**-**	**146.160**	**177.614**
B.1 Financial derivatives	222	31.010	-	-	-	-	146.160	177.392
B.2 Credit derivatives	222	-	-	-	-	-	-	222
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**58.089**	**58.089**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**160.441**	**160.441**
Total	**209.422**	**547.895**	**24.585**	**1.059**	**37**	**-**	**2.295.427**	**3.078.425**

The table shows the distribution of exposures by external rating classes assigned by Fitch of the customers of Banca Sella Holding SpA.

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

On the subject of internal ratings it is important to note that there is an internal model for the assignment of credit ratings to companies. The internal rating system includes, for terminological conformity with the scale adopted by external rating agencies, nine credit rating classes for performing customers, from AAA (the less risky) to C (the riskiest). At present, internal ratings are not used for calculating capital requirements. Assignment and rating operations on Banca Sella Holding S.p.A. customers have not achieved significant levels compared to the overall size of the portfolio.

B. CREDIT EXPOSURES DISTRIBUTION AND CONCENTRATION

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

Exposure/Counterparty	Governments and Central Banks			Other public bodies			Financial companies			Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures																		
A.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.2 Watchlist exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Past due exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.5 Other exposures	418.149	X	-	116	X	-	937.949	X	(2)	2.521	X	-	2.643	X	-	6.375	X	-
Total A	**418.149**	**-**	**-**	**116**	**-**	**-**	**937.949**	**-**	**(2)**	**2.521**	**-**	**-**	**2.643**	**-**	**-**	**6.375**	**-**	**-**
B. "Off balance sheet" exposures																		
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Watchlist exposures																		
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.4 Other exposures	53.997	X	-	10	X	-	64.254	X	-	-	X	-	78.264	X	-	123	X	-
Total B	**53.997**	**-**	**-**	**10**	**-**	**-**	**64.254**	**-**	**-**	**-**	**-**	**-**	**78.264**	**-**	**-**	**123**	**-**	**-**
Total (A+B) 31/12/2011	**472.146**	**-**	**-**	**126**	**-**	**-**	**1.002.203**	**-**	**(2)**	**2.521**	**-**	**-**	**80.907**	**-**	**-**	**6.498**	**-**	**-**
Total (A+B) 31/12/2010	**418.071**	**-**	**-**	**12**	**-**	**-**	**961.603**	**(1)**	**-**	**578**	**-**	**-**	**16.619**	**(94)**	**(102)**	**79.951**	**(154)**	**(137)**

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	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	1.300.803	(2)	65.436	-	648	-	866	-	-	-
TOTAL A	**1.300.803**	**(2)**	**65.436**	**-**	**648**	**-**	**866**	**-**	**-**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	88.220	-	108.418	-	10	-	-	-	-	-
TOTAL B	**88.220**	**-**	**108.418**	**-**	**10**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**1.389.023**	**(2)**	**173.854**	**-**	**658**	**-**	**866**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2010	**1.426.749**	**(487)**	**48.155**	**-**	**826**	**(1)**	**986**	**-**	**118**	**-**

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	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-
A.5 Other transactions	867.446	-	-	-	433.357	(2)	-	-
TOTAL A	**867.446**	**-**	**-**	**-**	**433.357**	**(2)**	**-**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	17.100	-	-	-	71.120	-	-	-
TOTAL B	**17.100**	**-**	**-**	**-**	**71.120**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**884.546**	**-**	**-**	**-**	**504.477**	**(2)**	**-**	**-**
TOTAL (A+B) 31/12/2010	**965.341**	**(238)**	**9.233**	**(52)**	**436.818**	**(69)**	**15.357**	**(128)**

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	1.146.046	(4)	128.530	(1)	3.357	-	520	-	503	-
TOTAL A	**1.146.046**	**(4)**	**128.530**	**(1)**	**3.357**	**-**	**520**	**-**	**503**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	250.816	(5)	73.333	-	-	-	-	-	-	-
TOTAL B	**250.816**	**(5)**	**73.333**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**1.396.862**	**(9)**	**201.863**	**(1)**	**3.357**	**-**	**520**	**-**	**503**	**-**
TOTAL (A+B) 31/12/2010	**1.261.826**	**-**	**401.716**	**(21)**	**2.473**	**-**	**320**	**-**	**168**	**-**

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	794.611	(2)	179.980	-	170.486	(2)	969	-
TOTAL A	**794.611**	**(2)**	**179.980**	**-**	**170.486**	**(2)**	**969**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	246.947	(5)	3.335	-	534	-	-	-
TOTAL B	**246.947**	**(5)**	**3.335**	**-**	**534**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**1.041.558**	**(7)**	**183.315**	**-**	**171.020**	**(2)**	**969**	**-**
TOTAL (A+B) 31/12/2010	**1.023.856**	**-**	**112.440**	**-**	**55.648**	**-**	**98.988**	**-**

B.4 Large Risks		
number positions	**book value**	**weighted value**
2	3.433.937	60.472

Please note that within book value are included government securities for an amount of 380.547 thousand euros and intercompany exposures for an amount of 3.113.863 thousand euros weighted at 0%.

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C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securization transactions

QUALITATIVE INFORMATION

The Bank's company portfolio includes ABSs issued in securitization of residential and non-residential loans and leasing credits carried out by European banks (Spain and the United Kingdom). The total held at 31 December 2011 amounted to an equivalent value of 2,603 million euro, thus representing a residual part of the whole portfolio, about 0,17%.
The portion of Italian company ABSs is not indicated in that the only security held at the end of 2010 matured during the course of 2011.

QUANTITATIVE INFORMATION

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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	2.603	2.603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Type of underlying assets/Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
BUMF Commercial Mortagage Backed Securities	866	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAJA - mutui residenziali	1.201	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TDAC 8A TV 49	535	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Exposure/ Portfolio	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets available for sale	Financial assets held to maturity	Loans & receivables	Total 31/12/2011	Total 31/12/2010
1. Cash exposure							
- " Senior"	-	-	-	-	2.603	**2.603**	**3.339**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**
2. Off balance sheet exposures							
- " Senior"	-	-	-	-	-	**-**	**-**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**

C.2 Sale transactions

C.2.1 Financial assets sold but not derecognized

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit or loss			Financial assets available for sale			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	2011	2010
A. Cash assets																				
1. Debt securities	1.213	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.213	-
2. Share capital securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2011	**1.213**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.213**	
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total 31/12/2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-

KEY

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

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

C= partially recognized financial assets (full value)

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

Liability/Asset portfolio	Financial assets held for trading	Financial assets at fair value through profit or losso	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers							
a) against fully recognized assets	1.224	-	-	-	-	-	1.224
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	**1.224**	**-**	**-**	**-**	**-**	**-**	**1.224**
Total 31/12/2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**

» SECTION 2 MARKET RISKS

Market risk relates to unexpected variations in market factors such as interest rates, exchange rates and share prices that may cause fluctuations in the value of a position held in the trading book and in the values of investments arising from commercial operations and strategic choices (banking book).

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

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

2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

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

QUALITATIVE INFORMATION

A. General aspects

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

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

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

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

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

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

The Finance area of the Parent Company has the mission of managing market risk and coordinating the finance activities of the Banca Sella Group (management of own portfolios, treasury and management of minority shares), also carrying out the specialised activities within the Parent company (trading on own account).

The Parent Company's Risk Management 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, in measuring the rate risk and price risk concerning the regulatory trading portfolio, the Banca Sella Group applies the "standardised" approach defined in Bank of Italy Circular no. 263/2006, 11th update of 31 January 2012. It follows that the capital absorption against the market risk consists of the sum of capital requirements to cover the individual risks that make 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

Overall exposure to shares and stock exchange indexes, equal to 0.72% (4.3 million euro) of the Banca Sella Holding regulatory trading books, is concentrated on domestic securities only.

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*.

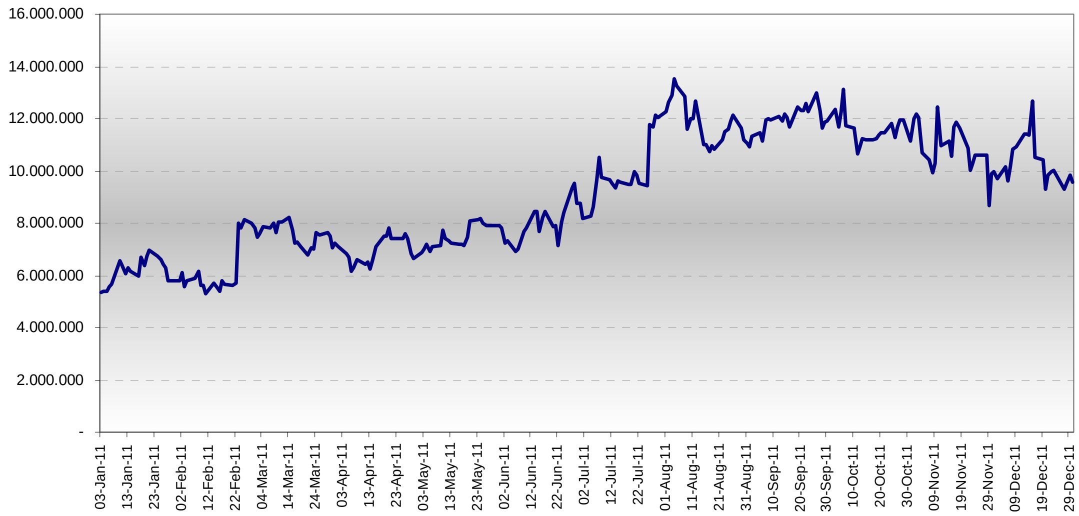
The Group Risk Management Unit measures the VaR (horizon 10 days and 3 months and confidence margin 99%) of the Banca Sella Group portfolios, and analyses sensitivity factors, namely: portfolio duration, effects of sudden interest rate shocks and finally the check on the operational limits on investment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

The average duration of the Banca Sella Holding trading book is equal to 0,33 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 1,98 million euro (about 0,33% of the portfolio).

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

During the course of the year, the prudential limits approved by the Parent Company were not exceeded.

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



Risk Management also controls trading operations on own account.

The trend of the VaR (horizon 10 days, confidence margin 99%) of the trading of Banca Sella Holding is shown in the graph below:

VaR Decomposition - Banca Sella Holding al 30.12.11

Trading Book - Area Finanza
Orizzonte Temporale 10 giorni, intervallo di confidenza 99%

Dati al	30-dic-11			30-giu-11		
	VaR Medio	VaR Minimo	VaR Massimo	VaR Medio	VaR Minimo	VaR Massimo
Tipologia di Rischio						
Fixed Incor€	320.845	22.144	1.213.455	364.521	58.837	1.184.616
Foreign Ex€	11.582	816	200.180	18.379	816	200.180
Equities €	64.711	1.673	307.233	71.434	7.217	205.607
Equitiy Der €	79.283	-	255.447	67.354	17.086	221.565
Derivatives€	793	578	858	729	578	858
Treasury €	39.224	13.924	70.177	32.327	13.924	70.177
Total VaR(b) €	**516.438**	**39.135**	**2.047.350**	**554.743**	**98.458**	**1.883.003**

(b) Il Value-at-Risk totale è calcolato come la somma dei singoli VaR per tipologia di rischio

2.2 INTEREST RATE AND PRICE RISKS – BANKING BOOK

QUALITATIVE INFORMATION

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

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

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

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

B. Fair value hedging activities

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

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

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

C. Cash flow hedging activities

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

D. 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: Banking book - internal model and other methodology for the sensitivity analisis

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 with undefined contractual due dates (on demand items). For all other items of the assets and liabilities, the rules set out in the Bank of Italy Circular no. 263/2006, 11th update of 31 January 2012. The inspection is carried out taking into consideration all balance-sheet and off-balance-sheet positions, as regards interest-bearing assets and liabilities.

As from 31.12.2011, monitoring has been carried out in accordance with the provisions of the VI update of Circular 263/2006 11th update of 31 January 2012, maintaining the application of the internal model only for retail current account expenses. To calculate the internal capital, parallel shifts are hypothesised to the rate curve, respectively of +200 basis points (rise) and -100 basis points (lowering, compatible with the constraint of a non-negativity of rates).

The sensitivity analysis figures at 31 December 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	13,8	666,1	2,1%

(*) *Excluding Tier 3 Capital* *Amounts in euro Millions*

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

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.

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

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

B. Exchange rate risk hedging activities

Over the years, Banca Sella Holding has progressively reduced its market making activity on the exchange market. The transactions conducted during the financial year can be mainly traced back to rate risk hedging activities for the Group’s banks and companies.

Micro-hedging is instead put in place, with third parties, with the aim of mitigating the risk of simple derivatives such as domestic currency swaps, currency options and forward contracts traded by customers with the Bank.

QUANTITATIVE INFORMATION

1. Distribution by currency of denomination of assets, liabilities and derivatives

Item	Currecies					
	US Dollar	Swiss Franc	Japanese Yen	British pound	Australian dollar	Other currencies
A. Financial assets	**23.477**	**19.029**	**6.380**	**2.158**	**1.135**	**6.290**
A.1 Debt securities	52	-	-	-	2	66
A.2 Equity securities	7	1	-	1.287	-	-
A.3 Loans and advances to bank	23.418	19.028	6.380	871	1.133	6.224
A.4 Loans and advances to custc	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**3.225**	**348**	**425**	**228**	**363**	**1.044**
C. Financial liabilities	**162.550**	**25.985**	**113**	**11.574**	**6.484**	**4.876**
C.1 Due to banks	161.558	25.985	42	11.574	6.455	4.582
C.2 Due to customers	992	-	71	-	29	294
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**3.246**	**348**	**424**	**203**	**238**	**1.008**
E. Financial derivatives	**135.706**	**6.600**	**(6.679)**	**10.479**	**4.966**	**(2.181)**
- Options	-	-	-	-	-	-
+ Long positions	27.548	1.992	2.812	3.956	45	17
+ Short positions	27.548	1.992	2.812	3.956	45	17
- Others	135.706	6.600	(6.679)	10.479	4.966	(2.181)
+ Long positions	340.628	11.378	17.388	19.583	14.010	7.622
+ Short positions	204.922	4.778	24.067	9.104	9.044	9.803
Total assets	**394.878**	**32.747**	**27.005**	**25.925**	**15.553**	**14.973**
Total liabilities	**398.266**	**33.103**	**27.416**	**24.837**	**15.811**	**15.704**
Imbalance (+/-)	**(3.388)**	**(356)**	**(411)**	**1.088**	**(258)**	**(731)**

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.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	5.853.946	36.700	5.741.373	68.100
a) Options	919.041	-	841.210	-
b) Swap	4.934.905	-	4.900.163	-
c) Forward	-	-	-	-
d) Futures	-	36.700	-	68.100
e) Others	-	-	-	-
2. Equity securities and equity indices	-	8.400	-	88.829
a) Options	-	-	-	61.499
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	8.400	-	27.330
e) Others	-	-	-	-
3. Currencies and gold	729.908	-	800.641	2.283
a) Options	208.825	-	225.235	2.283
b) Swap	98.966	-	311.721	-
c) Forward	422.117	-	263.685	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**6.583.854**	**45.100**	**6.542.014**	**159.212**
Average amounts	**6.562.934**	**102.156**	**6.222.989**	**211.417**

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	5.642	-	5.642	-
a) Options	-	-	-	-
b) Swap	5.642	-	5.642	-
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	**5.642**	**-**	**5.642**	**-**
Average amounts	**5.642**	**-**	**8.642**	**-**

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	-	-	-	-
a) Options	-	-	-	-
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	-	26.709	-
a) Options	19.879	-	26.709	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**19.879**	**-**	**26.709**	**-**
Average amounts	**23.294**	**-**	**35.772**	**-**

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	176.389	-	125.809	1.366
a) Options	14.869	-	14.360	1.366
b) Interest rate swap	151.538	-	108.502	-
c) Cross currency swap	3	-	263	-
d) Equity swap	-	-	-	-
e) Forward	9.045	-	1.943	-
f) Futures	-	-	-	-
g) Others	934	-	741	-
B. Banking book - hedging	884	-	487	-
a) Options	-	-	-	-
b) Interest rate swap	884	-	487	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	59	-	66	-
a) Options	59	-	66	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**177.332**	**-**	**126.362**	**1.366**

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	173.492	-	131.574	1.260
a) Options	14.869	-	14.358	1.260
b) Interest rate swap	151.929	-	108.715	-
c) Cross currency swap	4	-	4.888	-
d) Equity swap	-	-	-	-
e) Forward	4.599	-	2.677	-
f) Futures	-	-	-	-
g) Others	2.091	-	936	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	59	-	66	-
a) Options	59	-	66	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**173.551**	**-**	**131.640**	**1.260**

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	-	-	4.958.276	890.670	5.000	-	-
- positive fair value	-	-	145.110	17.471	-	-	-
- negative fair value	-	-	155.298	7.345	328	-	-
- future exposure	-	-	25.807	4.213	25	-	-
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	729.159	749	-	-	-
- positive fair value	-	-	13.808	-	-	-	-
- negative fair value	-	-	10.491	29	-	-	-
- future exposure	-	-	8.795	7	-	-	-
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	-	-	5.642	-	-	-	-
- positive fair value	-	-	884	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	28	-	-	-	-
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	19.879	-	-	-	-
- positive fair value	-	-	59	-	-	-	-
- negative fair value	-	-	59	-	-	-	-
- future exposure	-	-	473	-	-	-	-
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	**2.814.295**	**1.809.651**	**1.959.907**	**6.583.853**
A.1 Financial derivatives on debt securities and interest rates	2.090.009	1.804.030	1.959.907	5.853.946
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	724.286	5.621	-	729.907
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book	**19.879**	**5.642**	**-**	**25.521**
B.1 Financial derivatives on debt securities and interest rates	-	5.642	-	5.642
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	**2.834.174**	**1.815.293**	**1.959.907**	**6.609.374**
Total 31/12/2010	**2.548.787**	**1.817.275**	**2.208.304**	**6.574.366**

» SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

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

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

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

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

The Group's liquidity 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.

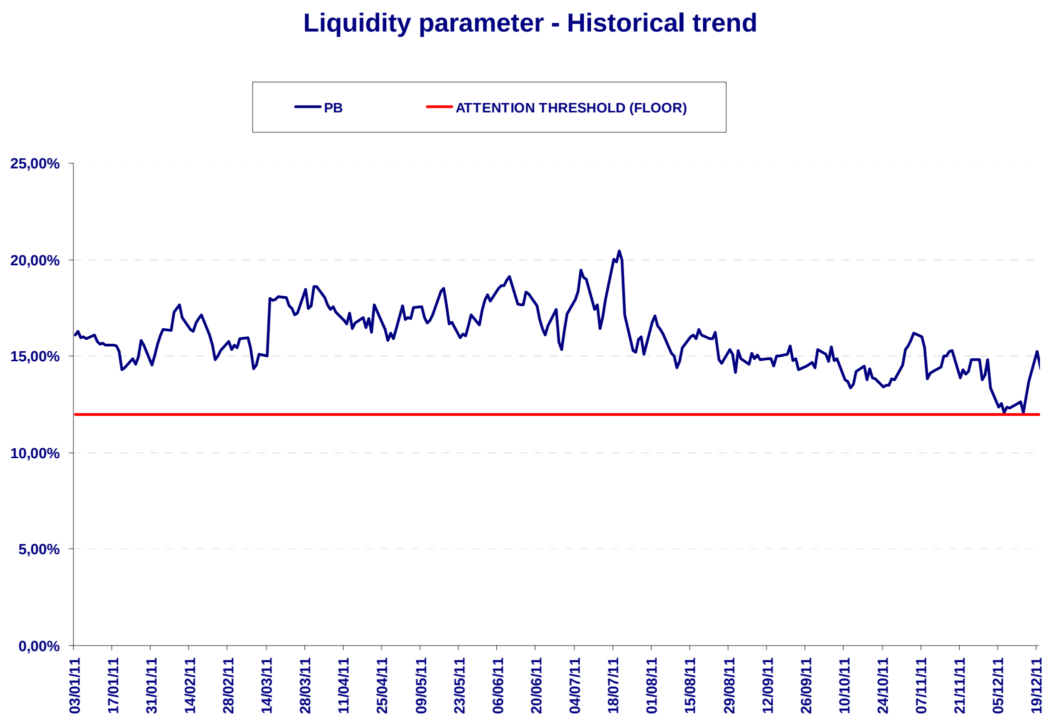
The liquidity level is managed by the Banca Sella Holding Finance Department, which in case of need promptly takes remedial actions with the support of the ALM Committee. The second level audits of liquidity risk are performed by the Parent Company Risk Management Service.

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 retail customers and banks in case of a sudden liquidity strain. The minimum limit of this indicator is prudentially established at 12%; the level of this indicator has always considerably exceeded that threshold during the financial year showing how the liquidity reserves suffice to comply with the commitments made even in stress conditions. 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 at 31* January *2012 , title III, chap.1, Annex D*

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.

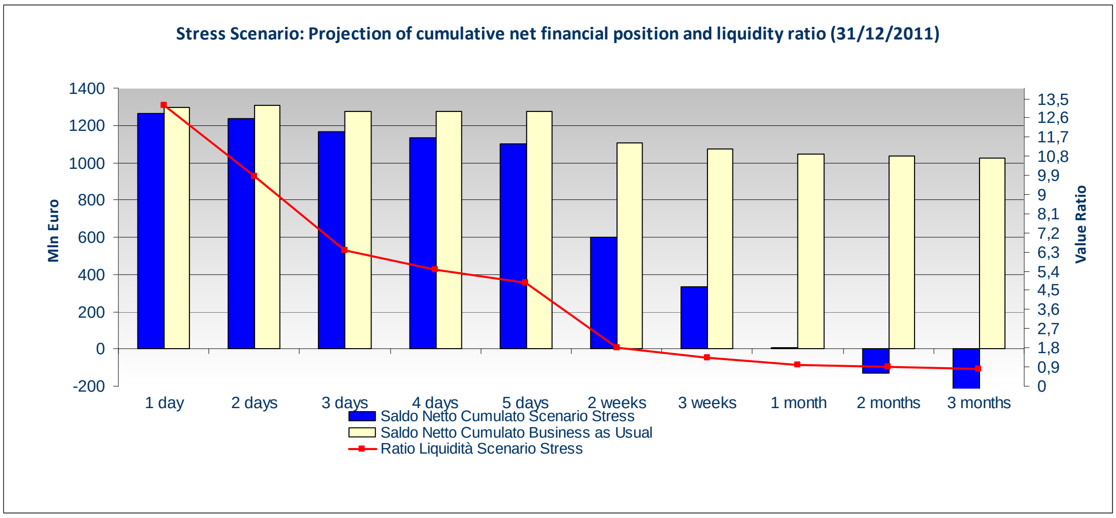
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated with the assumption that the business structure and capital profile of the Group will not be altered. The stress scenarios used are based on those envisaged in Basel III, integrated with internal hypotheses in order to make the analysis better representative of the Bank's operations.

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

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

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

Stress Scenario: Projection of cumulative net financial position and liquidity ratio (Stress test at 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 11th update of 31 January 2012 (New provisions of prudential supervision for banks, Title III, Chapter 1) 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	**359.370**	**127.925**	**381**	**38.759**	**37.838**	**122.464**	**538.023**	**1.219.992**	**151.142**	**-**
A.1 Government securities	-	1.497	57	45	951	25.674	51.128	226.277	112.519	-
A.2 Other debt securities	-	20.101	268	36.545	32.408	66.633	375.327	488.537	38.623	-
A.3 UCITS units	10.502	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	348.868	106.327	56	2.169	4.479	30.157	111.568	505.178	-	-
- Banks	105.348	105.001	56	2.169	4.479	-	-	-	-	-
- Customers	243.520	1.326	-	-	-	30.157	111.568	505.178	-	-
Cash liabilities	**1.278.237**	**15.024**	**27.535**	**124.094**	**14.415**	**152.459**	**297.062**	**847.249**	**42.463**	**-**
B.1 Deposits and current accounts	1.277.369	13.800	27.535	23.821	14.415	8.835	5.922	-	4.801	-
- Banks	1.203.729	13.800	27.535	23.821	14.415	8.835	5.922	-	4.801	-
- Customers	73.640	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	143.624	291.140	597.249	37.662	-
B.3 Other liabilities	868	1.224	-	100.273	-	-	-	250.000	-	-
Off balance sheet transactions	**373.253**	**459.839**	**99.485**	**37.458**	**157.561**	**138.038**	**54.409**	**116.826**	**116.489**	**-**
C.1 Financial derivatives with equity swaps	(33.100)	(86.053)	(46.479)	(12.028)	(34.465)	4.232	(7.849)	21.722	11.517	-
- Long positions	1.800	181.393	26.503	12.715	61.548	71.102	23.237	68.511	63.963	-
- Short positions	34.900	267.446	72.982	24.743	96.013	66.870	31.086	46.789	52.446	-
C.2 Financial derivatives without equity swaps	(391)	-	-	-	-	(66)	(86)	1.091	-	-
- Long positions	162.581	-	-	-	-	-	-	1.286	-	-
- Short positions	162.972	-	-	-	-	66	86	195	-	-
C.3 Deposits and loans receivable	(11.000)	11.000	-	-	-	-	-	-	-	-
- Long positions	-	11.000	-	-	-	-	-	-	-	-
- Short positions	11.000	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	45	80	-

Currency of denomination: US Dollar										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**18.205**	**-**	**-**	**-**	**5.771**	**2.476**	**113**	**1**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	26	-	24	1	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	18.205	-	-	-	5.745	2.476	89	-	-	-
- Banks	15.219	-	-	-	5.745	2.476	89	-	-	-
- Customers	2.986	-	-	-	-	-	-	-	-	-
Cash liabilities	**67.013**	**4.753**	**525**	**10.280**	**36.243**	**31.669**	**12.067**	**-**	**-**	**-**
B.1 Deposits and current accounts	66.309	4.753	525	10.280	36.243	31.669	12.067	-	-	-
- Banks	66.022	4.753	525	10.280	36.243	31.669	12.067	-	-	-
- Customers	287	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	704	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**2.283**	**160.254**	**100.918**	**32.003**	**150.490**	**49.422**	**36.748**	**4.008**	**59.424**	**-**
C.1 Financial derivatives with equity swaps	-	81.195	45.974	7.821	34.172	(2.174)	8.930	(154)	-	-
- Long positions	-	120.632	73.446	19.912	92.331	23.624	22.839	1.927	730	-
- Short positions	-	39.437	27.472	12.091	58.159	25.798	13.909	2.081	730	-
C.2 Financial derivatives without equity swaps	(754)	-	-	-	-	-	-	-	-	-
- Long positions	672	-	-	-	-	-	-	-	-	-
- Short positions	1.426	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	(185)	185	-	-	-	-	-	-	-	-
- Long positions	-	185	-	-	-	-	-	-	-	-
- Short positions	185	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	57.964	-

Currency of denomination: Swiss Franc										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**13.061**	**2.879**	**2.550**	**-**	**887**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	13.061	2.879	2.550	-	887	-	-	-	-	-
- Banks	12.713	2.879	2.550	-	887	-	-	-	-	-
- Customers	348	-	-	-	-	-	-	-	-	-
Cash liabilities	**712**	**-**	**-**	**24.717**	**149**	**233**	**174**	**-**	**-**	**-**
B.1 Deposits and current accounts	712	-	-	24.717	149	233	174	-	-	-
- Banks	712	-	-	24.717	149	233	174	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**56**	**5.075**	**-**	**1.111**	**2.660**	**1.361**	**3.476**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(277)	-	1.111	864	(187)	34	-	-	-
- Long positions	-	2.399	-	1.111	1.762	587	1.755	-	-	-
- Short positions	-	2.676	-	-	898	774	1.721	-	-	-
C.2 Financial derivatives without equity swaps	34	-	-	-	-	-	-	-	-	-
- Long positions	45	-	-	-	-	-	-	-	-	-
- Short positions	11	-	-	-	-	-	-	-	-	-
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	**5.586**	**499**	**399**	**319**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	5.586	499	399	319	-	-	-	-	-	-
- Banks	5.162	499	399	319	-	-	-	-	-	-
- Customers	424	-	-	-	-	-	-	-	-	-
Cash liabilities	**112**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	58	-	-	-	-	-	-	-	-	-
- Banks	42	-	-	-	-	-	-	-	-	-
- Customers	16	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	54	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**115**	**32.473**	**1.796**	**3.009**	**1.395**	**3.046**	**2.240**	**80**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(9.661)	(1.796)	3.009	(673)	-	-	-	-	-
- Long positions	-	11.406	-	3.009	361	1.523	1.120	40	-	-
- Short positions	-	21.067	1.796	-	1.034	1.523	1.120	40	-	-
C.2 Financial derivatives without equity swaps	91	-	-	-	-	-	-	-	-	-
- Long positions	103	-	-	-	-	-	-	-	-	-
- Short positions	12	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

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	**894**	**180**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	894	180	-	-	-	-	-	-	-	-
- Banks	691	180	-	-	-	-	-	-	-	-
- Customers	203	-	-	-	-	-	-	-	-	-
Cash liabilities	**8.562**	**-**	**117**	**174**	**1.845**	**641**	**235**	**-**	**-**	**-**
B.1 Deposits and current accounts	8.562	-	117	174	1.845	641	235	-	-	-
- Banks	8.562	-	117	174	1.845	641	235	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**22**	**22.707**	**1.795**	**2.213**	**5.586**	**747**	**1.318**	**794**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	6.779	1.795	(61)	1.944	743	-	-	-	-
- Long positions	-	14.743	1.795	1.076	3.765	745	659	397	-	-
- Short positions	-	7.964	-	1.137	1.821	2	659	397	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	11	-	-	-	-	-	-	-	-	-
- Short positions	11	-	-	-	-	-	-	-	-	-
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	**1.371**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	2	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	1.371	-	-	-	-	-	-	-	-	-
- Banks	1.133	-	-	-	-	-	-	-	-	-
- Customers	238	-	-	-	-	-	-	-	-	-
Cash liabilities	**4.972**	**865**	**-**	**155**	**10**	**32**	**451**	**-**	**-**	**-**
B.1 Deposits and current accounts	4.943	865	-	155	10	32	451	-	-	-
- Banks	4.943	865	-	155	10	32	451	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	29	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**1.550**	**15.057**	**-**	**19**	**90**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	10.180	-	19	-	-	-	-	-	-
- Long positions	-	12.186	-	19	45	-	-	-	-	-
- Short positions	-	2.006	-	-	45	-	-	-	-	-
C.2 Financial derivatives without equity swaps	(531)	-	-	-	-	-	-	-	-	-
- Long positions	77	-	-	-	-	-	-	-	-	-
- Short positions	608	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	(865)	865	-	-	-	-	-	-	-	-
- Long positions	-	865	-	-	-	-	-	-	-	-
- Short positions	865	-	-	-	-	-	-	-	-	-
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	**7.232**	**-**	**-**	**-**	**29**	**-**	**-**	**37**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	1	-	-
A.2 Other debt securities	-	-	-	-	29	-	-	36	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	7.232	-	-	-	-	-	-	-	-	-
- Banks	6.224	-	-	-	-	-	-	-	-	-
- Customers	1.008	-	-	-	-	-	-	-	-	-
Cash liabilities	**4.284**	**-**	**-**	**241**	**7**	**30**	**314**	**-**	**-**	**-**
B.1 Deposits and current accounts	4.040	-	-	241	7	30	314	-	-	-
- Banks	3.990	-	-	241	7	30	314	-	-	-
- Customers	50	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	244	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**50**	**15.374**	**683**	**76**	**-**	**257**	**34**	**143**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(2.618)	145	(76)	-	75	-	(11)	-	-
- Long positions	-	6.378	414	-	-	166	17	66	-	-
- Short positions	-	8.996	269	76	-	91	17	77	-	-
C.2 Financial derivatives without equity swaps	2	-	-	-	-	-	-	-	-	-
- Long positions	26	-	-	-	-	-	-	-	-	-
- Short positions	24	-	-	-	-	-	-	-	-	-
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. This service has the responsibility to measure, monitor and manage the Group's exposure to the risks indicated under the First and Second Pillars of Basel 2, continuously improving the instruments and methods for assessing quantitative and qualitative risk exposure aspects.

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

- collection of quantitative data related to operating loss and the income statement (net banking income);
- mitigation and control organizational structures;
- operational risk exposure assessment;
- output and tools to assist in managing operational risk.

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

- IT applications for the collection of operating losses;
- Risk Self Assessment (RSA) is a qualitative and quantitative analysis for operational risk exposure, whose added value consists of estimating the Group's expected and unexpected losses (quantification of possible risk events both in terms of economic impact and frequency of occurrence) attributed to the various corporate processes mapped and validated at the Group's Company;
  - operating risk loss data from external sources (DIPO - Italian Operational Loss Database, joined by the Banca Sella Group)[3].
  - the factors of the operating context and the internal control system, that is specific KPIs *(Key Performance Indicators*) or KRIs (*Key Risk Indicators*) that reflect improvement or worsening of the bank/group's risk profile following actions taken or reinforcement of controls (e.g.: service level indicators, anomalies and inspection findings, process ratings and business growth). These factors are part of the calculation of the Internal Operational Risk Rating[4].

The Control Cycle is an internal process that has been effectively adopted by the entire Group for several years for the processing of anomalies and removing the effects and the causes that generated them. This process, through the use of a specific software application, presides over the work of surveying, monitoring and

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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.

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 2010 a reorganisation project was initiated involving business processes with an “end-to-end" approach[5]. This project, which is set to continue in 2011 too, 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 Banca Sella aimed at mitigating risks through second level operational controls on the “administrative service” area of the Company itself and centralized first level controls and outsourced second level controls for the Group Companies. The work performed by this service, formalized in outsourcing contracts and provided with service levels, consist of systematic and sample checks aimed at mitigating operational risks. In particular, we mention the control carried out through so-called “warning signals”, that is to say automatic processing on a number of areas (such as: company data and authorizations; personal credit and loans; flows; credit cards; operativity of financial advisors) with the purpose to identify and prevent any internal and/or external anomalies.

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

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

- prejudicial events and operating losses reported in the Control Cycle database, highlighting the most serious anomalies

[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 purpose of the customer, whether internal or external, starting from the request and running through to delivery of the service.*

- the outcome of line audits;
- the trend in service levels;
- the "internal operational risk rating" (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.

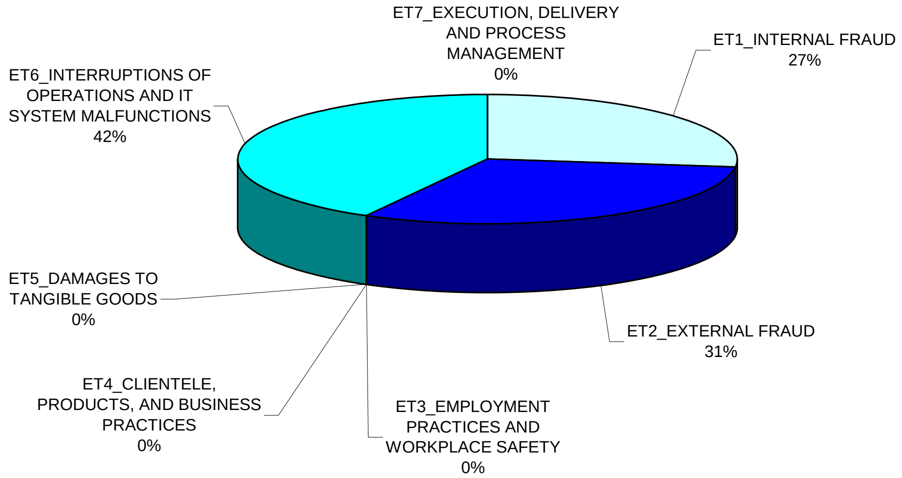
Regarding legal issues, note that the companies of the Banca Sella Group are involved in a number of legal proceedings of various types and legal proceedings originating from the ordinary performance of their activities. In as much as it is not possible to predict the final results with certainty, it is held that any unfavourable results of said proceedings would not have, either singularly or as a whole, important negative effects on the financial and economic situation of the Banca Sella Group.

For the purposes of calculation of the capital requirement to cover exposure to operational risk, the 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%.

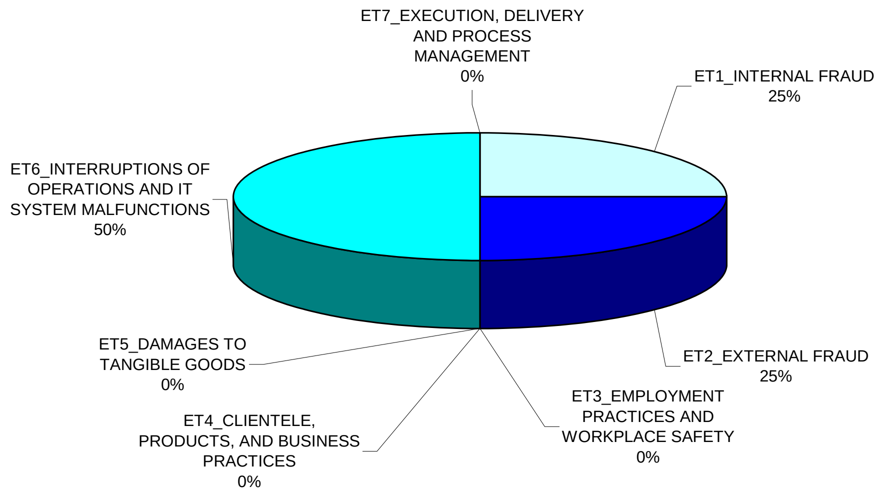
QUANTITATIVE INFORMATION

The graphs below, resulting from the processing of the information contained in the Group's *Loss Data Collection*, illustrate the operating loss data 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.

Banca Sella Holding
breakdown of gross losses



Banca Sella Holding
composition frequency



PART F INFORMATION ON CAPITAL

As required by Banca d'Italia Circular No. 263 of 27 December 2006 on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it, 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	100.500	100.500
Share premiums	49.413	49.414
Reserves	377.239	314.216
- profit reserves	377.239	314.216
a) legal	28.759	28.759
b) statuory	72.387	70.077
c) treasury shares	-	-
d) others	276.093	215.380
- others	-	-
Equity instruments	-	-
(Treasury shares)	-	-
Valuation reserves:	(10.197)	1.550
- Financial assets available for sale	(10.377)	1.114
defined benefit pension plans	181	436
Profit (loss) for the year (+/-) of the		
Shareholders' equity	**498.827**	**469.936**

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	-	10.463	-	1.998
2. Equity securities	86	-	3.112	-
3. UCITS units	-	-	-	-
4. Loans and advances	-	-	-	-
Total	**86**	**10.463**	**3.112**	**1.998**

B.3 Valuation reserves of financial assets available for sale: annual changes				
	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**(1.998)**	**3.112**	**-**	**-**
2. Increases	**4.297**	**-**	**-**	**-**
2.1 Increases in fair value	4.217	-	-	-
2.2 Reversal to income statement of negative reserves	80	-	-	-
- following impairment	-	-	-	-
- following realization	80	-	-	-
2.3 Other changes	-	-	-	-
3. Decreases	**12.762**	**3.026**	**-**	**-**
3.1 Reductions in fair value	12.762	1.105	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	-	1.921	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**(10.463)**	**86**	**-**	**-**

» 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 intangible fixed assets and negative valuation reserves on securities available for sale and 50% of equity investments in credit, financial and insurance institutions equal to or greater than 10% of the company in which the interest is held.

2. Tier 2 and Tier 3 capital

This comprises:

- Positive valuation reserves of securities available for sale
- Hybrid capital instruments
- Subordinated liabilities

net of intangible fixed assets and negative valuation reserves on securities available for sale and 50% of equity investments in credit, financial and insurance institutions equal to or greater than 10% of the company in which the interest is held.

Issuer	Interest rate	Interest type	Issue date	Maturity date	Early redemption from	Currency	Original amount *(euro thousand)*	Contrbiution to regulatory capital *(euro thousand)*
Banca Sella Holding	2,050%	variable	16-Sep-02	16-Mar-13	No	euro	50.000	49.993
Banca Sella Holding	1,950%	variable	01-Sep-03	01-Sep-14	No	euro	24.612	24.068
Banca Sella Holding	2,100%	variable	15-Jul-04	15-Jul-15	No	euro	18.560	17.681
Total hybrid instruments (Upper Tier II)								**91.742**
Banca Sella Holding	2,576%	variable	15-Dec-04	15-Dec-14	15-Dec-10	euro	40.000	30.000
Banca Sella Holding	2,574%	variable	28-Nov-06	28-Nov-16	28-Nov-12	euro	50.000	50.000
Banca Sella Holding	1,818%	variable	21-Jun-07	21-Jun-17	21-Jun-13	euro	10.000	9.600
Banca Sella Holding	1,770%	variable	06-Jun-08	06-Jun-14	06-Jun-10	euro	8.340	8.070
Banca Sella Holding	2,210%	variable	27-Dec-07	27-Dec-17	27-Dec-13	euro	30.000	28.050
Total eligible subordinated (Lower Tier II)								**125.720**
Total								**217.462**

Hybrid instruments (Upper Tier 2)

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

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

Lower Tier 2 subordinated liabilities

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

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

Lower Tier 3 subordinated liabilities

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

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

QUANTITATIVE INFORMATION

	Total 31/12/2011	Total 31/12/2010
A. Tier 1 capital before application of prudential filters	**505.129**	**462.993**
B. Tier 1 capital prudential filters	**1.628**	**(90)**
B.1 Positive IAS/IFRS prudential filters (+)	1.628	-
B.2 Negative IAS/IFRS prudential filters (-)	-	(90)
C. Tier 1 capital including ineligible items (A+B)	**506.757**	**462.903**
D. Tier 1 capital ineligible items	10.158	2.534
E. Total Tier 1 capital (C-D)	**496.599**	**460.369**
F. Tier 2 capital before the application of prudential filters	**217.462**	**235.986**
G. Tier 2 capital prudential filters	**43**	**(1.556)**
G.1 Positive IAS/IFRS prudential filters (+)	43	-
G.2 Negative IAS/IFRS prudential filters (-)	-	(1.556)
H. Tier 2 capital including ineligible items (F+G)	**217.505**	**234.430**
I. Tier 2 capital ineligible items	10.158	2.534
L. Total Tier 2 capital (H+I)	**207.347**	**231.896**
M. Total Tier 1 and Tier 2 ineligible items	37.847	46.851
N. Regulatory capital (E+L-M)	**666.099**	**645.414**
O. Tier 3 capital	-	6.359
P. Regulatory capital including Tier 3 (N+O)	**666.099**	**651.773**

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

QUALITATIVE INFORMATION

In financial year 2009 the "New capital adequacy rules for Banks" (Bank of Italy Circular No. 263 of 27 December 2006, 3rd updating of 15 January 2009), 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 52,38% and a ratio between total regulatory capital and risk weighted assets of 70,25%, 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	3.556.435	3.174.649	1.010.640	1.001.239
2. Internal rating based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securizations	2.603	2.868	881	969
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			60.691	60.133
B.2 Market risks			5.265	8.906
1. Standardized approach			5.265	8.906
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			9.893	11.073
1. Standardized approach			9.893	11.073
2. Internal models			-	-
3. Advanced approach			-	-
B.4 Other capital requirements			-	-
B.5 Other computing items			-	-
B.6 Total capital requirements			75.849	80.112
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk weighted assets			948.118	1.001.397
C. 2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			52,38%	45,95%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)			70,25%	65,07%

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 significant for the Banca Sella Group, with reference to the specific organisational structure and governance, comprise:

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

1. IN INFORMATION ON DIRECTORS' AND MANAGERS' REMUNERATION

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 responsibilities *(amounts in euro thousands)*

Items	Total 31/12/2011
a) short-term employee benefits	3.870,3
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	142,7
e) share-based payments	-
Total	**4.013,0**

The following table shows payments received in 2011 by Directors and Statutory Auditors of the Company:

Fees received by directors and statutory auditors *(amounts in euro thousands)*

Items	Total 31/12/2011
Directors	1.431,4
Statutory Auditors	231,1
Total	**1.662,6**

» 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)					
	Assets	Liabilities	operating income	operating expenses	Guarantees received	Guarantees granted
Parent Company	-					
Significant Influence	-		-	-	-	-
Directors and Managers	1.392,0	4.074,0	-	-	-	-
Subsidiaries	-		-	-	448,9	959,0
Associated Comapanies	-		-	-	-	-
Jointly-controlled comapanies	-		-	-	-	-
Other relatied parties	-		-	-	-	-
Total	**1.392,0**	**4.074,0**	**-**	**-**	**448,9**	**959,0**

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 Holding made use of services provided by the consortium company during the period of January - May 2011 and from Banca Sella for the remaining portion of the year. It offered outsourcing to Group companies for services related to Company Secretarial, Inspectorate, Computer Security and Bond Issues.

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

The fees which Banca Sella Holding paid for services provided through outsourcing are summarised below:

Banca Sella Holding outsourcing fees payed collected (amounts in euro thousands)	
Society	**amount at 31/12/2011**
Banca Sella S.p.A.	4.523
Sella Servizi Bancari S.C.p.A.	6.914
Easy Nolo S.p.A.	1.436
Sella Gestioni Sgr	24
Selir S.r.l.	140

PART I PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

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

PART L SEGMENT REPORTING

As permitted by Circular No. 262 of 22 December 2005, 1st amendment of 18 November 2009, issued by the Bank of Italy, the segment reporting has been prepared for the consolidated financial accounts.

Resolutions of the Ordinary Shareholders' Meeting of 27 April 2012

The Ordinary Shareholders’ Meeting unanimously

approves

- the Board of Directors' report on operations for financial year 2011;
- the Financial Statements at 31 December 2011, consisting of: Balance Sheet, Income Statement and Notes to the Financial Statements and relevant attachments;
- the proposal contained in the Board of Directors' Report to cover the losses for the period using the extraordinary reserves;

acknowledges

- that the 2011 Banca Sella Group Financial Statements indicate profits of €17,3 million, of which €15,7 pertaining to the Parent Company;

appoints

- as Directors until approval of the financial statements at 31/12/2012: Petrella Prof. Giovanni and Bonzano Ing. Mario;
- as standing auditors PIA Dott. Mario (Chairman), PICCATTI Dott. Paolo and FRÈ Dott. Daniele and as alternate auditors OGLIARO Dott. Pierangelo and FOGLIA TAVERNA Dott. Riccardo for the three-year period 2012/2014, until approval of the financial statements as at 31/12/2014;

approves

- the Board of Directors’ Report on corporate governance;

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.

Independent Auditors' Report

Deloitte.

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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 HOLDING S.p.A.

1. We have audited the statutory financial statements of Banca Sella Holding 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 Holding 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 Holding S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of Banca Sella Holding S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on the corporate governance, with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 2, letter b) included in the specific section on corporate governance are consistent with the financial statements of Banca Sella Holding S.p.A. as of, 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.